

Board Remuneration Committee Charter

Committee Scope

Purpose

The Board of Virgin Money UK PLC ("VMUK") has delegated responsibility to the Board Remuneration Committee ("Remco" / "Committee") to oversee the remuneration arrangements; in particular those of the senior management (Executive and non-executive where appropriate) and employees covered by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") Senior Management Arrangements, Systems and Controls Remuneration Code ("Remuneration Code") across VMUK and its subsidiaries (the "Group").

The Committee is responsible for providing oversight and advice to the VMUK Board in relation to the Group's (i) Remuneration Policy ("Remuneration Policy") and within the terms of the Remuneration Policy; (ii) consider and implement the remuneration arrangements of the Chairman of the Board ("Chairman"), executive directors of the Company (each an "Executive Director"), members of the leadership team ("VMUK Leadership Team"), and the Company Secretary for approval by the Board; (iii) consider and approve the remuneration arrangements of any other senior executives and employees covered by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") Senior Management Arrangements, Systems and Controls Remuneration Code ("Remuneration Code") whilst having regard for remuneration scales and structure across the Group.

Authority

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

- review matters referred to it by the Board;
- have access to resources and information to conduct its responsibilities;
- at the Company's expense, obtain any appropriate independent external expert advice, including remuneration consultants, on any matter it considers necessary to fulfil its responsibilities; and
- from time to time establish sub-committees as it considers necessary or appropriate to assist in carrying out its responsibilities. Any such Committee shall adopt a charter, to be approved by the Remco.

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 three independent Non-Executive Directors, including the Chair.

Detailed descriptions of the role of the Chair and each of the main standing attendees is included in the appendix.

Chair

The Remco 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.

The Board Chairman shall not be Committee Chair, nor chair any meetings, but may be a Committee member providing they were considered independent on appointment.

Members

Members are appointed by the Board on the recommendation of the Governance and Nomination Committee, in consultation with the Remco Chair.

Committee members shall collectively have appropriate remuneration, regulatory and industry knowledge, expertise and professional experience, to ensure that the remuneration structure is aligned with the risk and capital profile of the Group.

The appointments of the Committee Chair and Committee members shall be for a period of up to three years or shorter if circumstances dictate, which may be extended for up to two further three-year periods provided the Committee member still meets the criteria for membership of the Committee. Notwithstanding this, where criteria for membership continues to be met, the Board may resolve to reappoint the Committee Chair or Committee member for additional periods.

Standing Attendees and Additional Invitees

- Board Chairman
- Chief Executive Officer
- Group Human Resources Director (Group HRD)
- Head of Reward and Pensions
- 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.

No Director or member of the VMUK Leadership Team shall be involved in any decisions relating to their own remuneration.

Quorum

Two members, including the Remco Chair or their appointed deputy in the Chair's absence. The Committee shall make decisions at a meeting by majority of the Committee members voting in favour of an action.

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.

Meeting Frequency

At least four times per year. However, any member or the Board Chairman, Chief Executive Officer or Group HRD 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. 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 Remco 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 Development of Remuneration Strategy and Policy

1.1. Determine and recommend to the Board for approval the Remuneration Policy (s) that is aligned to the Group strategy, risk appetite, culture, values and long-term interests of customers, employees, shareholders and other stakeholders and that establishes the parameters of a structured and balanced remuneration package that includes.

1.1.1. performance-based variable rewards (cash and share-based annual bonus plans and long-term incentive plans) that avoid potential conflicts of interest ; and

1.1.2. core fixed elements (base salary and benefits including pension arrangements) and compensation payments for all colleagues, including all Executive Directors.

1.2. Receive reports from the risk function and/or Board Risk Committees of the Group (“BRC”), on the implications of the Remuneration Policy for risk and risk management and receive and consider advice from the BRC on risk weightings and adjustments to be applied to performance objectives and remuneration arrangements.

1.3. Receive reports from the finance function and/or Board Audit Committee of the Group (“BAC”) on the implications of applying the Remuneration Policy arising from the Group’s strategy or performance.

1.4. Undertake a periodic review, at least annually, of the Remuneration Policy to ensure its adequacy, effectiveness and continued compliance and alignment with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Remuneration Code, any other relevant regulatory requirements (including the remuneration requirements within the PRA’s Ring-fenced Bodies Rulebook) and the best practice principles of the Code.

1.5. Consider and approve the malus and clawback policy to be applied to any incentive plans of the Group, including prior share awards made by Virgin Money plc.

1.6. Ensure that, at least annually, the implementation of Remuneration Policy is subject to central independent internal review for compliance with the policies and practices adopted by the Board.

1.7. Through the Committee Chair, ensure that the Group maintains contact as required with its principal shareholders about remuneration.

2.0 VMUK Leadership Team and Chair’s Remuneration

2.1 Determine, on appointment to the Group, the terms and conditions of remuneration in respect of the Board Chairman, Executive Directors and each member of the VMUK Leadership Team, comprising basic fee/salary, performance-based variable rewards, benefits including pension and any buy-out of forfeited awards.

2.2 Determine any changes to the remuneration of the Board Chairman, Executive Directors and VMUK Leadership Team members), giving due regard to the overarching remuneration strategy, pay and employment conditions across the Group as a whole, the risk appetite and culture, the long-term

interests of shareholders and alignment to the long term strategic goals of the Group.

- 2.3 Determine, on termination, the compensation payment, if any, due to the Board Chairman, Executive Directors or VMUK Leadership Team members, having regard to the circumstances of the termination and terms of the relevant employment contract and performance-based plans and, in relation to any such arrangements concerning the Chief Executive Officer, the Committee shall determine and recommend for approval to the Board, with the consent of VMUK, the terms of any termination of such employment, ensuring at all times, that failure is not rewarded.
- 2.4 Determine a shareholding policy and promote the alignment of the interests of the Group's shareholders and Directors. This may require maintenance of a shareholding in the Group in line with the relevant Director's total compensation to be built up over a period at the Committee's discretion or holding shares awarded under share-based plans for a further period after vesting.

3.0 Material risk takers

- 3.1 Consider and approve the list of all employees falling within the scope of Material Risk Taker ("MRT") as per the regulatory technical standard and any other regulatory requirements against the Group's risk profile for each financial year and as amended from time to time.
- 3.2 Oversee the remuneration arrangements of all MRTs in line with the Remuneration Code and as agreed with the regulators.
- 3.3 Approve annually the formal remuneration policy statement (the "Statement") required under the Remuneration Code and seek and receive assurance that all payments have been made in accordance with the Statement.
- 3.4 Approve the treatment of any deferred awards and any compensation payments on termination for MRTs in excess of such employee's entitlement under their contractual terms.

4.0 Performance-related Remuneration and Share Schemes

- 4.1 Review the design of, and determine targets for, any short-term performance-related remuneration schemes operated by the Group, and:
 - 4.1.1 recommend the annual bonus arrangements to the Board for approval;
 - 4.1.2 approve the rules underpinning such schemes;
 - 4.1.3 determine actual performance against such achievement levels (based upon the annual financial results of the Group, approved by the Board), in relation to financial targets and non-financial targets as determined in the business plan;
 - 4.1.4 recommend to the Board for approval the total annual payments made under such schemes; and
 - 4.1.5 subject to Board approval of the total annual bonus payments approve the allocation of the annual bonus pools.
- 4.2 Approve the release, at the relevant times, of payments relating to any deferred bonuses and the release of deferred awards under the Group's long-term incentive plans, ensuring all conditions attached to such payments or schemes are satisfied.
- 4.3 Review the design, including any performance conditions, of all share incentive schemes to be operated by the Group and:
 - 4.3.1 recommend the rules of any new share schemes to the Board for approval;
 - 4.3.2 for any such schemes, each year recommend to the Board the overall value of such awards, the

individual awards to the Executive Directors and Executive leadership team members and the performance conditions and associated achievement levels (as set out in the plan rules) to be used; and

4.3.3 seek approval from the Board to changes to the Group's share capital, and issue of share, in relation to employee share plans for the Group.

4.4 seek and receive reports and consider input from the BRC to ensure there is appropriate risk input into annual and long-term performance objectives and individual/functional performance assessment. The Committee will also receive input from the BRC on any functional bonus pools, the vesting of long-term incentives and all adjustments to any variable pay including performance adjustment, risk adjustment and application of malus and clawback.

5.0 Other Responsibilities

5.1 Be responsible, for establishing the selection criteria, selecting appointees and setting the terms of reference for any remuneration consultants who advise the Committee, within the budgetary constraints imposed by the Board.

5.2 Determine the approach to remuneration governance and performance management framework for the Group.

5.3 Agree the policy for authorising claims for expenses from the Directors.

5.4 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity.

5.5 Consider other matters relating to the purpose of the Committee as are referred to it by the Board.

6.0 Annual General Meeting (AGM)

6.1 The Remco Chair shall attend the AGM in order to respond to any shareholder questions on the Committee's activities.

Reporting Responsibilities

Board Updates

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

The Committee shall prepare and provide reports on the Group's Remuneration Policy and practices to the Board.

The minutes of each Remco meeting will be made available to the VMUK Board.

Annual Report and Accounts (ARA)

The Committee shall review and recommend approval of the content of the Directors Remuneration Report in the ARA to the Board, including:

- a statement of the Committee's membership and a description of its duties and activities as appropriate; and
- the Group's Director's Remuneration Report and Remuneration Policy (to be included at least every three years) and put to shareholder vote, and any other remuneration disclosures within the financial statements, half-yearly reports and management statements.

Other legal or Statutory Reporting

The Committee shall ensure that any other provisions regarding disclosure of information in accordance with relevant legal and statutory requirements in respect of the Group are fulfilled, including, but not limited to

- disclosure requirements described in the Capital Requirements Directive IV;
- disclosures made under the Companies Act 2006;
- UK Corporate Governance Code;
- Pillar 3;
- the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008; and
- any other regulatory requirements, including the Ring-fenced Bodies Rulebook.

Committee Governance

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

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

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

Appendix – Role Descriptions

Role	Description
Remuneration Committee (RemCo) Chair	<p>Whilst the RemCo is the final decision maker for Executive Directors and Leadership Team remuneration, together with oversight and approval of Companywide remuneration policy, including share schemes, the RemCo Chair is responsible for ensuring that decisions are fully and cooperatively debated.</p> <p>The RemCo Chair is also responsible for the appropriate market disclosures via the Directors Remuneration Report and, where required, appropriate investor engagement.</p> <p>In conjunction with the main Board Chair, the RemCo Chair agrees the CEO year end pay and bonus outcomes for approval by the RemCo.</p>
Main Board Chair	<p>The Chair is the line manager for the CEO, agreeing annual personal objectives and reviewing performance at year end.</p> <p>The Chair should also make performance recommendations to the RemCo Chair at year end for the CEO, which is approved by the Committee.</p>
Chief Executive Officer (CEO)	<p>In conjunction with the HRD the CEO should have input to the design of the Companywide reward policy including the Leadership Team.</p>

	<p>Within the terms of the agreed remuneration policy make recommendations to the RemCo for the Leadership Team (including the CFO) for pay and bonus outcomes and any other remuneration elements.</p> <p>The CEO will have a line manager relationship with the Main Board Chair and set personal goals and objectives annually for approval.</p> <p>Whilst the CEO does not take part in RemCo decisions in relation to their own pay and is not present during committee discussions, it is acknowledged that personal discussions regarding own pay can take place with the Main Board Chair and the RemCo Chair if required outside the RemCo.</p>
<p>Group Human Resources Director (HRD)</p>	<p>The Group HRD and the Head of Reward are to some extent conflicted in relation to the overall company remuneration policy. RemCo final approval is the appropriate mitigation to this, and reliance on not being present when own pay is being considered and agreed.</p> <p>The HRD is responsible for the acquisition and retention of human resources and the risks associated with achieving this within the company. To support this the HRD is required to design and recommend the overall Company and Executive Director policy for approval and its operation in conjunction with the CEO, Head of Reward and Pensions and RemCo advisers.</p> <p>Matters for approval may be presented to the RemCo for approval from the HRD with the RemCo Chair's agreement.</p>
<p>Head of Reward and Pensions</p>	<p>The Head of Reward and Pensions is a resource to the HRD/CEO and the RemCo Chair. Whilst this potentially creates a conflict of interest given the HRD is the line manager. Reliance on the RemCo final approval for all decisions and the access to independent advice mitigate this conflict.</p> <p>Maintains the regular working relationship with the RemCo Adviser and normally overseeing all work undertaken.</p> <p>Matters for approval may be presented to the RemCo for approval from the Head of Reward with the RemCo Chair's agreement.</p>
<p>RemCo Adviser</p>	<p>The RemCo Adviser is a RemCo appointment to provide independent advice.</p> <p>Advice can be to both the RemCo and the Executives – but has to be accepted as independent by all parties with the advice being undertaken transparently to all. Advice is normally channelled through the Head of Reward to ensure efficiency and understanding, however, the RemCo Chair may from time to time</p>

	ask for work to be completed solely for the RemCo Chair or Committee.
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