

# CYBG PLC

## BOARD REMUNERATION COMMITTEE

### Charter

Committee Role	<p>The Boards' Remuneration Committee will act as the board level Remuneration Committee for Clydesdale and Yorkshire Banking Group PLC ("CYBG") and its subsidiaries, including for the avoidance of doubt, Virgin Money Holdings (UK) PLC and its respective subsidiaries (together, the "Group"). The role of the Committee is to:</p> <ul style="list-style-type: none"><li>• Recommend to the Board of CYBG ("Board") for approval a remuneration policy ("Remuneration Policy") of the Group.</li><li>• Within the terms of the Remuneration Policy 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 ("CYB Leadership Team"); including, for the avoidance of doubt, any members appointed following completion of the offer to acquire the Virgin Money Group, and the Company Secretary for approval by the Board.</li><li>• Within the terms of the Remuneration Policy 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.</li><li>• Exercise oversight for remuneration issues.</li><li>• Report to the Board, identifying any matters within its remit in respect of which it considers that action or improvement is needed and making recommendations as to steps to be taken.</li></ul>
Ring-fencing obligations	<ul style="list-style-type: none"><li>• Where waivers or modifications from the 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 Remuneration Committee and VM Remuneration Committee charters must be followed.</li></ul>

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Chair	<ul style="list-style-type: none"><li>• The chair of the Committee (the "Committee Chair") shall be an independent Non-Executive Director.</li><li>• The Committee Chair may only perform the chair of remuneration committee role for other Group entities as permitted by the Prudential Regulation Authority's Ring-fenced Bodies Rulebook, considering any rule waiver or modification granted by the PRA.</li><li>• The Chairman shall not be Committee Chair, nor chair any meetings, but may be a Committee member providing they were considered independent on appointment.</li><li>• In the absence of the Committee Chair at any meeting, the remaining Committee members present shall elect one of their number to chair the meeting, unless the Committee Chair has designated a member of the Committee to deputise for them in their absence.</li><li>• A detailed description of the role of the Committee Chair is included in the Appendix.</li></ul>
Members	<ul style="list-style-type: none"><li>• The Committee Chair and Committee members are appointed by the Board on the recommendation of the Board's governance and nomination committee ("G&amp;N Committee") and, in relation to Committee members, in consultation with the Committee Chair.</li><li>• The Committee shall comprise at least three members (which shall include the Committee Chair), all of whom are to be independent non-executive directors of the Company (each a "Non-Executive Director"). "Independence" for these purposes will be assessed by reference to the provisions of the latest edition of the UK Corporate Governance Code applicable to the Group from time to time ("Code"). 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.</li><li>• 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.</li></ul>

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	<p>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.</p>
Standing Attendees	<ul style="list-style-type: none"><li>• The Committee Chair, with the support of the Committee, will determine which other directors of the Company, and members of the management team, are to be standing attendees of the Committee.</li><li>• The secretary of the Committee (the “Secretary”) shall maintain a register of standing attendees appointed pursuant to this clause.</li><li>• A detailed description of the roles of each of the main standing attendees is included in the Appendix.</li></ul>
Additional Invitees	<ul style="list-style-type: none"><li>• No one other than the Committee Chair and Committee members is entitled to be present at a meeting of the Committee, but others may attend at the invitation of the Committee Chair with the support of the Committee.</li><li>• Any other attendees for either all or part of Committee meetings shall be agreed with the Committee Chair.</li></ul>
Quorum	<ul style="list-style-type: none"><li>• The quorum necessary for the transaction of business of the Committee shall be two members, one of whom should normally be the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.</li><li>• The Committee shall make decisions at a meeting by majority of the Committee members voting in favour of an action. The Committee Chair shall not have a casting vote.</li><li>• The Committee may also make decisions outside of a meeting by way of written confirmation received by the Committee Secretary from each of the members of the Committee. 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.</li></ul>

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Meeting Frequency	<ul style="list-style-type: none"><li>• The Committee should meet often enough to discharge effectively its role and responsibilities but not less than four times per annum.</li><li>• The Committee Chair may call a meeting at any time and will call a meeting of the Committee if so requested by any member of the Committee or by the Chairman.</li></ul>
Secretary	<ul style="list-style-type: none"><li>• The Company secretary (“Company Secretary”) or their delegate shall act as Secretary of the Remuneration Committee.</li></ul>
Source of Authority	<ul style="list-style-type: none"><li>• The Committee will operate under delegated authority from the Board and has full power to make decisions concerning matters referred to in this Charter, while decisions relating to items included in the Matters Reserved for the Board (as defined in the Board's charter), must be referred to the Board.</li><li>• The Committee shall have adequate access to information and shall determine the nature, amount, format and frequency of the information which it is to receive.</li><li>• The Committee shall have access to sufficient resources and the authority to seek any information it requires from employees of the Group, including the Company Secretary, or otherwise in order to fulfil its role and responsibilities.</li><li>• The Committee may, at the Company's expense, obtain any appropriate independent external expert advice, including remuneration consultants, on any matter it considers necessary to fulfil its role and responsibilities.</li><li>• The Committee may from time to time establish sub-committees as it considers necessary or appropriate to assist in carrying out its responsibilities. Any such sub-committee must comprise one or more members of the Committee and shall adopt a charter, to be approved by the Committee, setting out matters relevant to the authority, role, responsibilities, composition and operation of that sub-committee.</li></ul>
Responsibilities	<p>In performing the role outlined above, and in consultation with the Board, the Committee shall attend to the following:</p> <p><b>Development of Remuneration Strategy and Policy</b></p>

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|  | <ul style="list-style-type: none"><li>• Determine and recommend to the Board for approval the Remuneration Policy in a way that aims to provide a structured and balanced remuneration package for all colleagues, including all Executive Directors, aligned to the Group strategy, risk appetite, culture, values and long-term interests.</li><li>• No Director or member of the CYB Leadership Team shall be involved in any decisions relating to their own remuneration.</li><li>• Ensure the Remuneration Policy includes performance-based variable rewards (cash and share-based annual bonus plans and long-term incentive plans), core fixed elements (base salary and benefits including pension arrangements) and compensation payments and ensure the Remuneration Policy has regard to the risk appetite of the Group and the alignment with its long-term success;</li><li>• Receive reports from the risk function and/or risk committees of the Group (“Risk Committee”), on the implications of the Remuneration Policy for risk and risk management and receive and consider advice from the Risk Committee on risk weightings and adjustments to be applied to performance objectives and remuneration arrangements;</li><li>• Receive reports from the finance function and/or audit committee of the Group (“Audit Committee”) on the implications of applying the Remuneration Policy arising from the Group’s strategy or performance;</li><li>• Liaise, via the Committee Chair, with the chairs of the Group Risk Committee and the Audit Committee as to the most appropriate way for the two preceding provisions to be dealt with between the respective committees from time to time;</li><li>• 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;</li><li>• Include measures in the Remuneration Policy to avoid potential conflicts of interest in the design of incentive</li></ul> |
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arrangements to ensure the interests of customers, employees, shareholders and other stakeholders are aligned;

- Consider and approve the malus and clawback policy to be applied to any incentive plans of the Group;
- Determine the policy for pension arrangements for the Executive Directors and each member of the CYB Leadership Team (including, for the avoidance of doubt, any members appointed following completion of the offer to acquire the Virgin Money Group), including the elements of remuneration that should be pensionable;
- Submit the Remuneration Policy, at least every three years, to a binding vote of the Company's shareholders, consider and, where appropriate, respond to feedback received from shareholders through that process;
- 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;
- Oversee any major changes in employee benefit structures of the Group;
- Establish the overall parameters for bonus plans of the employees of the Group; and

### **CYB Leadership Team and Chair's Remuneration**

Within the terms of the Remuneration Policy:

- Determine, on appointment to the Group, the terms and conditions of remuneration in respect of the Chairman, Executive Directors and each member of the CYB Leadership Team (including, for the avoidance of doubt, any members appointed following completion of the offer to acquire the Virgin Money Group), comprising basic fee/salary, performance-based variable rewards, benefits including pension and any buy-out of forfeited awards.
- Determine any changes to the remuneration of the Chairman, Executive Directors and CYB Leadership Team members (including, for the avoidance of doubt, any members appointed following completion of the offer to acquire the Virgin Money Group), considering any recommendations of the Chairman or the chief executive of the Group (the "Chief Executive Officer"), giving due regard to the overarching remuneration strategy, pay and employment conditions

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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;

- Determine, on termination, the compensation payment, if any, due to the Chairman, Executive Directors or CYB Leadership Team members (including, for the avoidance of doubt, any members appointed following completion of the offer to acquire the Virgin Money Group), 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 CYBG, the terms of any termination of such employment, ensuring at all times, that failure is not rewarded.
- 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;
- The Board will determine the remuneration of the Non-Executive Directors within the limits set out in the Articles and the terms of the Remuneration Policy.

### **Material risk takers**

Within the terms of the Remuneration Policy:

- Consider and approve the list of all employees falling within the scope of Material Risk Taker ("MRT") as per the regulatory technical standard issued by the European Banking Authority and any other regulatory requirements against the Group's risk profile for each financial year and as amended from time to time;
  - Monitor the remuneration arrangements of all MRTs in line with the Remuneration Code and as agreed with the regulators;
  - 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; and
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- 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, ensuring always that failure is not rewarded.

**Performance-related Remuneration and Share Schemes**

Within the terms of the Remuneration Policy:

- Review the design of, and determine targets for, any short-term performance-related remuneration schemes operated by the Group, and:
    - recommend the annual bonus arrangements to the Board for approval;
    - approve the rules underpinning such schemes;
    - 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;
    - recommend to the Board for approval the total annual payments made under such schemes; and
    - subject to Board approval of the total annual bonus payments approve the allocation of the annual bonus pools;
  - 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;
  - Review the design, including any performance conditions, of all share incentive schemes to be operated by the Group and:
    - recommend the rules of any new share schemes to the Board for approval;
    - 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
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	<ul style="list-style-type: none"> <li>○ 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.</li> <li>● seek and receive reports and consider input from the Risk Committee 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 Risk Committee 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.</li> </ul> <p><b>Other Responsibilities</b></p> <ul style="list-style-type: none"> <li>● The other responsibilities of the Committee are to:             <ul style="list-style-type: none"> <li>○ 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;</li> <li>○ Determine the approach to remuneration governance and performance management framework for the Group;</li> <li>○ Agree the policy for authorising claims for expenses from the Directors;</li> <li>○ Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity; and</li> <li>○ Consider other matters relating to the purpose of the Committee as are referred to it by the Board.</li> </ul> </li> </ul> <p>In discharging their duties, each Committee member shall have due regard to the legislative and regulatory rules applicable to them as Directors, the provisions of sections 171 to 177 of the Companies Act 2006, the Remuneration Code, the Listing Rules and Disclosure and Transparency Rules, best practice principles of the UK Corporate Governance Code and any other regulatory requirements, including the Ring-fenced Bodies Rulebook.</p>
Reporting	<ul style="list-style-type: none"> <li>● The Committee, through the Committee Chair or the Chair's nominee, shall report to the Board at the earliest possible</li> </ul>

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	<p>meeting after each Committee meeting any matters that should be brought to their attention; any recommendations requiring approval and / or action; and any matters discussed at the Committee meeting which may inform the Board's decision-making. In addition, the Committee shall provide a report to all subsidiaries of any decisions taken, which require implementation.</p> <ul style="list-style-type: none"><li>• The Committee shall prepare and provide reports on the Group's Remuneration Policy and practices to the Board. The Committee shall make a statement in Group's annual report of the Committee's membership and a description of its duties and activities as appropriate.</li><li>• The Committee shall review and recommend to the Board the Director's Remuneration Report and Remuneration Policy (to be included at least every third year) for inclusion in the Annual Report and Accounts and put to a shareholder vote, and any other remuneration disclosures within the financial statements, half-yearly reports and management statements.</li><li>• 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, disclosures made under the Companies Act 2006, UK Corporate Governance Code, Pillar 3 and other disclosure requirements described in the Capital Requirements Directive IV and the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008 and any other regulatory requirements, including the Ring-fenced Bodies Rulebook.</li><li>• The Committee shall, through the Committee Chair, ensure that the Group maintains contact as required with its principal shareholders about remuneration.</li></ul>
Escalation	<ul style="list-style-type: none"><li>• The Committee will report to the Board identifying any matters within its remit in respect of which it considers that action or improvement is needed and making recommendations as to steps to be taken.</li><li>• The minutes of the Committee will be made available to the Board.</li></ul>
Committee Governance	<ul style="list-style-type: none"><li>• The performance of the Committee, the Committee Chair and of each Committee member shall be reviewed annually as</li></ul>

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	<p>part of the annual Board's performance evaluation process which is overseen by the G&amp;N Committee.</p> <ul style="list-style-type: none"><li>• This Charter will be reviewed by the Committee at least annually and any amendments will subsequently be approved by the Board.</li><li>• The Committee Chair shall attend the annual general meeting of the Group to answer any shareholder questions of the Committee's activities.</li><li>• Minutes are to be kept of all Committee meetings and circulated to the Committee and to the Board.</li><li>• The Secretary shall maintain copies of all Committee agendas, meeting papers and minutes.</li></ul>
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### Appendix - Role Descriptions

<b>Role</b>	<b>Description</b>
<b>Remuneration Committee (RemCo) Chair</b>	<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>
<b>Main Board Chair</b>	<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>
<b>Chief Executive Officer (CEO)</b>	<p>In conjunction with the HRD the CEO should have input to the design of the Companywide reward policy including the Leadership Team.</p>

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	<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 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 Remuneration Committee.</p>
<b>Group Human Resources Director (HRD)</b>	<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 Remuneration Committee for approval from the HRD with the RemCo Chair's agreement.</p>
<b>Head of Reward and Pensions</b>	<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>

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	<p>Matters for approval may be presented to the RemCo for approval from the Head of Reward with the RemCo Chair's agreement.</p>
<b>RemCo Adviser</b>	<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 ask for work to be completed solely for the RemCo Chair or Committee.</p>