

VMUK Board Scope

Purpose

The VMUK Board is collectively responsible for promoting the long-term, sustainable success of Virgin Money UK PLC (VMUK or Company) and its subsidiaries (together, the VM Sub-Group), generating value for shareholders and ensuring the interests of all stakeholders and the VM Sub-Group's contribution to wider society are fully understood and considered. The VMUK Board is responsible for:

- the overall leadership of the VM Sub-Group within a framework of prudent and effective controls which enables risk to be assessed and managed;
- overseeing the implementation of governance arrangements to ensure effective and prudent management of the VM Sub-Group in a manner that promotes the integrity of the market and interests of the VM Sub-Group's stakeholders including customers;
- establishing the VM Sub-Group's Purpose and values, setting the VM Sub-Group's strategy and risk appetite and leading the development of the VM Sub-Group's culture;
- overseeing delivery of the VM Sub-Group's strategy (including the VM Sub-Group's ESG strategy and sustainability goals) ensuring that the necessary resources and succession planning arrangements are in place for the VM Sub-Group to meet its objectives. In doing so the VMUK Board is responsible for the raising and allocation of capital and for reviewing business, financial and risk appetite performance;
- acting in the best interests of the Company's shareholders, other key stakeholders and the Company in accordance with all applicable law and regulation. In carrying out their responsibilities, the directors will comply with their directors' duties (as set out in the Companies Act 2006 (CA 2006)) (Directors' Duties) and will take into account the factors listed in section 172 of CA 2006 and any other relevant considerations (including the principles and provisions of the UK Corporate Governance Code – July 2018 (Code)); and
- overseeing the application of VM Sub-Group policies and procedures adopted in accordance with this Charter throughout the VM Sub-Group.

The VM Sub-Group is part of the Nationwide Building Society (Society) group (Group). The Society is the ultimate parent of the Group and the direct and sole shareholder of VMUK. The board of the Society (Board) is the ultimate decision-making body for all significant Group-wide issues and certain matters material to the VM Sub-Group which are also material to the Group as a whole. The Governance Framework, approved by the Board and the VMUK Board, provides guidance on the Group's governance arrangements and this VMUK Board Charter should therefore be read in conjunction with that document. In particular:

- VMUK directors are required by CA 2006 to, among other things, act in the way that they consider, in good faith would be most likely to promote the success of the Company for the benefit of its shareholders (i.e. the Society) and therefore the VMUK Board will generally take into account the success and soundness of the Society and the Group as part of its decision-making process;
- the VMUK Board will make certain decisions relating to the VM Sub-Group (as set out in the 'Matters Reserved for the VMUK Board' section of this Charter) albeit within the Governance Framework; and
- certain matters which are material to the VM Sub-Group and to the Group as a whole require escalation to the Board for approval as referenced in this Board Charter.

Except as otherwise defined in this VMUK Board Charter, capitalised terms are defined in the glossary in the Governance Framework.

References to Group in a role title refers to the individuals' role in the VM Sub-Group.

Authority

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

The VMUK Board is authorised to:

- have adequate access to information and 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 VM Sub-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 considers necessary to fulfil its role and responsibilities.

Ring-Fencing Obligations

The VMUK Board shall ensure that any obligations with respect to ring-fencing applicable to the VM Sub-Group or to the VM Sub-Group's respective boards and their respective board members (for example, board composition and independence) shall be met in the exercise of the VMUK Board's duties subject to applicable law and regulation and the directors' duties.

Membership and Attendance

Chair

The VMUK Board Chair is appointed by the VMUK Board on the recommendation of the VMUK Board Governance and Nomination Committee and with the approval of the Society (via the Board) and on appointment should meet the independence criteria set out in the Code and in the Rulebook.

If the VMUK Board Chair is absent the VMUK Senior Independent Director (SID) will chair any VMUK Board meeting and in the absence of the SID the VMUK 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 chair of the meeting will have a casting vote, but this does not apply if the chair of the meeting is not to be counted as participating in the decision-making process.

Members

The VMUK Board comprises the VMUK Board Chair, Non-Executive Directors and Executive Directors. Members are appointed by the VMUK Board on the recommendation of the Governance and Nomination Committee and with the approval of the Society (via the Board).

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

Standing Attendees and Additional Invitees

The VMUK Board Chair will determine which members of the management team are appointed as standing attendees and the secretary shall maintain a register of same.

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 VMUK Board meetings, including recording the names of those present and in attendance.

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

Matters Reserved for the VMUK Board

1.0 Strategy and Management

- 1.1. Setting the VM Sub-Group Strategic Plan (including the ESG strategy) and Financial Plan (including Capital & Funding Plans), risk management and control framework and risk appetite (and any material amendments) in alignment with the Group positions set by the Board.
- 1.2. Responsibility for the overall leadership of the VM Sub-Group and the setting of the VM Sub-Group's Purpose, values and standards in alignment with the Group positions set by the Board.
- 1.3. Review, provide input to and recommend for the approval of the Board any changes to the corporate structure of the VM Sub-Group including but not limited to any decision to re-register VMUK as a private limited company, any amendment to any existing listing(s) of any company within the VM Sub-Group, any additional listing on any public or regulated exchange or to effect any intra-group reorganisation.
- 1.4. Subject to paragraph 1.5, approve material transactions involving the VM Sub-Group, including but not limited to the disposal of a VMUK subsidiary or VMUK book of business, acquisitions and disposals of assets, share acquisitions and disposals, material joint ventures, and strategic partnerships and alliances which are significant in terms of the VM Sub-Group's business.
- 1.5. Review, provide input to, and recommend to the Board for approval any material transaction reserved to the Board pursuant to its terms of reference. Material transactions are: (a) any acquisition, disposal or securitisation of trading assets or liabilities with a gross book value in excess of £1 billion or where there is an unbudgeted loss arising in excess of £50 million; and (b) the acquisition or disposal of any individual non-trading asset, including freehold or leasehold property, with a gross book value in excess

of £50 million or where there is an unbudgeted loss arising in excess of £25 million.

- 1.6. Consider longer term strategic threats to the business operations of the VM Sub-Group.
- 1.7. Approve the VM Sub-Group's key financial objectives and sustainability goals.
- 1.8. Review the capital and liquidity position of the VM Sub-Group.
- 1.9. Review the performance of the VM Sub-Group in light of the VM Sub-Group's Strategic Plan (including the ESG strategy), Financial Plan, KPIs and budgets, ensuring that any necessary corrective action is taken.
- 1.10. Subject to paragraph 1.11, approve material capital projects, investments or strategic contracts to be incurred by the VM Sub-Group where the value exceeds £20 million on any single item (or directly related items).
- 1.11. Review, provide input to and recommend to the Board for approval any material project or contract reserved to the Board pursuant to its terms of reference. Material projects and contracts are: (a) projects which involve aggregate project spend in excess of £50 million over the life of the project (including any internal spend and resource costs); (b) contracts with third parties which involve total life of contract spend in excess of £150 million which are not included within the Board-approved Society Plan (any approvals greater than £40 million but less than (or equal to) £150 million shall be reported to the Board via the VMUK Board Chair's report); and (c) the entry into individual or inter-related leases or tenancies where the annual rent exceeds £5 million or the disposal of surplus leasehold premises with an annual rental value in excess of £5 million.
- 1.12. Review and consider reports on matters which it considers material to the VM Sub-Group as appropriate, in particular:
 - Relations with regulatory authorities;
 - Health, safety and well-being;
 - Information systems and technology;
 - Insurance cover insofar as it relates to the VM Sub-Group ;
 - Ordinary course litigation and claims, ensuring that any significant steps in any litigation or other contentious process with a value exceeding £25 million or which could have a significant impact on the Group involving a member of the VM Sub-Group are escalated to the Board for approval;
 - Environmental, social and governance matters; and
 - Stakeholder relations.
- 1.13 Review, provide input to, and recommend to the Board for approval material decisions relating to the rebranding of the VM Sub-Group.
- 1.14 Review, provide input to, and recommend to the Board for approval any material change to VMUK's business, including (but not limited to) the launch of a significant new product.
- 1.15 Review, provide input to, and recommend to the Board for approval material changes to Clydesdale Bank PLC's (CB) role as an issuer of banknotes.

2.0 Structure, Capital and Funding

- 2.1 Consider and approve major changes to the VM Sub-Group's corporate structure including proposals affecting the VM Sub-Group's own funds or MREL resources, including any dividends, buybacks (including the use of treasury shares), capital reductions, issuances and redemptions (other than in relation to

employee share plans operated by the VM Sub-Group) in each case in accordance with the Group Capital Plan.

2.2 Consider and approve the VM Sub-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 approve the VM Sub-Group's Internal Liquidity Adequacy Assessment Process.

2.4 Review and approve the VM Sub-Group Recovery Plan and Resolution Plan and receive updates (as required) on the VM Sub-Group's recovery and resolution planning activities.

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 VM Sub-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 VMUK 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 (VMBAC) and the VMUK Risk Committee (VMBRC), approval of:

- the Annual Report and Accounts;
- the Pillar 3 Disclosure;
- the interim financial report and results and material and significant statements issued to investors in the jurisdictions in which VM Sub-Group securities are listed or registered, provided that any circulars, prospectuses or listing particulars shall be approved by the Board;
- the dividend policy and interim dividends and recommend final dividends to the shareholders for approval (in accordance with the Group Capital Plan);
- recommendations to shareholders of the appointment, re-appointment and removal of the external auditor of the VM Sub-Group (External Auditor); and
- the recommendation to shareholders of the remuneration of the External Auditor.

5.0 Internal Controls and Risk Management

5.1 Following recommendations from the VMBAC or VMBRC as appropriate, approval of:

- the VM Sub-Group's Risk Appetite Statement (RAS) and Risk Management Framework (RMF) in alignment with the Group positions set by the Board;
- the statement on internal controls and risk management for inclusion in the Annual Report and Accounts; and
- the appointment or dismissal of the VM Sub-Group Chief Risk Officer, subject to any recommendation made by the Board or the Society Board Risk Committee.

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

- 5.3 Monitor performance of the VM Sub-Group against the approved RAS and RMF.
- 5.4 Keep under review the principal, current and emerging risks facing the VM Sub-Group and approve, as appropriate recommended action escalated by the VM BRC.
- 5.5 Oversee the VM Sub-Group's whistleblowing arrangements together with those for the detection of fraud and prevention of bribery in accordance with any applicable Group policy.

6.0 Delegation of Authority

- 6.1 Approval of the VM Sub-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 following annual review. In the case of the Board Committees (defined below), non-material changes to a Board Committee Charter may be approved by the Chair of that committee in the period between annual reviews. Materiality will be a matter for decision by the Chair of that committee.
- 6.3 As a minimum, the following committees shall be established (Board Committees):
- VMBAC;
 - VMBRC;
 - Governance and Nomination Committee; and
 - Remuneration Committee.

From time to time the Board may also establish special purpose committees to assist it in overseeing specific areas and usually such committees operate only for a defined period.

7.0 Board and Committee Matters

- 7.1 Following recommendations from the VMUK Governance and Nomination Committee and if applicable the Society Nomination and Governance Committee, approval (subject to any applicable additional approval by the Society via the Board) of:
- changes to the structure, size and composition of the VMUK Board;
 - the VMUK Board Diversity & Inclusion Policy including a target for the representation of the under-represented gender on the VMUK Board and in relation to broader diversity considerations;
 - appointments to the VMUK Board. Fees for VMUK Board members will be approved in accordance with any applicable remuneration policy;
 - appointment of a SID;
 - 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 Society of directors at the Company's annual general meeting;
 - the appointment and removal of the Group 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 VM Sub-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 or the Society Nomination and Governance Committee, that adequate succession arrangements are in place for VMUK Board members and the senior management of the VM Sub-Group in order to maintain an appropriate balance of skills, experience, independence, knowledge and diversity now and to ensure the progressive refreshing of the VMUK Board over the medium and longer term.

7.3 Approval of the division of responsibilities between the VMUK Board Chair and the VMUK CEO.

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 VMUK 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 VMUK Board Chair. If the change renders the appointment a significant appointment, VMUK Board approval will be required.

8.0 Remuneration

8.1 Following recommendations from the VMUK Remuneration Committee and (if applicable) the Society Remuneration Committee, subject always to applicable law and regulation and any applicable Group-wide policy, approval of:

- the VM Sub-Group's remuneration arrangements and Remuneration Policy (including remuneration packages of the directors, Group Company Secretary and members of the LT) and any recommendation to the shareholders for approval of the Remuneration Policy as and when required;
- overall funding for annual salary reviews; and
- major changes to existing VM Sub-Group share incentive plan arrangements.

9.0 Corporate Governance

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

- the VM Sub-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 VMUK Board's own performance, the Board Committees, the VMUK Board Chair (led by the SID) and of individual directors.

9.3 Approval of conflicts of interest or potential conflicts of interest of directors in accordance with the Company's Articles of Association. To the extent that any conflicts of interest arise between the VM Sub-Group and the Society or any other member of the Group, the VMUK Board will be responsible for ensuring that it exercises its duties on behalf of VMUK and the VM Sub-Group.

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 VM Sub-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 Subject to paragraph 4.1, approval of any circulars, equity prospectuses, listing particulars or press releases and announcements concerning matters decided by the VMUK Board.

11.0 Policies

11.1 Review and approve key VM Sub-Group policies pursuant to the Policy Management Framework, in alignment with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group.

12.0 Other

12.1 Recommend to the Board for approval any political donations

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

12.2 Approval of any matter likely to have a material impact on the Company or the VM Sub-Group from any perspective, including, but not limited to, financial, operational, strategic or reputational, and with escalation to the Board in relation to any matters which have or may have a material or significant Group-wide impact.

Reporting Responsibilities

Annual Report and Accounts (ARA)

The directors shall be responsible for preparing the Company's Annual Report and Accounts, which shall include any required report of the directors under applicable law or regulation.

Relationship With Management

The VMUK Board has delegated responsibility for the day-to-day running of the VMUK business to the VMUK CEO. The VMUK CEO is accountable to the VMUK Board and to the Group CEO for the performance and risk management of the VM Sub-Group. To assist the VMUK CEO in the discharge of their function, the VMUK CEO has established the LT, which assists with day-to-day management, and the VM ERC, which is responsible for monitoring and controlling risk in the VM Sub-Group. Specific delegations from the VMUK Board to the VMUK CEO are set out in the Delegation of Authority Framework, as approved by the VMUK Board.

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

Governance

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

The VMUK Board Charter will be made available on the VMUK website.