

Board Audit Committee

Charter v12.2

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 Audit Committee (VMBAC/Committee) to oversee the management of financial and regulatory reporting and the internal financial controls in place across the VM Sub-Group.

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

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 VMBAC 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 VMBAC 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 VMBAC 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; and
- delegate any matter to another committee, sub-committee or person to carry out its responsibilities.

Where appropriate, VMBAC 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.

Membership and Attendance

Chair

The VMBAC 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 VMBAC 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 VMBAC Chair with the approval of the Society Nomination & Governance Committee.

The VMBAC will have at least three independent Non-Executive Directors, including a member of the VMUK Board Risk Committee (VMBRC).

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

Standing Attendees and Additional Invitees

- VMUK Board Chair
- Chief Executive Officer
- Group Director Internal Audit
- Chief Financial Officer
- Group General Counsel
- Group Chief Risk Officer
- Financial Controller
- Representatives of the 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 VMUK Board 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

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

Committee Management

Secretary

The Group Company Secretary or delegate shall be Secretary.

The Secretary at the request of the VMBAC 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 VMBRC 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, 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 VMBAC Chair. Sufficient member responses must be received in line with the VMBAC quorum requirements for a matter to be deemed approved. This written confirmation shall be valid as if it had been passed at a meeting of the VMBAC and may be made in one or more counterparts.

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

Outside of the formal meeting schedule, the VMBAC Chair will maintain a dialogue with key individuals involved in the Company's governance, including the VMUK 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 VMBAC meetings, including recording the names of those present and in attendance.

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

Responsibilities

1.0 Financial Affairs

- 1.1 Review and monitor (in conjunction with the Clydesdale Bank PLC Board Audit Committee (CBBAC) and taking into account any Group policies and procedures approved by the Board to take effect in the VM Sub-Group) the integrity and quality of the financial statements of the VM Sub-Group including its annual and interim reports, Pillar 3 disclosures and any other announcements relating to the financial performance of the VM Sub-Group; this includes reviewing and agreeing with 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 VMUK Board on whether the VMUK Annual Report & Accounts (ARA), taken as a whole, are fair, balanced and understandable and provide the information necessary for the Society to assess the VM Sub-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 VMUK ARA and consider whether the disclosures made are set properly in context including the going concern statement to be made by the VMUK Board and related information within the VMUK 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 VM Sub-Group (taking into consideration any Group policies and procedures approved by the Board to take effect in the VM Sub-Group) and consider compliance and regulatory requirements.

2.2 Review the controls and procedures established by management and approved by the Board to take effect in the VM Sub-Group to the extent applicable 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 VM Sub-Group complies with all relevant regulatory reporting requirements and recommendations of the relevant regulatory bodies.

2.4 Consider and oversee evolving non-financial reporting disclosure requirements impacting the VM Sub-Group, including climate-related disclosures within the VMUK ARA.

2.5 Review periodically the VM Sub-Group's 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 VM Sub-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 VM Sub-Group's assets in accordance with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group and always in conjunction with the Governance Framework and review the VM Sub-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 VM Sub-Group 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 VM Sub-Group Internal Audit and/or External Audit reviews.

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

3.4 In conjunction with the VMBRC, review and approve the statement on internal financial controls and risk management to be included in the VMUK ARA.

3.5 Review the VM Sub-Group's procedures for detecting financial reporting fraud ensuring alignment with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group.

3.6 Advise on whether there is a reasonable expectation that the VM Sub-Group will be able to continue in operation and meet its liabilities as they fall due as required under applicable law and regulation.

4.0 Whistleblowing

4.1 Ensure appropriate and effective arrangements are in place in line with applicable VM Sub-Group policies and arrangements for the confidential disclosure of reportable concerns by whistleblowers.

4.2 Oversee the integrity, independence and effectiveness of the VM Sub-Group's policies and procedures on whistleblowing ensuring compliance with relevant laws and regulation, including those intended to protect whistleblowers from reprisal for raising genuine concerns.

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

4.4 The VMBAC Chair will act as the VM Sub-Group's Whistleblowers' Champion.

5.0 Internal Audit

5.1 Approve the appointment and removal, and review the performance, of the Group Director Internal Audit. Prior to approving the appointment or removal of the Group Director Internal Audit, proposals are to be discussed with the Society Chief Internal Auditor and the Society Audit Committee Chair. The VMBAC Chair, in conjunction with the Chief Executive Officer, will make recommendations to the VMUK Remuneration Committee in respect of remuneration and objectives of the VM Group Director Internal Audit and monitor performance.

5.2 Discuss annually the VMBAC 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 VMBAC and a secondary executive reporting line to the Chief Executive Officer.

5.4 Annually review and approve the VM Sub-Group Internal Audit Mandate (included within the Charter) and review the assessment of compliance with the Global Internal Audit Standards.

5.5 Consider, challenge, approve and monitor progress of the delivery of the VM Sub-Group Internal Audit Plan (including material plan changes), the VM Sub-Group Internal Audit budget and resources. The VMBAC Chair is permitted to approve VM Sub-Group Internal Audit plan changes outside of meetings, and confirmation of all changes must be brought to the VM BAC's attention at its next meeting.

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

5.7 Annually review the independence of the VM Sub-Group 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 VM Sub-Group Internal Audit reports including on the overall effectiveness of the governance, risk management and internal control framework; identified issues and actions; and the adequacy of remediation activity.
- 5.10 Annually review and approve the VM Sub-Group Internal Audit function's performance objectives, the quality assurance and improvement programme, assess the effectiveness and efficiency of the VM Sub-Group Internal Audit function, and the progress of VM Sub-Group Internal Audit Strategy.

6.0 External Audit

- 6.1 Make recommendations to the VMUK Board in relation to the appointment, re-appointment, removal and remuneration of the External Auditor.
- 6.2 Fix the remuneration of the External Auditor as authorised by the Society, including fees for audit and non-audit services.
- 6.3 Approve the terms of engagement of the External Auditor in alignment with the Group terms of engagement set by the Board.
- 6.4 Review and approve the VM Sub-Group annual Audit Plan, scope of audit of the External Auditor (including planned levels of materiality) and results of the audit, taking into account:
- 6.4.1 any major issues which arose during the audit;
 - 6.4.2 the External Auditor's explanation of how the risks to audit quality were addressed;
 - 6.4.3 key accounting and audit estimates and judgements;
 - 6.4.4 the External 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 VM Sub-Group Internal Audit and that appropriate reliance has been placed on the work undertaken by VM Sub-Group 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 VM Sub-Group and External Auditor.
- 6.9 Meet with the External Auditor without management present to discuss the External Auditor's remit and any issues arising from the audit.
- 6.10 In accordance with any Group policies and procedures approved by the Board to take effect in the VM Sub-Group, 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 Plan and ARA Approvals

- 7.1 Review and approve, in conjunction with the VMBRC as appropriate, the following matters:

- VM Sub-Group 1st Line Assurance Plans.
- VM Sub-Group Annual Risk Management Assurance Plan.
- VM Sub-Group Internal Audit Plan.

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

Reporting Responsibilities

Board Updates

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

Matters discussed at a meeting of the CBBAC will be reported to the VMBAC 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 VMBAC will provide input as required.

Committee Governance

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

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

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

VMBAC will liaise regularly with the VMBRC 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.