

## **Compliance with Website Requirements**

A financial institution that maintains a website is required to set out on that website how it complies with the requirements of the General Organisational Requirements, Senior Management Functions and Remuneration parts of the PRA Rulebook and also certain requirements in the Senior Management Arrangements, Systems and Controls (SYSC) manual of the Financial Conduct Authority (FCA) Handbook.

Details are set out in the Annual Report and Accounts for the year ended 30 September 2018 (2018 ARA) and confirms compliance with the regulatory requirements relating to (1) Governance (including Senior Management Functions); (2) Remuneration; and, (3) Reporting. Defined terms used below have the meanings in the 2018 ARA, unless otherwise defined.

### **1. Governance**

#### **The management body (the Board)**

The Board is the principal decision making body of the Group and is collectively responsible to shareholders for promoting the long-term success of the Company. The Board's role is to provide leadership to the business as a whole within a framework of prudent and effective controls which enable risk to be assessed and managed. It sets strategy and oversees its delivery and establishes its culture, values, ethics and standards. It sets the Group's risk appetite, monitors operational and financial performance and reporting, ensures the Group is adequately resourced and has effective controls and remuneration policies and that there are appropriate succession planning arrangements.

In order to assist the Board in carrying out its functions and to ensure that there is independent oversight of financial reporting, internal controls, risk management, governance and remuneration matters, the Board delegates certain clearly defined responsibilities to its four principal committees: the Audit Committee, the Governance and Nomination Committee, the Remuneration Committee and the Risk Committee.

In order to retain control of key decisions and ensure there is a clear division of responsibilities at the head of the Company, the Board has identified certain 'reserved matters' that only it can approve. Other matters, responsibilities and authorities have been delegated to its committees and the Chief Executive Officer. The matters reserved to the Board are set out in the Charter for the Board and this, as well as the Charters for each principal Board committee is available to view on our website (<http://www.cybg.com/about-us/corporate-governance>). The authorities delegated by the Board to the Chief Executive Officer are set out in the Delegation of Authority Framework.

The Board has agreed a clear division of responsibilities between the Chairman and Chief Executive Officer. The Chairman's priority is to lead the Board, ensure its effectiveness and guide the Board in establishing the culture, value and ethics of the Company and the Chief Executive Officer's priority is to manage the day-to-day running of the Group's business. The roles of the Chairman, Chief Executive Officer and other Directors are clearly defined so that no single individual has unrestricted powers of decision. The Board Charter requires that the role of the Chief Executive Officer and the Board Chairman should not be exercised by the same individual. The Chairman leads the Board and its effectiveness by organising its business and setting its agendas, ensuring that the Board as a whole plays a full and constructive part, being forward looking, primarily focused on strategy,

performance and key value creation issues. The Chief Executive Officer leads the day-to-day management of the Group's business ensuring its effective running, and is also responsible for developing, coordinating and proposing to the Board all activities to implement the Group's strategy and leading the Executive Leadership Team. The Non-Executive Directors bring an external perspective, knowledge, experience and insight from other industries and are to apply sound judgement and objectivity to the business of the Board. They are responsible for developing and setting the Group's strategy and monitoring its implementation, reviewing the Risk Management Framework, and supporting and constructively challenging Executive Directors, as well as satisfying themselves on the integrity of financial information. All Directors are provided with sufficient resources to undertake their duties and have adequate access to information and documents that are needed to oversee and monitor management decision making.

The size of the Board is considered to be suitable in the context of a highly complex commercial and regulatory operating environment, and reflecting the acquisition of Virgin Money Holdings (UK) plc, consists of the appropriate combination of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.

The Chairman ensures that each newly appointed Director receives a full and formal induction on joining the Board which is tailored to reflect a Director's skills, experience and Board role. The Board has in place a professional development and training programme which ensures that Director development continues after the initial induction programme has been completed.

Prior to appointment, potential conflicts of interest are disclosed and assessed to ensure that there are no matters which would prevent the incoming Director from taking the appointment and during their tenure Directors are asked to consult with the Company Secretary and the Chairman before taking up any external appointment or responsibilities. Any changes to the commitments of Directors are reported to the Governance and Nomination Committee and the Board. Directors are reminded, at each Board meeting, of their duty to report any actual or potential conflict as soon as they become aware of such events. The Group has procedures in place to ensure that the Board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively. The Board assesses the independence of Directors on an annual basis following a review by the Governance and Nomination Committee. The Board considers Clive Adamson, Paul Coby, Geeta Gopalan, Adrian Grace, Fiona MacLeod, Darren Pope, Dr Teresa Robson-Capps and Tim Wade to be independent in character and judgement. Amy Stirling is not considered by the Board to be independent as her appointment as a Non-Executive Director is pursuant to the right of Virgin Enterprises Limited to nominate a director under the terms of a Brand Licence Agreement. The Chairman (Jim Pettigrew) was considered independent on appointment.

Non-Executive Directors are required to confirm they are able to allocate sufficient time to meet the expectations of the role as part of their appointment with the Group. Guidance is provided in respect of the limits on the number of other directorships that they can hold under the requirements of CRD IV. Each Director is required to seek the agreement of the Governance and Nomination Committee before accepting additional commitments that might affect the time the Director is able to devote to his or her role as a Non-Executive Director of the Group. The Board monitors the other commitments of the Chairman and Directors and is satisfied that they are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

The Board is committed to ensuring that there are effective channels of communication with the Company's shareholders and the Group's website enables access to documents and communications as soon as they are published, including recordings of webcasts and investor presentations.

### **Role of the CYBG PLC Governance and Nomination Committee**

The Governance and Nomination Committee consists of Non-Executive Directors and the Chairman and operates as a committee of the Board.

The Governance and Nomination Committee assists the Board in discharging its responsibilities relating to governance and the composition and make-up of the Board. The Governance and Nomination Committee is responsible for evaluating the balance of skills, experience, independence, knowledge and diversity on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters. The Governance and Nomination Committee also leads the process for the periodic evaluation of the performance and effectiveness of the Board, Board committees and individual Directors, considers succession planning, taking into account the skills and expertise that will be needed on the Board in the future and makes recommendations to the Board on the CYBG Group's corporate governance arrangements to be consistent with best practice and good corporate governance standards.

The Governance and Nomination Committee engages with external recruitment consultants, considers potential candidates and recommends appointments of new Directors to the Board. Before commencing the recruitment process, the Committee evaluates the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, prepares a description of the role and capabilities required. The Governance and Nomination Committee Charter is available on [www.cybg.com](http://www.cybg.com) and is reviewed annually and approved by the Board.

The Board is committed to delivering the Group's inclusion strategy and although new appointments are always based on merit, careful consideration is given to the benefits of improving and complementing the diversity, skills, experience and knowledge of the Board. In making recommendations to the Board, the Committee makes sure that the Board is made up of competent colleagues with the necessary balance of diversity, skills and experience required to ensure that the Board can function effectively. The Board remains committed to building strong female representation at all levels within the Group including at Board, executive and senior management levels. The Committee and the Board remains committed to achieving the target it set last year to achieve 33% female representation on the Board by 2020, achieved through the natural cycle of Board renewal. It remains the Board's intention to broaden diversity on the Board beyond gender diversity alone, to reflect the communities in which the Group operates and the diversity of our customers. As at 30 September 2018 there were three female Directors (27%) on the Board which has risen to four (31%) following the appointment of Geeta Gopalan and Amy Stirling on 15 October 2018 and Debbie Crosbie stepping down from the Board on 19 November 2018. The Group supports the Women in Finance Charter and has a target of 40% women in senior management roles by 2020.

Further details on Board Diversity are available on [www.cybg.com](http://www.cybg.com).

Following the very thorough externally facilitated review undertaken in 2017 covering both the Board and Board Committees, the 2018 Board effectiveness review was an internal review led by the Chairman with the support of the Group Human Resources Director and Company Secretary. Overall the conclusion from the 2018 review was that the Board strongly demonstrates all elements of Great Leadership with strengths being the good balance of enterprise-wide and longer-term Board focus and appropriate challenge and oversight of the business. More detailed information on the principal findings from the review are included in the 2018 CYBG PLC Annual Report and Accounts.

## **2. Remuneration**

The Group, and its subsidiary undertakings comply with the Prudential Regulation Authority's (PRA) Rulebook Remuneration and the Financial Conduct Authority's Senior Management Arrangements, Systems and Controls Handbook (SYSC) 19D. These rules aim to ensure that firms have risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose them to excessive risk.

The Remuneration disclosures in respect of the 2018 performance year are set out at the end of the Directors' Remuneration Report section of the CYBG PLC 2018 Annual Report and Accounts. Additional information summarising the decision-making policies for remuneration are also provided. These disclosures deliver the requirements of CRR Article 450.

Debbie Crosbie has informed the Board of her intention to step down as Group Chief Operating Officer and an Executive Director of the Company. Debbie stepped down from the Board with effect from 19 November 2018 and after a handover period will be placed on gardening leave until her employment with the Company ceases on a date to be agreed. In line with her contractual arrangements and the circumstances of her departure, Debbie will not receive any compensation for loss of office. Debbie will continue to receive her salary, car cash allowance, cash in lieu of pension benefit funding up to her departure date. From her departure date she will be paid in lieu of notice for the balance of her 12 month notice period until 18 November 2019 (or such earlier dates as may be agreed) subject to customary mitigation provisions. No other remuneration payments will be made in connection with her departure. In accordance with the rules of the CYBG share plans, Debbie's outstanding 2017 deferred bonus, 2015 Demerger LTIP, 2016 LTIP and 2017 LTIP will lapse on her departure from the Company. In accordance with the rules of the CYBG share plans, Debbie's outstanding awards will lapse on her departure from the Company. The awards granted to Debbie by National Australia Bank (NAB) under the NAB share plans will continue to vest and the treatment of the awards in the future will be determined by NAB in accordance with rules of the NAB share plans.

## **3. Reporting**

### **Country –by-country reporting**

In accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, CYBG PLC sets out the Country-by-Country information in respect of the year ended 30 September 2018 in the CYBG PLC Annual Report and Accounts (ARA), see <http://www.cybg.com/investor-centre/financial-results/>.