

## Committee Scope

### Purpose

The board of Virgin Money UK PLC (“VMUK”) (“Board”) has delegated responsibility to the Board Governance & Nomination Committee (“G&N” / “Committee”) to (i) keep the Board’s governance arrangements under review and to make recommendations to the Board to ensure that VMUK’s governance arrangements are consistent with corporate governance standards and best practice including the UK Corporate Governance Code (Code) (ii) to assist the Board Chairman in keeping the composition of the Board under review, considering and making recommendations to the Board in respect of Board and Board Committee appointments; and (iii) to ensure that plans are in place for orderly succession to Board and senior management positions across VMUK and its subsidiaries (the “Group”).

### Authority

The G&N operates under authority delegated from the Board and is authorised to:

- have access to resources and information to conduct its responsibilities; and
- obtain, at VMUK’s expense, any appropriate 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

### Chair

The Chair is appointed by the Board on the recommendation of the Committee.

The Chair will be the Chairman of the Board, except when the Committee is dealing with the appointment of their successor in which case, or if the Chairman on the Board is absent, another independent Non-Executive Director member of the Committee will be Chair.

The Chair will not have a casting vote.

### Members

Members are appointed by the Board on recommendation from the Committee and in consultation with the Chair.

The Committee will comprise a majority of independent Non-Executive Directors and as minimum will include the Board Chairman, the Senior Independent Director and one other independent Non-Executive Director.

### Standing Attendees and Additional Invitees

- Chief People Officer
- Group Company Secretary

At the request of the Chair, other individuals may be invited to attend all or part of any meeting for specific items or to make presentations to the Committee.

### **Quorum**

Two members one of whom must be the Chair or the Senior Independent Director.

## **Committee Management**

### **Secretary**

The Group Company Secretary or delegate shall be Secretary.

### **Meeting Frequency**

The Committee will meet at least two times per year.

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. This written confirmation shall be valid as if it had been passed at a meeting of the Committee and may be made in one or more counterparts.

### **Minutes of Meetings**

The Secretary shall minute the proceedings and decisions of all Committee 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 Composition of the Board and its Committees**

1.1 Periodically review the structure, size and composition<sup>1</sup> (including the skills, knowledge, experience and diversity) of the Board and its committees (in consultation with each committee chair), taking into account the results of the annual Board evaluation, and make recommendations to the Board with regard to any changes.

### **2.0 Succession Planning**

2.1 Ensure plans are in place for orderly succession to Board and executive Leadership Team positions and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing VMUK, and the skills and expertise needed on the Board in the future.

2.2 Keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

2.3 Keep up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates.

2.4 In considering the effectiveness of the succession plans for senior management positions, the Committee shall review at least annually a report on the Group's talent management and development programme.

2.5 Make recommendations to the Board concerning any changes needed to the succession planning process if its periodic assessment indicates the desired outcome has not been achieved.

### **3.0 Board Appointments**

1. Composition assessed with due consideration to the Code and Guidance on Board Effectiveness, Section 5 of the PRA's General Organisational Requirements for CRR Firms, FCA SYSC4.3A and the Ring-fenced Bodies Rulebook.
2. Independence assessed against the requirements of the Code, the Guidance on Board Effectiveness, and the Ring-fenced Bodies Rulebook as specifically applicable to both the Chairman and the Non-Executive Directors.

- 3.1 Be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies when they arise.
- 3.2 Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience, independence<sup>2</sup> and diversity on the Board, and in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment and the time commitment expected (in the case of the Board Chairman, recognising the need for availability in the event of a crisis). In identifying suitable candidates, the Committee shall:
- have regard to the Group’s purpose, culture, and values and behaviours;
  - have regard to the independence<sup>2</sup> criteria of the Code and PRA Ring-fenced Bodies Rulebook (“PRA Rulebook”);
  - for Non-Executive Director appointments use open advertising (other than for an extraordinary vacancy arising in the case of the Board Chairman);
  - use external advisers to facilitate the search ;
  - consider candidates from a wide range of backgrounds; and
  - consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the Board and taking care that appointees have enough time available to devote to the position.
- 3.3 Before making any appointment recommendation to the Board ensure that any proposed appointee:
- meets the independence<sup>2</sup> criteria of the Code and the PRA Rulebook, if they are to be appointed a new independent Non-Executive Director;
  - undertakes that they will be able to allocate sufficient time to their proposed role(s) to discharge their responsibilities effectively;
  - discloses any other significant time commitments and undertakes that they shall not undertake any additional future commitments without prior approval of the Board. Changes to these commitments, and the time involved, to be reported to the Board as they arise;
  - discloses any business interests that may result in an actual or potential conflict of interest with those of the Group and undertakes that any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board; and
  - where applicable, has satisfied the requirements imposed by the PRA, Financial Conduct Authority (FCA) and any other relevant regulatory authority.
- 3.4 Ensure that, on appointment to the Board, Non-Executive Directors receive a letter of appointment setting out clearly the terms and condition of their appointment including the expected time commitment, committee service and involvement outside Board meetings (fees for Non-Executive Directors shall be proposed by the Chairman of the Board to the Board for approval, and in the case of the Chairman of the Board shall be approved by the VMUK Remuneration Committee).

#### **4.0 Serving Directors**

4.1 Make recommendations to the Board about:

- the time required from Non-Executive Directors. Performance evaluation should be used to assess whether Non-Executive Directors are spending enough time to fulfil their duties;
- membership of other Board committees, in consultation with the chair of those committees;
- the re-election by shareholders of Directors under the annual re-election provisions of the Code or the retirement by rotation provisions in the VMUK Articles of Association, having due regard to their performance and ability, and why their contribution is important to VMUK’s long-term sustainable success in light of the skills, experience and knowledge required and the need for progressive refreshing

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of the Board, taking into account the length of service of individual Directors, the Board Chairman and the Board as a whole;

- the independence<sup>2</sup> of Non-Executive Directors having regard to the independence criteria of the Code and the PRA Rulebook;
- the re-appointment of Non-Executive Directors at the conclusion of their specified term of office having due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required and in doing so review the length of time in which each Director has been in office and whether their contribution as a Director remains effective. When undertaking this review, the Committee will be mindful of the fact that the Ring-fenced Bodies Rulebook states that a Director will not be regarded as independent if they have served on the Board for more than 9 years, and the Code states that where a NED has served on the Board for more than 9 years this is likely to impair (or could appear to impair) their independence;
- any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the company subject to the provisions of applicable law and their service contract; and
- the appointment of any Director to executive or other office.

Committee members must not be present at any meetings and must not participate in any decision or vote on any resolution of the Committee, in relation to their own performance or election, re-election, appointment or removal from any Board or Board committee role.

## **5.0 Board Evaluation**

5.1 Set the criteria for and oversee the formal and rigorous annual evaluation of the Board, its committees and each Director (the Senior Independent Director will set the criteria and lead the annual evaluation of the Chairman's performance). The evaluation of the Board should consider the balance of skills, experience, independence, knowledge and diversity and how effectively Directors work together. Individual evaluation should demonstrate whether each Director continues to contribute effectively and demonstrates commitment to the role (including commitment of time for Board and committee meetings and any other duties). Such evaluation should be externally facilitated at least every three years.

5.2 Ensure that the conclusions are reported to and reviewed with the Chairman and then the Board; recommend an action plan to the Board to address areas identified for improvement; oversee the implementation of the action plan and periodically report progress to the Board.

5.3 Review the results of the Board performance evaluation process that relate to the composition of the Board, succession planning and the Committee's own performance.

## **6.0 Corporate Governance**

6.1 Monitor the Group's corporate governance arrangements to ensure they remain appropriate by reference to best practice, relevant legislation, guidelines, industry practice and developments affecting the Group and make recommendations to the Board as appropriate.

6.2 Develop and recommend to the Board a Board Diversity & Inclusion Policy, including a target for the representation of the under-represented gender on the Board and in relation to broader diversity considerations, monitor implementation of and progress against that policy including any measurable objectives the Board has set in respect of Board diversity.

6.3 Review and approve policies relating to Non-Executive Directors' expenses, travel and gifts & hospitality.

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## **7.0 Annual General Meeting (AGM)**

7.1 The Chair shall attend the AGM, prepared to respond to any shareholder questions on the Committee's activities.

### **Reporting Responsibilities**

Matters discussed at a meeting of the CB or VM G&N meetings will be reported to the VMUK G&N at the next available meeting.

#### **Board Updates**

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

The minutes of each G&N meeting will be made available to the VMUK Board.

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

The Committee will:

- Compile, review and recommend for approval by the Board any material corporate governance information for inclusion in public disclosures or regulatory responses included the Corporate Governance Report for inclusion in the VMUK Annual Report & Accounts having regard to the Code, the FCA Disclosure and Transparency Rules and the FCA Listing Rules.
- Compile, review and approve an annual report of the work of the Committee for inclusion in the VMUK Annual Report & Accounts including covering the matters set out in the Code.

### **Committee Governance**

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

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

The G&N charter will be made available to shareholders via the Group's website.

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