

1. Introduction

1.1 The Virgin Money UK PLC Board (VMUK Board) has ultimate responsibility over Virgin Money UK PLC (VMUK or Company) and its subsidiaries (together, the VM Sub-Group) for monitoring and overseeing senior management's establishment and maintenance of an adequate, effective and efficient governance, risk management and internal control framework (GRCF). The VMUK Board has appointed and authorised the VMUK Boards' Audit Committee (VMBAC/Committee) to assist them in effectively discharging these responsibilities for 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.

1.2 The Board has established Internal Audit (IA) as a key component of the GRCF.

1.3 This IA Charter sets out the mandate of the internal audit function, specifying the purpose, role and responsibilities, scope, independence, objectivity and authority, reporting, along with the organisational framework within which it operates. It is approved by the VMBAC and should be read in conjunction with the VMBAC Charter.

1.4 IA adopts the definition of internal audit as defined by the Chartered Institute of Internal Auditors (CIIA) – *'an independent, objective assurance and advisory service designed to add value and improve an organisation's operations. [It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes]*.

1.5 The assurance output can be used by the Board and management in the discharge of their responsibilities.

2. Purpose and Objectives

2.1 IA supports the Board in executing its duty to safeguard the VM Sub-Group and its customers by protecting and strengthening its assets, reputation and sustainability through the VM Sub-Group's purpose of 'Making you happier about money'. In completing its work IA strives to demonstrate the values, culture and behaviour that our purpose-led organisation is based on. Through its functional reporting line to the Chair of the VMBAC, IA fulfils its oversight and assurance objectives through:

- a) Assessing whether all significant risks have been identified and appropriately reported by management and the Risk function to the Board and Executive Management;
- b) Conducting such internal audit work as is necessary to provide independent assurance that these risks are adequately controlled, including business as usual and change activity;
- c) Coordinating with other assurance providers to optimise assurance coverage and outputs;
- d) Gauging and reporting on the risk and control culture, by assessing management risk awareness through individual and thematic reviews;
- e) Identifying improvements required to the GRCF;
- f) Helping ensure agreed business actions are implemented sustainably; and
- g) Supporting investigations arising from whistleblowing disclosures as requested and providing periodic assurance over the whistleblowing framework.

3. ROLE AND RESPONSIBILITIES

3.1 The VMBAC reviews and oversees the activities of IA and assesses the overall effectiveness of the IA must adhere to the VMBAC duties and responsibilities regarding the IA function as described in the VMBAC Charter.

3.2 References to Group in a role title refers to the individuals' role in the VM Sub-Group. The GDIA is responsible for:

- a) Establishing an IA strategy and directing IA policies, procedures and standards in line with IIA Standards, Codes & Practices and IA Methodology;
- b) Establishing and maintaining an inclusive and diverse IA team with the competencies, skills and experience appropriate to the risks of the organisation (internally within the organisation or externally using specialist resources);
- c) Providing the VMBAC with a regular assessment of the skills required to conduct the work needed and whether the IA budget is sufficient to allow the function to recruit and retain staff with the expertise and experience necessary;
- d) Preparing and regularly reviewing the scope of the rolling quarterly IA Plan, outlining coverage of key risk and strategic areas;
- e) Providing regular IA opinion on the adequacy and effectiveness of the governance, risk management and internal control environment including annual internal attestations of compliance with regulatory requirements (where necessary), and other relevant matters;
- f) Meeting privately, on at least an annual basis, with the VMBAC without management present;
- g) Reporting to the VMBAC on the operations of IA, the delivery of the IA Plan, and the profile and status of audit issues raised across the organisation;
- h) Adherence to IA quality assurance and improvement programme, the results of assessments will be presented to the VMBAC at least annually; and
- i) Arranging for an independent and objective external assessment of the IA function at appropriate intervals which will not exceed 5 years. As the VMBAC should regularly monitor, review and assess the effectiveness of the IA function, the VMBAC Chair will oversee and approve the appointment process for the independent assessor. The external assessment should consider and report on compliance with the CIIA Code, the International Professional Practices Framework (IPPF) and the Global Internal Audit Standards (GIA Standards).

3.3 IA will provide assurance over the Whistleblower policy and framework, which are managed by the Regulatory Management team. Where required and appropriate IA will conduct and support specific investigations.

3.4 The VMBAC is responsible for approving the IA audit plan, financial budget (including resource plan) and disclosing in the annual report whether it is satisfied that IA is effective and has sufficient resources and skillsets.

4. Scope

4.1 The VM Sub-Group has adopted a three lines governance model. As the third line, the scope of IA's work considers all legal entities and brands, first and second line activities and Business Units, and all key risks and controls across the VM Sub-Group, including material outsourced activities. The work undertaken by IA is determined by the business strategy as well as an independent view of the key risks facing the organisation and how those risks are being managed.

4.2 IA will make a risk-based decision as to which areas within its scope will be included in the audit plan and will not necessarily cover all the potential scope areas every year.

4.3 IA's scope includes assessing and providing opinion on, but is not limited to:

- Design and/or operating effectiveness of internal governance structures and processes, and risk management systems to assess the extent to which these are effective and efficient in assisting the organisation to achieve its objectives;
- Information presented to the Board and Executive Management for strategic and operational decision making;
- The setting of, and adherence to risk appetite;
- The risk and control culture of the organisation including whether the processes, actions and 'tone at the top' are in line with the values, ethics, risk appetite and policies of the organisation;
- An evaluation as to whether the organisation is acting to deliver good outcomes for its customers, specifically: acting in good faith; avoiding foreseeable harm; and enabling and supporting customers to pursue their financial objectives. Assessing whether the design and control of products and services, price and value, consumer understanding and consumer support (including the protection of customer data), deliver good customer outcomes and experience;
- Funding, capital, credit, market and liquidity risks, including the process for establishing and maintaining scenario analysis (stress testing) in relation to key risk categories, and recovery plans related to economic shocks;
- Environmental, social and governance risks;
- Key corporate events including the information used to support key decisions (such as significant business process changes, divestments, acquisitions, material outsourcing, and the introduction of new products); and
- An evaluation of the design and operating effectiveness of the organisation's policies and processes and whether the outcomes are in line with the objectives, strategy, risk appetite, purpose, and values of the organisation.

In delivering this scope IA will:

- Recommend improvements in procedures and systems to prevent loss and increase efficiency and effectiveness;
- Advise on appropriate systems of internal control and other operational matters;
- Draw attention to any failure by management to take remedial action to address key issues identified; and
- Carry out ad hoc appraisals, inspections, investigations, examinations, consulting services¹ or reviews in related areas of fraud control, risk management, policy compliance, regulatory requirements, safety and security and any other areas of focus as approved by the VMBAC.

¹ Consulting activities for IA are described as reviews requested by management to support their activities and decision making, including, supporting change initiatives, control design and process efficiency and effectiveness. These services do not follow the standard audit methodology and may not result in the issuance of an Audit report assessing the control environment. IA may be involved in the design of the processes and controls, although will not be involved in the build or operation of such processes.

4.4 IA will liaise regularly, co-ordinate with and take account of the work of the first and second line. An agreed framework will maintain awareness of the activities of the various assurance providers and to provide visibility of assurance gaps or overlaps. In determining whether reliance can be placed on the work of the other assurance providers, guidance provided by the PRA would be applied and a thorough evaluation of the effectiveness of the approach, competency of the team and re- performance of their work would be undertaken.

5. Independence, Objectivity and Authority

5.1 It is the responsibility of the Board to maintain, promote and support IA as an audit and assurance function operating independently of Executive and Business Unit management and with separate functional reporting lines.

5.2 The IA function is under the control of the GDIA who has an independent functional reporting line to the VMBAC Chair and a secondary Executive reporting line to the Chief Executive Officer.

5.3 The GDIA and direct reports have equivalent authority to his/her Executive peers to provide the appropriate standing, access and authority to challenge Executive Management. The VMBAC Chair is responsible for recommending to the Board the appointment of the GDIA and removing them from post. The Chair in conjunction with Chief Executive Officer, set the GDIA objectives and appraises performance and associated remuneration. The Chief Executive Officer approves the GDIA expenses.

5.4 This appraisal should consider the independence, objectivity and tenure of the GDIA, including any roles held beyond internal auditing. Where the tenure of the GDIA exceeds seven years, the VMBAC should explicitly discuss annually the Chair's assessment of the GDIA's independence and objectivity. Any roles beyond internal auditing are approved by the VMBAC, with corresponding safeguards to independence.

5.5 The GDIA or delegate will attend each meeting of the VMBAC and Board Risk Committees.

5.6 The GDIA has the right to attend and observe all or part of Leadership Team meetings and any other key management decision making fora.

5.7 The GDIA will meet with the Chief Executive Officer and VMBAC Chair on a regular basis to discuss significant emerging issues from the work of IA.

5.8 IA is functionally independent of management and the external auditors and has the right to full, free and unrestricted access to all functions, premises, property, personnel, records and other documentation and information that is necessary for IA to meet its responsibilities. This includes access to the VMUK Chair, Board members and Board and Executive Management papers. Management must respect IA's rights in this regard.

5.9 The VMBAC has the right to access anyone in the IA function who must comply with any such request from any member of the VMBAC.

5.10 The GDIA has the right to outsource assignments to external experts where the required expertise is not available within IA function, in accordance with policy.

5.11 IA staff must always remain objective and not be influenced by personal, business or other matters that may impair impartiality. Potential impairments are recorded, assessed and disclosed to the VMBAC. Safeguards to objectivity and independence are reassessed on an annual basis. IA staff must have no line responsibility or authority over any of the activities or operations they review and (except in circumstances approved by the VMBAC) are not authorised to:

- Perform any operational duties of the organisation except within IA;
- Provide audit services in relation to a business area or activity for which they have held responsibility within the previous twelve months.
- Develop or implement procedures or systems external to IA;
- Initiate or approve any transactions external to IA;
- Direct the activities of any employee not employed by IA; and
- Engage on any other activity which could compromise their objectivity.

5.12 It is the responsibility of the GDIA to communicate to the VMBAC and the Chief Executive Officer any perceived or potential conflicts of interest that may compromise the objectivity or independence of IA.

5.13 The GDIA will confirm the independence of the IA function annually to the VMBAC, including any potential impairments and the actions or safeguards in place to address.

5.14 IA has the authority to:

- Conduct internal audits in accordance with the approved quarterly IA Plan and any subsequent approved changes;
- Conduct or direct any investigation required to fulfil its responsibilities and retain at the VM Sub-Group's expense such legal, accounting, financial, corporate governance or other advisors, consultants or experts as it considers necessary from time to time in the performance of its responsibilities.

5.15 IA must have an avenue for dispute resolution (e.g. for disputes on the context of internal audit or matters that inhibit them from executing their duties). The GDIA will raise such matters with the VMBAC Chair to provide guidance on the appropriate course of action.

6. Reporting

6.1 IA has reporting responsibilities to the VMBAC, Executive and Senior Management. Reporting covers:

- Regular assessments, at least annually, of the adequacy and effectiveness of the GRCF of the organisation, including reporting on risk management to the Board and senior management and remediation plans to address weaknesses, based on the work of IA;
- Significant control weaknesses and breakdowns together with root cause analysis;
- Thematic issues and trends identified across the Bank, and their impact on the organisation's risk and control profile;
- Management Risk Awareness and organisational culture assessments (as applicable);
- The IA Plan (the VMBAC will review and approve the Plan and key changes) and delivery of IA strategy; and
- Regular information on the delivery of the plan and audit opinion.

7. External Audit and Regulators

7.1 IA will maintain a close relationship and co-operate with the VM Sub-Group's external auditors to optimise the effectiveness and productivity of audit work completed throughout the organisation. IA's role, responsibilities and scope however will remain independent of the VM Sub-Group's external auditors.

7.2 IA will have an open, constructive and co-operative relationship with regulators which supports sharing of information relevant to carrying out their respective responsibilities.

8. Professional Standards

IA commit to adhere to the Global Internal Audit Standards (updated 2024) and applicable laws and regulations relevant to the UK Financial Services industry. This includes professional standards on ethics.

9. Effective Date

9.1 This charter will be reviewed and approved annually by the VMBAC, unless otherwise required.

9.2 This Charter dated 23 October 2024 supersedes any previous versions.