

# Board Risk Committee Charter

## Committee Scope

### Purpose

The Board of Virgin Money UK PLC (“VMUK”) has delegated responsibility to the Board Risk Committee (“BRC” / “Committee”) to oversee the management of risk across VMUK and its subsidiaries (the “Group”), taking a forward looking perspective, anticipating changes in business conditions and promoting risk awareness culture within the Group. Details of the Committee’s responsibilities are stated below.

### Authority

The BRC is authorised to:

- have access to resources and information to conduct its responsibilities, including the Company Secretary for advice and assistance;
- delegate any matter to another committee, sub-committee or person to carry out its responsibilities;
- review matters referred to it by the Executive Risk Committee (ERC); and
- obtain, at VMUK’s expense, external legal or other 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, Clydesdale Bank PLC (CB) and Virgin Money plc (VM), all ring-fencing obligations relating to Board Committee composition, roles and independence criteria as defined in the CB and VM charters must be followed.

## Membership and Attendance

The Committee will have at least four independent Non-Executive Directors, including the Chair and a member of the BAC.

### Chair

The BRC 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 VMUK Governance and Nomination Committee and in consultation with the BRC Chair. However, the Board Chairman may not be a member of the Committee.

### Standing Attendees and Additional Invitees

- Board Chairman
- Chief Executive Officer
- Chief Financial Officer
- Group Director Internal Audit
- General Counsel and Purpose Officer
- Chief Risk Officer (CRO)
- Secretary

Other individuals may be invited to attend all or part of any meeting.

Appropriate waivers must be in place for the CRO and Group Director Internal Audit to perform these functions for VMUK and for entities within the CB ring-fenced group including for the avoidance of doubt CB and any of its subsidiaries including Virgin Money Holdings (UK) plc and any of its respective subsidiaries.

### **Quorum**

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

## **Committee Management**

### **Secretary**

The Group Company Secretary or delegate shall be secretary. The Secretary will ensure the Committee meets with sufficient notice and receives papers in a timely manner, and shall produce minutes of all meetings for Committee approval.

### **Meeting Frequency**

The Committee will meet at least four times per year with an additional two joint meetings with the BAC to review and approve the financial and non-financial internal controls. However, any member or the Board Chairman, Chief Executive Officer, CRO or Group Director Internal Audit may request an ad-hoc meeting.

With the Chair's agreement, urgent matters can be circulated for approval or recommendation by email. However, quorum requirements will apply in order for the Chair to provide a decision.

## **Responsibilities**

### **1.0 Risk Appetite, Framework and Limits**

1.1 Advise the Board on the principal, current and emerging risks facing the Group, including the management and mitigation of those risks.

In relation to climate risk:

- receive periodic reports regarding the risk profile associated with climate change;
- oversee the approach to climate risk disclosures including risk management, operational risk and lending risk disclosures; and
- oversee the activity being undertaken to embed the identification, assessment and management of climate change risk into the risk management process.

1.2 Assist the VMUK Board with the implementation of key risk related strategies, frameworks, plans, policies and models and monitor the extent to which they have been embedded across the Group.

1.3 Review and recommend the Group's Risk Appetite Statement (RAS) (in conjunction with the CB BRC), Risk Management Framework (RMF) and non-financial internal control systems to the Board for approval.

1.4 Review and approve the methodology and parameters used in establishing the 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 BAC, review and approve the statement on internal financial controls and risk management to be included in the Group's ARA.

1.7 Review and recommend the Internal Capital Adequacy Assessment Process to the Board for approval.

1.8 Review and recommend the Group's Individual Liquidity Adequacy Assessment Process to the Board for approval.

## **2.0 Policies**

2.1 Review and approve key Group policies pursuant to the Policy Management Framework.

## **3.0 Compliance**

3.1 Review regular reports from the SMF16 holder and monitor the adequacy and effectiveness of the Group's compliance function.

3.2 Review and approve the annual 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.

3.3 Monitor the 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 risk governance, risk assessment or management processes.

## **4.0 Fraud, Anti-money Laundering and Bribery Prevention**

4.1 Review and challenge the annual Money Laundering Reporting Officer report including the adequacy and effectiveness of the Group's anti-money laundering and counter terrorist financing systems and controls.

4.2 Review the Group's fraud prevention and detection 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 Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

## **5.0 Stress Testing**

5.1 Review the adequacy of the 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 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 Board (in conjunction with the Board of CB) the results of the enterprise-wide stress tests and the final stress testing submissions to the PRA, EBA or any other authority.

## **6.0 Chief Risk Officer and Risk Function**

6.1 In relation to the risk function:

- The Committee will review the operating model and effectiveness of the risk function including its resource adequacy and independence of the business.

6.2 In relation to the CRO:

- The Committee will review all reports from the CRO.
- The CRO will report directly to the Chief Executive Officer with a dotted reporting line to the BRC, and a right of access to the Board Chairman.
- The Committee will consider and make recommendations to the Board regarding the appointment or removal of the CRO.
- The BRC Chair will discuss the remuneration arrangements of the CRO with the Remuneration Committee Chair.
- The BRC Chair will discuss the performance of the CRO with the Chief Executive Officer.

## **7.0 Remuneration**

7.1 Review reports from RRAC regarding the year-end performance of individual VMUK LT members against risk objectives and discuss any recommendations to RemCo.

7.2 Review reports from RRAC regarding regulatory reportable events/investigations and any risk adjustment factors in respect of senior management rewards and discuss any recommendations to RemCo on performance adjustments to the Group's business and function bonus pools, individual colleague awards and any clawback provisions.

7.3 Review reports from RRAC regarding LTIP performance measures to monitor that risk and conduct perspectives are appropriately reflected and discuss any recommendations to RemCo on the effectiveness of conduct and risk management during the LTIP performance period prior to vesting.

## **8.0 Financial and Non-financial Internal Controls**

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

- Consolidated Control Effectiveness Statement.
- 1st Line Assurance Plans.
- Annual Risk Management Assurance Plan.
- Annual Internal Audit Plan.
- VMUK Annual Report and Accounts (ARA) and related matters (including approval) of the Audit Committee Report and Risk Committee Report within the ARA.

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

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

## **Reporting Responsibilities**

Matters discussed at CB or VM BRC meetings will be reported to the VMUK BRC at the next available meeting.

## **Board Updates**

The Chair shall provide an update to the VMUK Board on relevant matters discussed after each BRC meeting and the minutes of each meeting will be made available to the VMUK Board.

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

To describe in the VMUK ARA the work of BRC including:

- The names of all BRC members and the number of meetings held during the period;
- a summary of the role of the BRC and its key areas of focus during the reporting period;
- risk disclosures, including inherent risks and the management and mitigation of those risks;
- forward looking information indicating the expected impact of potential risks facing the Group;
- a summary of how risk is managed across the Group and the role of the BRC in providing oversight; and

- the statement relating to internal controls, including the assessment of principal risks facing the Group.

### **Committee Governance**

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

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

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

BRC will liaise regularly with the BAC 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.