

Board Risk Committee

Charter v11.1

Committee 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). The VMUK Board has delegated responsibility to the VMUK Board Risk Committee (VMBRC / Committee) to oversee the management of risk across the VM Sub-Group, taking a forward-looking perspective, anticipating changes in business conditions and promoting risk awareness culture within the VM Sub-Group.

The Committee is responsible for (i) assisting the VMUK Board to set the VM Sub-Group's risk appetite and to ensure that the VM Sub-Group maintains an effective RMF; (ii) assessing the principal and emerging risks facing the VM Sub-Group, including their management, controls and mitigation; (iii) reviewing and approving the annual risk assurance plan and receiving regular reports on progress against the plan; (iv) leading the development and embedding of a culture that supports risk awareness and the fair treatment of customers; and (v) exercising oversight over the effectiveness of the Risk (including Compliance) Management function.

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 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 VMBRC will make certain decisions relating to the VM Sub-Group (as set out in the 'Responsibilities' 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 Charter.

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

Authority

The VMBRC operates under authority delegated from the VMUK Board and is authorised to:

- have adequate access to information and determine the nature, amount, format and frequency of the information 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;
- 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;
- delegate any matter to another committee, sub-committee or person to carry out its responsibilities; and review matters referred to it by the VMUK Executive Risk Committee (VMERC).

Membership and Attendance

Chair

The VMBRC Chair is appointed by the VMUK Board on the recommendation of the VMUK Governance and Nomination Committee and with the approval of the Society Nomination & Governance Committee.

The VMBRC 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 VMUK Board on recommendation from the VMUK Governance and Nomination Committee, in consultation with the VMBRC Chair with the approval of the Society Nomination & Governance Committee.

The VMBRC will have at least three independent Non-Executive Directors, including the VMBRC Chair, and a member of the VMUK Board Audit Committee (VMBAC). The VMUK Board Chair may not be a member of the VMBRC.

Standing Attendees and Additional Invitees

- VMUK Board Chair
- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Group Director Internal Audit
- Group Chief Risk Officer (CRO)
- Chief Operating Officer (COO)
- Representatives of the external auditor of the VM Sub-Group (External Auditor)
- Group Company Secretary

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

Other individuals may be invited to attend all or part of any meeting for specific items or to make presentations to the Committee.

Pursuant to the terms of the trade mark licence agreement dated 1 October 2014 (as amended, novated and restated from time to time) between Virgin Enterprises Limited (VEL) and VMUK, as amended and restated on 1 October 2024, VEL is entitled to appoint an observer (Board Observer) at each and every meeting of the board of directors (Board) of VMUK and each and any committee of the Board established from time to time. The Group Company Secretary will confirm who has been nominated by VEL to be Board Observer.

Quorum

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

Committee Management

Secretary

The Group Company Secretary or delegate shall be Secretary.

The Secretary at the request of the VMBRC Chair, shall ensure the Committee meets with sufficient notice and the Committee receives papers in a timely manner to enable full and proper consideration to be given to issues.

Meeting Frequency

At least four times per year with additional joint meetings with the VMBAC held at appropriate points in the year where there are matters of relevance that require to be considered jointly by both committees. Any member or the VMUK Board Chair, CEO, 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 VMBRC Chair. Sufficient member responses must be received in line with the VMBRC quorum requirements for a matter to be deemed approved. The written confirmation shall be valid as if it has been passed at a meeting of the VMBRC and may be made in one or more counterparts.

Outside of the formal meeting schedule, the VMBRC Chair will maintain a dialogue with key individuals involved in the Company's governance, including the VMUK Board Chair, the CEO, the CRO, the CFO, the Group Director Internal Audit, and other members of the VMUK Executive Committee as required.

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

Minutes of Meetings

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

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

Responsibilities

1.0 Risk Appetite, Framework and Limits

- 1.1 Advise the VMUK Board on the principal, current and emerging risks facing the VM Sub-Group, including the likelihood and impact of those risks materialising and the management and mitigation of those risks. This involves the VMBRC considering 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 in overseeing the implementation of key risk related strategies, enterprise-wide risk and controls systems and processes, frameworks, plans, policies and models and monitor the extent to which they have been embedded across the VM Sub-Group in accordance with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group.
- 1.3 Review and recommends a) the VM Sub-Group's Risk Appetite Statement (RAS) (in conjunction with the CB BRC), Risk Management Framework (RMF) and non-financial internal control systems and b) the adoption of the Group RAS, to the extent relevant to the VM Sub-Group, to the VMUK Board for approval in alignment with the Group positions set by the Board.
- 1.4 Review and approve the methodology and parameters used in establishing the VM Sub-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 VMBAC, review and approve the statement on internal financial controls and risk management to be included in the VMUK Annual Report and Accounts (ARA).

- 1.7 Review and recommend the VM Sub-Group's Internal Capital Adequacy Assessment Process to the VMUK Board for approval.
- 1.8 Review and recommend the VM Sub-Group's Individual Liquidity Adequacy Assessment Process to the VMUK Board for approval.
- 1.9 Oversee the VM Sub-Group's 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.
- 1.10 Review and approve the annual VM Sub-Group's 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.

2.0 Policies

- 2.1 Review and approve (where required pursuant to the VMUK Policy Management Framework (PMF)), or where applicable, recommend to the VMUK Board for approval, key VM Sub-Group policies (as defined by the PMF) in alignment with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group.

3.0 Compliance

- 3.1 Monitor the adequacy and effectiveness of the VM Sub-Group's compliance function.
- 3.2 Receive periodic reports on matters relating to compliance risk.
- 3.3 Monitor the VM Sub-Group's 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 the VM Sub-Group's risk governance, risk assessment or management processes.
- 3.5 Review periodic reports providing details on the VM Sub-Group's compliance with the FCA Consumer Duty rules and conduct risk generally.

4.0 Fraud, Anti-money Laundering and Bribery Prevention

- 4.1 Review and challenge the adequacy and effectiveness of the VM Sub-Group's anti-money laundering and counter terrorist financing systems and controls including via the consideration of the annual VM Sub-Group's Money Laundering Reporting Officer report. .
- 4.2 Receive updates on the VM Sub-Group's Economic Crime 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 Receive notifications of breaches of the VM Sub-Group's systems and controls for the prevention of bribery in accordance with any applicable Group policy and reports on non-compliance.

5.0 Stress Testing

- 5.1 Review the adequacy of the VM Sub-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 VM Sub-Group's 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 VMUK Board (in conjunction with the Board of CB) the results of the enterprise-wide stress tests and the final SST submissions (including ICAAP and ILAAP submissions) to the relevant regulatory authority.

6.0 CRO and Risk Function

6.1 In relation to the VM Sub-Group Risk function the Committee will:

- Review the operating model and effectiveness of the Risk function including its resource adequacy, impact on the Company's risk profile and independence of the business.
- Provide oversight and challenge to ensure that a supportive risk culture is maintained throughout the VM Sub-Group.

6.2 In relation to the CRO:

- The Committee will review all reports from the CRO.
- The CRO will report directly to the CEO with a dotted reporting line to the VMBRC, and a right of access to the VMUK Board Chair.
- The Committee will consider and make recommendations to the VMUK Board regarding the appointment or removal of the CRO. Prior to making a recommendation to the VMUK Board, proposals are to be discussed with the Society Chief Risk Officer and the Society Risk Committee Chair.
- The CEO, in conjunction with the VMBRC Chair, will make recommendations to the VMUK Remuneration Committee in respect of the remuneration of the CRO.
- At least annually, the VMBRC Chair will discuss the performance of the CRO with the CEO.

7.0 Remuneration

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

7.2 Review variable remuneration performance measures to monitor that risk and conduct perspectives are appropriately reflected and discuss any recommendations to the VMUK (and CB) Remuneration Committee on the effectiveness of conduct and risk management during the performance period.

8.0 Financial and Non-financial Internal Controls

8.1 Review and approve, in conjunction with the VMBAC as appropriate, the following matters:

- VM Sub-Group Consolidated Control Effectiveness Statement.
- VM Sub-Group 1st Line Assurance Plans.
- VM Sub-Group Annual Risk Management Assurance Plan; and
- VM Sub-Group Internal Audit Plan.

8.2 The Committee shall have regard to any relevant advice from the VMBAC or VM Sub-Group Internal Audit concerning the effectiveness of the control framework.

9.0 Model Risk Management

9.1 Oversee the management of Model Risk in the VM Sub-Group and promote a culture to manage model risk effectively.

9.2 Establish a comprehensive firm-wide Model Risk Management framework and approve the VM Sub-Group Model Risk Management policy ensuring alignment with any Group policy approved by the Board to take effect in the VM Sub-Group.

9.3 Monitor reporting against the VM Sub-Group's model risk appetite and on the Model Risk Framework; and receive the escalation of the Validation Function's concerns.

9.4 Challenge the outputs of the most material models and understand their capabilities and limitations, operating boundaries (where the model should perform acceptably) and the potential impact of poor performance and associated mitigation required.

In addition to the above the Committee shall also consider, review or approve any other matter that the VMBRC Chair agrees is within the Committee's remit.

Reporting Responsibilities

Board Updates

After each VMBRC meeting, the VMBRC Chair shall provide an update to the VMUK Board and the Board Risk Committee on decisions made, key discussion items and matters requiring the input and / or approval of the VMUK Board or the Board Risk Committee (as the case may be) as set out in the Governance Framework and in this VMBRC Charter.

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

Annual Report and Accounts

The directors shall be responsible for preparing the Company's ARA, which shall include any required report of the directors under applicable law or regulation and the VMBRC will provide input as required.

Committee Governance

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

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

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

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