

Board Audit Committee Charter v8.1

Committee Scope

Purpose

The Board of Virgin Money UK PLC (“VMUK”) has delegated responsibility to the Board Audit Committee (“BAC” / “Committee”) to oversee the management of financial and regulatory reporting and the internal financial controls in place across VMUK and its subsidiaries (the “Group”).

The Committee is responsible for (i) monitoring the integrity of the Group’s accounting policies, public announcements, financial statements and financial reporting processes (ii) monitoring the effectiveness of the Group’s internal financial controls systems (iii) monitoring the effectiveness of the Group’s External Auditor and Internal Audit function (iv) monitoring the effectiveness of the Group’s whistleblowing procedures and (v) monitoring the application of the Group policies and procedures relating to the responsibilities of the Committee.

Authority

BAC operates under authority delegated from the Board and is authorised to:

- have access to resources and information to conduct its responsibilities;
- delegate responsibilities to sub-Committees to carry out its responsibilities; and
- obtain, at VMUK’s expense, external legal or other independent professional advice on any matter within the Charter.

Where appropriate, BAC may delegate its responsibilities in relation to the review and approval of regulatory financial announcements, and reporting judgements contained therein, to the VMUK Disclosure Committee.

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

The Committee will have at least three independent Non-Executive Directors, including the Chair and a member of the Board Risk Committee (BRC).

Chair

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

The 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 Board on recommendation from the Governance and Nomination Committee and in consultation with the Chair.

At least one member of BAC must have recent and relevant financial experience, holding a professional qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence in the retail banking sector. The Board Chair may not be a member of BAC and the BRC Chair may be a member but not Chair.

Standing Attendees and Additional Invitees

- Board Chair
- Chief Executive Officer
- Group Director Internal Audit
- Chief Financial Officer
- General Counsel and Purpose Officer
- Group Chief Risk Officer
- Chief Operating Officer
- Financial Controller
- Representatives of the External Auditor
- Group Company Secretary

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

Committee Management

Secretary

The Group Company Secretary or delegate shall be Secretary.

The Secretary at the request of the 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 an additional two joint meetings with the BRC to approve the financial and non-financial internal controls and Three Lines of Defence assurance plans. However, any member or the Board Chair, External Auditor, 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 Chair. Sufficient member responses must be received in line with the Committee quorum requirements, to enable the Chair to provide a decision.

At least once a year, without the presence of management, the Committee shall meet with the External Auditor and Group Director Internal Audit to discuss any issues arising from the audits or in relation to the remit of the Internal Audit function.

Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the External Audit lead partner and the Group Director Internal Audit.

Minutes of Meetings

The Secretary shall minute the proceedings and decisions of all BAC 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 Financial Affairs

- 1.1 Review and monitor (in conjunction with the CB BAC) the integrity of the financial statements of the Group including its annual and half-yearly reports, preliminary results announcements, investor presentations, Pillar 3 disclosures and any other announcements relating to the financial performance of the Group, reviewing the significant financial reporting issues and judgements which they contain.
- 1.2 Review any unusual items or matters brought to its attention affecting the preparation of the financial statements or announcements.
- 1.3 Advise the Board on whether the Annual Report & Accounts (ARA), taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy including in relation to ESG matters.
- 1.4 Review the clarity, completeness and appropriateness of disclosures in the Group's ARA and consider whether the disclosures made are set properly in context including the going concern and viability statements to be made by the Board and related information within the ARA.
- 1.5 Provide a forum whereby any disagreements between management and the External Auditor regarding financial reporting and announcements can seek to be resolved.

2.0 Accounting, Financial and Non-Financial Reporting and Regulatory Compliance

- 2.1 Review and challenge accounting policies and practices within the Group and consider compliance and regulatory requirements.
- 2.2 Review the controls and procedures established by management for compliance with regulatory, financial reporting and certain non-financial reporting requirements (including climate-related disclosures) and with the requirements of the external regulators.
- 2.3 Ensure the Group complies with all relevant regulatory reporting requirements and recommendations of the relevant regulatory bodies (including the Financial Conduct Authority and PRA).
- 2.4 Consider and oversee evolving non-financial reporting disclosure requirements, including climate-related disclosures within the ARA.
- 2.5 Review periodically the recovery and resolution plans and the valuations in resolution forming part of those plans.

3.0 Internal Financial Controls and Risk Management

- 3.1 Review the adequacy and effectiveness of the Group's internal financial reporting controls, compliance with laws and/or regulations relating to financial reporting or accounting issues, including those controls which mitigate the risk of inappropriate acquisition, use or disposal of the Group's assets and review the Group's readiness for any upcoming changes in relation to financial controls, financial reporting and accounting issues.
- 3.2 Review management's reports on the effectiveness of systems for internal financial reporting control and risk management, and management's responsiveness to addressing control weaknesses and non-compliance and any other weaknesses identified by Internal Audit and/or External Audit.

3.3 Review Internal Audit's reports on effectiveness of systems for internal financial controls.

3.4 In conjunction with the BRC, review and approve the statement on internal financial controls and risk management to be included in the Group's ARA.

3.5 Review the Group's procedures for detecting financial reporting fraud.

3.6 Advise on whether there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due as required under the Listing Rules.

4.0 Whistleblowing

4.1 Ensure appropriate and effective arrangements are in place for the confidential disclosure of reportable concerns by whistleblowers.

4.2 Oversee the integrity, independence and effectiveness of the Group's policies and procedures on whistleblowing, ensuring compliance with relevant laws and regulation, including those intended to protect whistleblowers from being victimised because they have whistleblown.

4.3 Receive reports, at least annually, on the operation and effectiveness of the Group's systems and controls in relation to whistleblowing and report on its consideration of these arrangements to the Board, making recommendations as it deems appropriate.

4.4 The Chair will act as the Group's Whistleblowers' Champion.

5.0 Internal Audit

5.1 Approve the appointment, dismissal and to review performance of the Group Director Internal Audit. BAC will make recommendations in respect of remuneration and objectives of the Group Director Internal Audit and monitor performance.

5.2 Discuss annually the Chair's assessment of the Group Director Internal Audit's independence and objectivity where the tenure of the Group Director Internal Audit exceeds seven years.

5.3 The independent functional reporting line of the Group Director Internal Audit will be to the Chair of BAC and a secondary Executive reporting line to the Chief Executive Officer.

5.4 Annually review and approve the Internal Audit Charter.

5.5 Consider, challenge and approve the Internal Audit Plan, the Internal Audit budget, resources and any material changes to the Internal Audit Plan. The Chair is permitted to approve Internal Audit plan changes outside of meetings, and confirmation of all changes must be brought to the Committee's attention at its next meeting.

5.6 Receive and review the independent external assessment of the Internal Audit function, which will be carried out at least once every five years. The Chair will oversee and approve the appointment of the external assessor.

5.7 Annually review the adequacy, effectiveness and independence of the Internal Audit function and assess whether this gives the appropriate level of access to management and rights to seek information.

5.8 Meet with the Group Director Internal Audit without management present to discuss the effectiveness of the function.

5.9 Receive and review Internal Audit findings which report on the overall effectiveness of the governance, risk management and internal control framework; identified issues and the adequacy of remediation activity.

6.0 External Audit

6.1 Make recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's External Auditor (to be put to shareholders for approval at the Annual General Meeting).

6.2 Fix the remuneration of the External Auditor as authorised by shareholders, including fees for audit and non-audit services.

6.3 Approve the terms of engagement of the External Auditor.

6.4 Review and approve the annual Audit Plan, scope of audit of the External Auditor (including planned levels of materiality) and results of the audit including, but not limited to:

6.4.1 a discussion of any major issues which arose during the audit;

6.4.2 the auditor's explanation of how the risks to audit quality were addressed;

6.4.3 key accounting and audit judgements;

6.4.4 the auditor's view of their interactions with management; and

6.4.5 levels of errors identified during the audit.

6.5 Confirm that the External Auditor has coordinated with Internal Audit and that appropriate reliance has been placed on the work undertaken by Internal Audit and unnecessary overlap is avoided.

6.6 Review reports prepared by the External Auditor, including any representation letter prior to signature by management and the management letter and management's response to External Auditor findings and recommendations.

6.7 Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration all relevant professional and regulatory requirements.

6.8 Review the overall financial relationship between the Group and External Auditor.

6.9 Meet with the External Auditor without management present to discuss the auditor's remit and any issues arising from the audit.

6.10 Develop and approve a policy on the engagement of the External Auditor to provide non-audit services and on the employment of former employees of the External Auditor, considering any relevant legislation and ethical guidance and monitor the implementation of this policy.

6.11 Consider and approve audit and non-audit services to be provided by the External Auditor in accordance with the policy.

7.0 Financial and Non-Financial Internal Controls

7.1 A joint meeting with the BRC will be held every year to review and approve (where appropriate) the following matters/items which are within the responsibilities of both Committees:

- 1st Line Assurance Plans.
- Annual Risk Management Assurance Plan.

- Internal Audit Plan.
- VMUK ARA and related matters (including approval) of the Audit Committee Report, Risk Committee Report, statement on risk management and internal controls (including climate risk) and the TCFD Report within the ARA.

8.0 Annual General Meeting (AGM)

The Chair, or a chosen delegate, shall attend the AGM, prepared to respond to any shareholder questions on the Committee's activities.

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

Reporting Responsibilities

Matters discussed at a meeting of the CB BAC will be reported to the VMUK BAC at the next available meeting.

Board Updates

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

Annual Report and Accounts (ARA)

The Committee will recommend approval of the description of the work of BAC in the ARA including:

- a summary of the role of BAC;
- the names and qualifications of all members during the period;
- the number of meetings held during the period;
- how BAC has discharged its duties;
- the significant issues considered relating to the financial statements and how these issues were addressed;
- how BAC has assessed the independence and effectiveness of the external audit process, the approach taken to appointment or reappointment of the External Auditor, information on length of tenure of the current, any retendering plans and External Auditor fees; and
- the Group's policy and procedures for approval of audit and non-audit services and how External Auditor objectivity is safeguarded for non-audit services.

Committee Governance

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

The BAC 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 BAC charter will be made available to shareholders via the Group's website.

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