

CYBG PLC

Board Risk Committee

Charter

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| Committee Role | <p>The CYBG Board Risk Committee (BRC / Committee) is the board level Risk Committee for CYBG PLC (CYBG) and its subsidiaries, including for the avoidance of doubt, Virgin Money Holdings (UK) plc and of its respective subsidiaries (together, the Group) and will be responsible for:</p> <ul style="list-style-type: none">• Providing oversight and advice to the Board of CYBG (Board) in relation to current and potential future risk exposures of the Group and future risk strategy, including determination of risk appetite and tolerance; and the effectiveness of the Risk Management Framework (RMF), Policy Management Framework (PMF), and in conjunction with the Board Audit Committee (BAC), financial and non-financial internal controls required to manage risk and reviewing management's plans for mitigation of the top and emerging risks faced.• Overseeing the Group's liquidity profile and making recommendations to the Board for approval of liquidity risk appetite and overall liquidity risk framework.• Monitoring the effectiveness of the Group's fraud and anti-money laundering procedures and overseeing the application of those Group policies and procedures relating to the responsibilities of the Committee adopted across the Group in accordance with this Charter.• Assisting on such other matters as may be referred to it by the Board.• Promoting a risk awareness culture within the Group. |
| Ring-fencing obligations | <p>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 CYBG, 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 Charter must be followed.</p> |
| Chair | <ul style="list-style-type: none">• The BRC Chair shall be an independent Non-Executive Director. Neither the Board Chair nor Board Audit Committee (BAC) Chair may be Chair of the Committee• The Board Chair may not be a member of the Committee.• The BRC Chair shall not have a casting vote. |
| Members | <ul style="list-style-type: none">• Committee members shall be appointed by the Board on recommendation from the CYBG Board Governance & Nomination Committee and, in respect of Committee members, in consultation with the BRC Chair.• BRC shall comprise at least four members (which shall include the BRC Chair) all of whom are to be independent Non-Executive Directors of the Group. 'Independence' for |

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| | <p>these purposes will be assessed by reference to provision B.1.1 of the April 2016¹ UK Corporate Governance Code (the Code).</p> <ul style="list-style-type: none">• Members of the Committee must have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and risk appetite of the Group and at least one member of BRC shall also be a member of the BAC. |
| Standing Attendees | <ul style="list-style-type: none">• Board Chair• Chief Executive Officer• Group Director Internal Audit• Group Chief Financial Officer• Group General Counsel• Group Chief Operating Officer• Group Chief Risk Officer (Group CRO)• Head of Regulatory & Compliance Risk• Secretary <p>Appropriate waivers must be in place for the Group Director Internal Audit and Group Chief Risk Officer to perform these functions for CYBG 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.</p> |
| Additional Invitees | <ul style="list-style-type: none">• Additional invitees or subject matter experts may be invited to attend or present papers for approval and / or discussion to BRC at the request of the BRC Chair. |
| Quorum | <ul style="list-style-type: none">• The quorum for meetings shall be two members. In the absence of the BRC Chair, the remaining members present shall elect one of themselves to chair the meeting. |
| Meeting Frequency | <ul style="list-style-type: none">• BRC shall meet no less than four times per annum.• Ad-hoc meetings may be called at the request of any BRC member, the Board Chair, the Chief Executive Officer, the Group CRO or the Group Director Internal Audit.• BRC will hold a joint meeting, at least once per annum, with the BAC. |
| Secretary | <ul style="list-style-type: none">• The Company Secretary or delegate shall be secretary to BRC. |
| Source of Authority | <ul style="list-style-type: none">• BRC operates under authority delegated from the Board, and may establish sub-committees as it considers necessary and appropriate to assist in carrying out its responsibilities. |

¹ July 2018 UK Corporate Governance Code will not apply to CYBG until financial year beginning 1 October 2019
v2.0 – October 2018

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| | <ul style="list-style-type: none"> • BRC will receive updates from the Executive Risk Committee (ERC) and will review all matters that are referred to it by the ERC for consideration. • BRC shall have adequate access to resources and information in order to conduct its duties and responsibilities. |
| Responsibilities | <p>Risk Policy</p> <ul style="list-style-type: none"> • To review and recommend for approval to the Board the PMF and the procedures for monitoring the adequacy and effectiveness of those policies and processes, and the impact of non-compliance on the control environment. • To review compliance with the PMF and risk and compliance policies, including resultant actions in respect of policy breaches. <p>Risk Appetite, Framework and Limits</p> <ul style="list-style-type: none"> • To consider and recommend for approval by the CYBG Board the RMF and non-financial internal control systems. • To consider and recommend for approval by the CYBG Board (in conjunction with the CB BRC) the Group's Risk Appetite Statement (RAS) in respect of risk appetite for strategic risks (capital adequacy, funding and liquidity and conduct risks). • To ensure a robust assessment of the top and emerging risks facing the Group has been undertaken (including those which would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks. • 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. • To oversee (in conjunction with the CB BRC) management's implementation of the RMF and the embedding of risk appetite controls within the Group, including management's response to breaches of risk appetite set out within the RMF or RAS. • To assist the CYBG 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. • To regularly receive reports from BAC on the effectiveness of the Group's financial internal controls, risk management systems and the Group's whistleblowing procedures. • To receive reports from Internal Audit on the adequacy of internal control processes for risk management based on the strategy as determined by the Board. <p>Compliance and Fraud</p> |

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- To review the procedures for preventing and detecting fraud across the Group and report any actual, suspected or alleged fraud (involving misconduct or unethical behaviour related to financial reporting) or misrepresentation of assets to the BRC.
- To review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.
- Review regular reports from the SMF 16 holder and keep under review the adequacy and effectiveness of the Group's compliance function

Regulatory, Capital and Liquidity Matters

- To receive reports that explain the impact of crystallisation of identified risks and threats identified through rigorous enterprise-wide stress and scenario testing of the Group's business and to receive reports that explain the impact of crystallisation of identified risks and threats. To consider the level of risk mitigation in place.
- To consider and recommend for approval to the CYBG Board (in conjunction with the Board of CB):
- the key vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory enterprise-wide stress tests.
- the results of enterprise-wide stress tests (including mitigants).
- To monitor the relationship with the Financial Conduct Authority (FCA) and PRA and other relevant regulatory bodies, including the review of the scope and results of work conducted by the FCA and PRA.
- Consider any material findings (in conjunction with the CB BRC) from regulatory reviews and interactions with regulators in relation to risk governance or risk assessment or management processes.

Remuneration

- To provide advice to the Remuneration Committee (RemCo) to enable RemCo to consider adjustments to the Group's business and function bonus pools to reflect risk management.
 - To review the annual risk and conduct objectives of CYB Leadership Team (CYB LT) members and recommend these to the RemCo for approval.
 - To review the year-end performance of individual CYBG LT members against risk objectives and advise RemCo of any specific recommendations.
 - To consider regulatory reportable events/investigations and resulting accountability reviews and to advise the RemCo on robustness of approach. The BRC may express a view on appropriateness of the recommendations to the RemCo.
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| | <ul style="list-style-type: none"> • To review LTIP performance measures to monitor that risk and conduct perspectives are appropriately reflected and to provide recommendations to RemCo. • To review the effectiveness of conduct and risk management during the LTIP performance period prior to vesting and provide recommendations to RemCo. <p>Risk Function and Group Chief Risk Officer</p> <ul style="list-style-type: none"> • To review the operating model, adequacy and effectiveness of resource within the Risk function, access to information and independence from management. • To review and monitor the effectiveness of the Group CRO. • To review and, where appropriate, approve in conjunction with the CB BRC the assurance plans of the Risk function and consider any findings in relation to the adequacy of the RMF and management action taken in response. • To receive copies and review all reports from the Group CRO. • To consider and make recommendations to the Board regarding the appointment or removal of the Group CRO. • The Group 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 Chair. • The BRC Chair will discuss the remuneration arrangements of the Group CRO with the RemCo Chair. • The BRC Chair will discuss the performance of the Group CRO with the Chief Executive Officer. |
| Reporting | <ul style="list-style-type: none"> • To describe in the CYBG ARA the work of BRC including: <ul style="list-style-type: none"> - a summary of the role of BRC; - a summary of the role of the BRC and its key areas of focus during the reporting period; - qualitative disclosures including the type of risk to which the Group is exposed and how they arise, the Group's objectives, policies and processes for managing risks, methods used to measure the risks, and the changes from the previous reporting period; - the names and qualifications of all BRC members during the period; - the number of meetings held during the period - a report on the way BRC has discharged its duties and whether external advice was taken |
| Escalation | <ul style="list-style-type: none"> • BRC will receive reports from CB BRC and VM BRC after each meeting. • BRC will report to the CYBG Board, identifying any matters within its remit, for example relating to the RMF and RAS, in respect of which it considers that action or improvement is needed, and making recommendations as to steps to be taken. • The minutes of BRC will be made available to the CYBG Board. |

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| Committee Governance | <ul style="list-style-type: none">• To review its own performance, that of its Chair and of each Committee member on an annual basis.• BRC Chair shall attend the Annual General Meeting (AGM) to answer any shareholder questions on BRC's activities.• The Charter shall be reviewed at least annually by the Committee and the Board, however, amendments of a non-material nature (as determined by the BRC Chair) in the period between shall be approved by the Committee without reference to the Board.• To make its Charter available to shareholders via the Group's website.• BRC may engage, at the Group's expense, any appropriate independent external advice on any matter it considers necessary to fulfil its role and responsibilities.• BRC will liaise regularly with the BAC and where there is perceived overlap of responsibilities between BRC and BAC, the respective committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation. |
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