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UK Asset Resolution Limited and UK Financial Investments Limited: Relationship Framework Document

United Kingdom: UK Asset Resolution (UKAR)

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UKAR GROUP COMPANIES¹

UK ASSET RESOLUTION LIMITED AND UK FINANCIAL INVESTMENTS LIMITED: RELATIONSHIP FRAMEWORK DOCUMENT¹

Introduction

1. This framework document (the “**Framework Document**”) has been drawn up by UK Asset Resolution Limited (the “**Company**”) and UK Financial Investments Limited (“**UKFI**”) following:
 - (A) the coming into effect of the Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008 (S.I. 2008/2546) as amended by the Bradford & Bingley plc Transfer of Securities and Property etc. (Amendment) Order 2009 (S.I. 2009/320) (together the “**B&B Transfer Order**”);
 - (B) the coming into effect of the Northern Rock plc Transfer Order 2008 (S.I. 2008/432) and the Northern Rock plc Transfer Order 2009 (S.I.2009/3226);
 - (C) the loan facilities provided by HM Treasury to Northern Rock (Asset Management) plc (“**NRAM plc**”) and Bradford & Bingley plc (“**B&B**”);
 - (D) the guarantee arrangements put in place by HM Treasury in respect of NRAM plc and B&B;
 - (E) the transfer of HM Treasury’s shareholdings in NRAM plc and B&B to the Company, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury;
 - (F) the transfer to UKFI of the management of HM Treasury’s shareholding in the Company;
 - (G) an intra-group restructure in April 2016, whereby certain assets and liabilities of NRAM plc were transferred to a newly established subsidiary of UKAR – NRAM (No.1) Limited prior to the sale of NRAM plc. The loan facilities and guarantees previously provided to NRAM plc were transferred to NRAM (No.1) Limited which subsequently changed its name to NRAM Limited (“**NRAM**”). NRAM and B&B and their respective subsidiaries are referred to as the “**UKAR Subsidiaries**”.

¹ This Relationship Framework Document takes effect as of 16 March 2017 and is intended to replace the shareholder relationship framework document drawn up by the Company and UK Financial Investments Ltd which took effect on 1 April 2014.

2. The Framework Document sets out the structure of how the day-to-day relationship between the Company and UKFI (acting on behalf of HM Treasury) will work in practice. The Framework Document will be revised from time to time if so required by HM Treasury or UKFI as circumstances change.
3. The Framework Document should be interpreted in light of the memorandum and articles of association of the Company (and each UKAR Subsidiary) and English company law and is without prejudice to the statutory and other rights and obligations of HM Treasury, UKFI, the Company and each UKAR Subsidiary and the statutory, common law and other duties and responsibilities of the Directors of the Company (the "**Board**") and the Directors of each UKAR Subsidiary respectively.

Overall aim and the Board's responsibilities

4. The ongoing relationship between the Company, UKFI, HM Treasury (as shareholder of the Company and provider of financial support to NRAM and B&B, noting that UKAR's accounts are consolidated with HM Treasury's) and the Financial Conduct Authority ("**FCA**") as regulator will operate in the context of the Company's overarching objective to develop and execute a divestment strategy for disposing of its underlying investments in NRAM and B&B in an orderly and active way through sale, redemption, buy-back or other means within the context of protecting and creating value for the taxpayer, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition. This overarching objective includes:
 - (A) consistent with HM Treasury's stated aim that it should not be a permanent investor in UK financial institutions, maximising sustainable value for the taxpayer, taking account of risk;
 - (B) maintaining financial stability by having due regard to the impact of disposal or restructuring transactions; and
 - (C) promoting competition in a way that is consistent with a UK financial services industry that operates to the benefit of consumers and respects the commercial decisions of the financial institutions.
5. Subject to the provisions of paragraphs 10 to 22, the Board is responsible for setting the Company's strategic aims and for developing and recommending revisions to the Company's (and each of the UKAR Subsidiaries') business plan (the "**Plan**") to deliver the overarching objective referred to above. The Board is also responsible for ensuring that the necessary financial and human resources are in place for delivery of the agreed Plan and for setting the Company's values and standards (and those of the UKAR Subsidiaries) and ensuring that its obligations to HM Treasury as shareholder are understood and met.

6. The Board is also responsible for procuring that the UKAR Subsidiaries adopt and adhere to the provisions of this Framework Document insofar as such provisions relate to or refer to the UKAR Subsidiaries to enable the Company to comply with its obligations to UKFI under this Framework Document.
7. In particular, wherever the Company is required to seek consent or approval from UKFI under this Framework Document in relation to any matter relating to or in respect of a UKAR Subsidiary, the Board shall procure that consent or approval to such matter is sought by the relevant UKAR Subsidiary from UKFI.
8. Nothing in this Framework Document affects the rights of the Financial Services Compensation Scheme Limited (the “**FSCS**”) as set out in the B&B Transfer Order. Under the B&B Transfer Order, HM Treasury, B&B and the FSCS are required to agree terms for reducing B&B’s liability to the FSCS. These arrangements may include separate monitoring arrangements for the benefit of the FSCS.

Relationship between the Company and UKFI: framework principles

9. The basic relationship between the Company and UKFI operates according to principles under which UKFI (acting on behalf of HM Treasury as shareholder of the Company and provider of financial support to NRAM and B&B):
 - (A) appoints the Chairman of the Board and is entitled to appoint one or more Non-Executive Directors;
 - (B) (i) is required to give its consent for the appointment of other members of the Board proposed to be appointed by the Board’s Nominations Committee and agrees the terms on which the Directors are appointed, remunerated and incentivised; (ii) is required to give its consent for the appointment of other members of the board of NRAM proposed to be appointed by NRAM board’s Nominations Committee and agrees the terms on which the NRAM directors are appointed, remunerated and incentivised; (iii) is required to give its consent for the appointment of other members of the board of B&B proposed to be appointed by the B&B board’s Nominations Committee and agrees the terms on which the B&B directors are appointed, remunerated and incentivised;
 - (C) agrees with the Board the high level objectives that the Plan is designed to achieve (including in relation to the UKAR Subsidiaries) and any revisions to the Plan;
 - (D) reviews with the Board from time to time the Company’s strategic options (including in relation to the UKAR Subsidiaries);
 - (E) requires that the Board is accountable to it for delivering the agreed Plan;

- (F) gives the Board the freedom to take the action necessary to deliver the Plan (including delivery of the Plan by the UKAR Subsidiaries);
- (G) monitors the Company's performance to satisfy itself that the Plan is on track (including in relation to the UKAR Subsidiaries); and
- (H) is to be informed if the Company proposes to take certain significant actions (including those set out in paragraphs 32 to 34 below), and the Company undertakes not to take any such action without the prior consent of UKFI in writing.

The following paragraphs explain in more detail how these principles are to be put into practice.

Principles in practice

Board structure and governance

10. The Company will operate a group corporate governance structure that provides a framework for the relationship between the Board and UKFI which, so far as practicable and in light of the other provisions of this Framework Document or as otherwise may be agreed with UKFI, takes appropriate account of best practice for a holding company of financial institutions listed on the Official List, including the UK Corporate Governance Code. The Board will constitute the following committees:
 - (A) Audit Committee;
 - (B) Risk Committee;
 - (C) Remuneration Committee; and
 - (D) Nominations Committee.
11. The Company shall procure that the boards of B&B and NRAM replicate the composition of the Board and adopt and operate a corporate governance structure which enables the Company to effectively and efficiently operate and to comply with its obligations under this Framework Document. Such corporate governance structure of B&B and NRAM should be consistent with the principles set out in paragraph 10, including as to the constitution of committees as per paragraph 10.
12. The Board shall notify UKFI of the delegated authorities it has granted to directors and senior management of the company.

Board appointments

13. The composition of the Board is a critical factor for UKFI. The aim is to secure an environment in which UKFI and the Chairman of the Board share a common view about Board composition (including size and balance of experience and background) and succession. To achieve this, the following will take place:
 - (A) the Chairman of the Board and either the Chairman of UKFI or a senior employee nominated by the Chairman of UKFI (the “**Nominated Officer**”) will discuss and confirm Board composition which should compose of a minimum of five members with the majority being Non-Executive Directors and succession regularly in light of performance of the Board and the requirements of the Plan;
 - (B) the Chief Executive of UKAR will be the Accounting Officer for the Company and as such is required to ensure that the activities, roles and responsibilities of the Company are conducted in compliance with the principles set out in “Managing Public Money” issued by HM Treasury, as amended from time to time;
 - (C) UKFI will be entitled to appoint to the Board one or more Non-Executive Directors nominated by it (the “**Shareholder Directors**”). The Company acknowledges that the Shareholder Directors, if appointed, intend to liaise with and report to representatives of UKFI from time to time in relation to the business of the Company and decisions made or to be made by the Board in order to assist with the exercise of their powers and duties as directors of the Company;
 - (D) one or more senior representatives of UKFI will, if so requested by UKFI, attend meetings of the Board in an observer capacity;
 - (E) the Chairman of the Board will discuss with the Nominated Officer any impending changes to Board membership;
 - (F) the Chair of the Nominations Committee will meet with the Nominated Officer as necessary to discuss, and to obtain UKFI’s approval of, any proposed Board changes before they become subject to the formal appointment/consent procedure; and
 - (G) the Board will ensure that suitably rigorous appraisals are made of the effectiveness of the Chairman of the Board and the Board.
14. The Board shall appoint to senior management roles individuals with relevant experience, skills and appropriate qualifications, who will in addition to any other responsibilities determined by the Company, attend Board discussions where appropriate.

15. The governance structure for NRAM and B&B is to replicate the structure, and rights granted to UKFI, as described in paragraph 13, and the Company shall exercise its rights as the sole shareholder of NRAM and B&B to give effect to the foregoing.

The Plan: developing and implementing strategies

16. The Plan will be prepared by the Board to meet the overarching objective. There will need to be effective dialogue between UKFI representatives (including the Nominated Officer) and Company representatives to enable the strategy required to meet the overarching objective and the Plan to be understood and agreed.
17. UKFI representatives (including the Nominated Officer) and Company representatives will also meet from time to time, as agreed, to review the strategic options available to the Company (including in relation to the UKAR Subsidiaries).
18. The Board recognises UKFI's mandate to develop and execute an orderly and active disposal of HM Treasury's investments in financial institutions (including the UKAR Subsidiaries) in line with the shareholder relationship framework document between UKFI and HM Treasury, and UKFI recognises the Board's obligation to act in accordance with their statutory and other duties. The Board will work collaboratively with UKFI to develop strategic options relating to the disposal of the Company, its business or its assets (including in particular any divestment, buy-out or merger and acquisition options and any such options in relation to the UKAR Subsidiaries).
19. The Board will seek to accommodate any strategic options or changes in strategic direction proposed by UKFI provided that they are able to do so without being in breach of any statutory or other duties applicable to the Directors. The Company will keep UKFI fully informed of all developments and will consult UKFI prior to making any final decisions about implementation (including in relation to the UKAR Subsidiaries).
20. The strategic aims developed by the Board and any proposed change in strategic direction (including in relation to the UKAR Subsidiaries) will require review by, and the approval of, UKFI. It is important that at a preliminary stage UKFI understands the likely feasibility of any such aim or proposal. Accordingly, the Board will develop a process that ensures that UKFI is fully involved at a preliminary stage in developing and implementing any such aim or proposal. The Company will also inform UKFI of any credible approaches from third parties for the acquisition of (i) the Company or its business, or a material portion of the Company or its business, (ii) some or all of the shares in the UKAR Subsidiaries, (iii) some or all of the shares in a subsidiary of a UKAR Subsidiary, or (iv) a material portion of the business or assets of a UKAR

Subsidiary or a subsidiary of a UKAR Subsidiary, and UKFI will keep the Company updated on the progress of any discussions relating to any such approaches from third parties.

21. Any proposed revisions to the Plan, whether as a result of any change in strategic direction or otherwise, will be subject to review by, and the approval of, UKFI. This includes any conditions in relation to state aid approvals which may require revisions to be made to the Plan.
22. Any material adverse variation in actual performance or the Board's view of the outlook for the Company (including in relation to the UKAR Subsidiaries and as a result of re-forecasting), in each case as against the base case set out in the Plan, will require the Board promptly to set out its recommended mitigating strategic actions to UKFI for its review and approval.

Delivering the Plan – incentivisation

23. UKFI's approval will be required for remuneration packages and any incentivisation arrangements for Directors and senior management (as defined in the FCA remuneration code) of the Company and the structure of the incentive schemes for other employees of the Company. UKFI's interest is primarily in ensuring that remuneration and other incentives are:
 - (A) sufficient to attract, motivate and retain high calibre individuals to drive the delivery of the Plan; but
 - (B) aligned with the overarching objective outlined above and compliant with the G20 remuneration principles and the FCA remuneration code.
24. UKFI requires any incentive arrangements for Executive Directors and senior management (as defined in the FCA remuneration code) to be tied closely to performance as measured by the achievement of the Plan. UKFI is committed to paying market rates for success. Conversely, UKFI does not condone rewards for failure and would expect the Board to support the removal of any Director responsible for a failure to deliver the Plan or for other serious failure.
25. Directors and senior management incentive schemes should be developed and recommended by the Remuneration Committee for approval by UKFI. The Remuneration Committee should discuss and agree with UKFI the terms of these incentive arrangements, including:
 - (A) appropriate targets to incentivise delivery of the Plan within the parameters of the base and upside cases;
 - (B) appropriate annual targets in light of annual budgets;
 - (C) appropriate market benchmarking of targets and incentive levels;

- (D) appropriate consideration of remuneration levels throughout the Company; and
 - (E) appropriate conditions for resetting the terms of the incentive schemes where necessary.
26. The Chair of the Remuneration Committee will discuss proposals at an early stage with UKFI in order to input UKFI's views into the process. In particular, the Remuneration Committee will share with UKFI its proposals for any staff incentive schemes before any announcement of their terms to staff so that UKFI can confirm whether they are consistent with the principles set out in the Plan and this Framework Document.
27. The incentivisation and remuneration structure for NRAM and B&B is to replicate the structure, and rights granted to UKFI, as described in paragraphs 23 to 26 and the Company shall exercise its rights as the sole shareholder of NRAM and B&B to give effect to the foregoing.

Delivering the Plan - the Board's freedom to act

28. UKFI is committed to giving the Board the freedom to act to deliver the agreed Plan. In that context, and save as provided in this Framework Document, UKFI will not interfere in day-to-day operational and commercial matters (including in relation to the UKAR Subsidiaries).
29. Decisions on the day-to-day running of the Company (and each UKAR Subsidiary) will rest with the Board of the relevant company who will act in accordance with this Framework Document to the extent that doing so is compatible with the Directors' statutory, common law and fiduciary responsibilities.

External advisers

30. The Company undertakes to demonstrate value for money in any appointment of professional advisers.
- (A) In relation to (a) any proposed disposal of some or all of the shares in NRAM or B&B, or (b) any proposed transaction subject to approval under paragraph 32 or paragraph 34, the Board will notify UKFI of any external advisers and of proposed terms of engagement and reference of any such external advisers prior to their appointment, and UKFI will have the right to review and approve or reject, such appointment and terms prior to such appointment being finalised.
 - (B) In relation to any other transaction or matter where the Company (or any UKAR Subsidiary) reasonably determines that it is appropriate to appoint

external legal, accounting, financial or other advisers, it will not be necessary for the Company (or any UKAR Subsidiary) to consult UKFI in connection with such appointment provided that the terms of engagement and reference of any such external advisers will be provided to UKFI upon request.

Monitoring the Company's performance

31. UKFI will regularly monitor the Company's performance against the Plan (including in relation to the UKAR Subsidiaries) by means of the following mechanisms:
- (A) monthly (or at UKFI's request, more frequent) meetings as the centrepiece of the formal reporting relationship between the Company and UKFI. The purpose of these meetings between the Executive Directors of the Company and senior representatives of UKFI (including the Nominated Officer) is to provide a forum to review performance to date against Plan objectives, but each meeting is primarily intended to be weighted towards being a forward-looking and risk-based analysis of progress of the Plan;
 - (B) monthly (or at UKFI's request, more frequent) financial and business performance monitoring to assist this process. UKFI expects to be provided with prompt and accurate financial and business information at the same level as the Board and which is transparent to ensure that all key financial and business data pertinent to tracking the progress of the Plan, the Company's performance against agreed objectives and the performance of the UKAR Subsidiaries against their objectives can be reviewed and monitored on a timely, regular and appropriate basis and, for the avoidance of doubt, such monthly financial reporting will include details of all Treasury Assets disposed of within the relevant month;
 - (C) the Company will promptly and without delay disclose to UKFI any information:
 - (i) which is required to be disclosed to HM Treasury under the terms of the loan facility provided by HM Treasury to B&B or NRAM or which concerns or impacts the ability of NRAM or B&B to fulfil their obligations under the loan facilities;
 - (ii) that would have required public disclosure if the Company (or B&B or NRAM) were listed on the Official List; or
 - (iii) which otherwise may have a significant bearing on the delivery of, or may have a significant impact on the assumptions or objectives set out in the Plan;

- (D) in addition to the regular meetings, meetings between Directors and representatives of UKFI to discuss the affairs of the Company and/or the UKAR Subsidiaries at UKFI's request;
- (E) in addition to the monitoring procedure described above, UKFI will be entitled on reasonable notice to such information in relation to the affairs of the Company, including access to the Company's financial models and personnel and information it holds on the UKAR Subsidiaries, as it may reasonably consider necessary or desirable from time to time;
- (F) the Company will produce an annual report and accounts (the "**HMT Report**") which will be laid before Parliament. The **HMT Report** will contain such information as HM Treasury, in consultation with the Company, requires;
- (G) The Chairman and Chief Executive of the Company will, if required, attend meetings of relevant Parliamentary Committees (including the Public Accounts Committee and the House of Commons Treasury Select Committee), for scrutiny and otherwise to answer questions about the company; and
- (H) The Company will:
 - (i) ensure there are appropriate arrangements in place for the audit of its financial statements;
 - (ii) permit audit procedures to be carried out by the National Audit Office (with or without the involvement of external professional advisers);
 - (iii) establish an internal audit function which will report to the Board's Audit Committee; and,
 - (iv) ensure that the accounts to be produced by the Company comply with the requirements of the Companies Act. In addition, and in line with any accounts direction given by HM Treasury, the Company shall have regard to the accounting and disclosure requirements of the Government Financial Reporting Manual issued by HM Treasury which is in force for the financial year for which the accounts are being prepared to the extent that they clarify or build on the requirements of the Companies Act.

Approval rights regarding material transactions

32. In relation to transactions other than those relating to Treasury Assets, UKFI will have approval rights over:

- (A) any material acquisitions, disposals, investments, realisations or other transactions (including (i) any liability management exercise such as an issue, purchase or refinancing of any debt obligations, loan facility or other borrowing, and (ii) transactions by, or in relation to, the UKAR Subsidiaries or by a subsidiary of a UKAR subsidiary);
 - (B) transactions or matters that the Board can reasonably foresee will (i) exclude any strategic outcome contemplated by the Plan or proposed by UKFI (including by, or in relation to, the UKAR Subsidiaries), or (ii) have a significant negative bearing on the delivery of the Plan (including in relation to the UKAR Subsidiaries), or (iii) prejudice the overarching objective referred to in paragraph 4; and
 - (C) any actions that require HM Treasury's approval, consent or agreement under the terms of the loan arrangements made between HM Treasury and B&B and HM Treasury and NRAM.
33. For the purposes of paragraph 32(A), an acquisition, disposal, investment, realisation or other transaction will be material and require UKFI approval where such transaction:
- (A) will, or is expected to, give rise to proceeds of more than £250 million; or
 - (B) will, or is expected to, give rise to a net profit impact upon UKAR and/or the relevant subsidiary of more than £25 million; or
 - (C) relates to assets which are proposed to be disposed of or acquired, or liabilities which are proposed to be transferred, at a discount or premium which is not in line with discounts or premiums current in the market for comparable assets or liabilities.

The Company accepts that as circumstances change, UKFI may notify the Company and/or the UKAR Subsidiaries of changes to the thresholds set out in 33(A) and 33(B). The Company undertakes to discuss with UKFI any series of related transactions expected to be completed within a short timeframe which together could be judged to exceed the thresholds in 33(A) or 33(B).

34. In relation to transactions relating to Treasury Assets, in each calendar month, UKAR, NRAM and B&B are permitted to execute transactions without obtaining the approval of UKFI where such transactions:
- (A) will, or are expected to, give rise to aggregate proceeds of £500 million or less; and
 - (B) will, or are expected to, give rise to an aggregate net profit impact upon UKAR of £25 million or less,

provided that any transaction that is "off-market" in that it relates to assets which are proposed to be disposed of at a discount or premium which is not in line with discounts or premiums current in the market for comparable assets will require the prior approval of UKFI.

The Company accepts that as circumstances change, UKFI may notify the Company and/or the UKAR Subsidiaries of changes to the thresholds set out in paragraphs 34(A) and 34(B).

For the purposes of paragraphs 32 to 34, "**Treasury Assets**" mean any debt securities or other instruments issued by third parties which are held by or on behalf of NRAM or B&B.

Litigation and Claims Handling

35. UKFI, on behalf of HM Treasury, has an interest in the handling of material litigation involving the Company or any of the UKAR Subsidiaries for a number of reasons. In particular, any such litigation may have significant implications for the public purse, may give rise to reputational issues for HM Treasury and may raise wider points of public law on which HM Treasury has significant expertise, such as state aid issues or the correct interpretation of the Transfer Orders (as defined in paragraph 38).
36. UKFI will require information regarding, and oversight of, any material litigation, or material claims, actions or demands, concerning the Company or any of the UKAR Subsidiaries, by means of the following mechanisms:
 - (A) the Company is to inform UKFI promptly of any material litigation being commenced or of the prospect of any such litigation;
 - (B) the Company must respond fully and as soon as is practicable to all requests from UKFI for information and documents relating to any material litigation and, should UKFI so request, keep UKFI fully informed of all material developments and consult and cooperate with UKFI in respect of the conduct of the material litigation (and the Company shall procure that the UKAR Subsidiaries comply with the foregoing);
 - (C) the Company and any of the UKAR Subsidiaries must not make any admissions or admit any liability with respect to any such material litigation brought against it or settle or compromise or offer to settle or compromise the same without the prior written consent of UKFI. UKFI will not unreasonably withhold or delay any such consent and it is not UKFI's intention to request involvement in material litigation unless UKFI considers it to be reasonably necessary to protect the interests of HM Treasury or UKFI; and

- (D) UKFI shall be informed of material claims, actions or demands before any litigation or arbitration proceedings are commenced or threatened by the Company or any of the UKAR Subsidiaries. UKFI will then consider whether it wishes to veto or otherwise request to be involved in some manner in the proceedings and, subject always to compliance with, and due exercise of, the statutory and other duties of the Directors, the Company will comply (and the Company shall procure that the UKAR Subsidiaries will comply) with UKFI's request. It is not UKFI's intention to intervene where proceedings are in the ordinary course of the Company's or the UKAR Subsidiaries' business unless UKFI considers it to be reasonably necessary to protect the interests of HM Treasury or UKFI.

For the purposes of paragraphs 35 to 36, "**material litigation**" means any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes that are commenced or threatened, in relation to the loan arrangements between HM Treasury and NRAM or B&B, or against UKAR or any of the UKAR Subsidiaries or its assets (or against the Directors of UKAR or any of the UKAR Subsidiaries), which is reasonably likely to be determined adversely to UKAR or any of the UKAR Subsidiaries and which if so adversely determined would be reasonably likely to have a material adverse effect on the business or undertaking of UKAR or any of the UKAR Subsidiaries or its ability to perform its obligations under the loan arrangements between HMT and NRAM or B&B. Additionally, for the purposes of paragraph 36, "**material claims, actions or demands**" means any litigation, arbitration or other investigations, proceedings or disputes that are commenced or threatened by UKAR, NRAM or B&B where the claim, action or demand, if successfully litigated, would be reasonably likely to give rise to a recovery by UKAR of an amount in excess of £45 million, by NRAM of an amount in excess of £30 million or by B&B of an amount in excess of £15 million.

37. Nothing in this Framework Document, or otherwise, shall have the effect of giving UKFI the right to possession, inspection or copies of any documents relevant to matters in issue as against itself or HM Treasury in any litigation, arbitration, tribunal or alternative dispute resolution procedure or administrative, governmental, regulatory or other investigation or enquiry.

Expenses

38. UKFI and HM Treasury intend to recharge to the Company or, where appropriate, the UKAR Subsidiaries, financial, legal and other advisory, management and administrative costs that are or have been reasonably incurred in connection with the Northern Rock plc Transfer Order 2008 (S.I. 2008/432) or its implementation, the Northern Rock plc Compensation Scheme Order 2008 (S.I. 2008/718) or its implementation, the Northern Rock plc Transfer Order 2009 (S.I. 2009/3226) or its implementation, the Bradford &

Bingley plc Transfer of Securities and Property etc. Order 2008 (S.I. 2008/2546) or its implementation, the Bradford & Bingley plc Transfer of Securities and Property etc. (Amendment) Order 2009 (S.I. 2009/320) or its implementation, the Bradford & Bingley plc Compensation Scheme Order 2008 (S.I. 2008/3249) or its implementation (collectively the “**Transfer Orders**”) or in the exercise of the functions of HM Treasury or UKFI in relation to the Company or the UKAR Subsidiaries. Wherever possible, process and expected budget will be discussed and agreed between the Company and UKFI prior to such costs being incurred.

The Company’s relationship with UKFI and the regulatory authorities

39. The Company and UKFI share the common objective of having a working relationship which achieves the overarching objective and in which:
 - (A) the respective roles of the Company and UKFI are clearly defined; and
 - (B) the Company and UKFI recognise and respect those roles, and the demands placed upon each party to fulfil them.
40. The Company will interact with UKFI as contemplated by this Framework Document and will continue to interact with HM Treasury and other regulatory authorities as and when necessary or appropriate.
41. The Company recognises that:
 - (A) UKFI will interact with HM Treasury and other regulatory authorities in respect of matters relating to the Company or any of the UKAR Subsidiaries or this Framework Document, as and when necessary or appropriate, in accordance with the provisions of the framework document drawn up between HM Treasury and UKFI; and
 - (B) UKFI may, or may require the Company to:
 - (i) provide information to HM Treasury and other regulatory authorities in respect of matters relating to the Company or any of the UKAR Subsidiaries or this Framework Document; and
 - (ii) consult with, or seek the approval of, HM Treasury in respect of matters relating to the Company or any of the UKAR Subsidiaries or this Framework Document.
42. HM Treasury will be responsible for co-ordinating the regulatory authorities’ actions in relation to the Company and the UKAR Subsidiaries, in accordance with its agreements with them. The FCA (or any successor regulator or regulators) as regulator has statutory responsibilities to fulfil and the

arrangements set out in this Framework Document are entirely without prejudice to those responsibilities.

43. The interactions referred to above between the Company, UKFI and HM Treasury need to be underpinned by resolve on all sides to conduct affairs on the basis of a professional, efficient, and trust-based dialogue:
 - (A) professional: professional people engaged in dialogue relevant to delivering the regulatory authorities' objectives, with commitments delivered on time and to specification;
 - (B) efficient: all parties ensuring a joined-up and efficient approach amongst their constituent elements; and
 - (C) trust-based: open dialogue, based on a shared commitment to providing the Company and the UKAR Subsidiaries with the ability to progress.

Power of Direction

44. In view of HM Treasury's broader functions, including its functions in relation to financial stability and financial and economic policy, it may be necessary for HM Treasury to give the Board directions of a general or specific nature from time to time. Such directions may be given to UKAR by UKFI, acting on behalf of HM Treasury. The Board will comply with such directions or resign.
45. Such directions will be given in writing and will promptly be published by UKFI or HM Treasury unless financial stability requires that publication is delayed or withheld.

Continuation of the Company

46. The Company will continue in existence for so long as is required to carry out the activities envisaged by this Framework Document. Upon completion of such activities, it is envisaged that the Company will be wound up.

Ensuring success

47. The success of the relationship depends in the end on the nature and quality of the relationship between the Board, HM Treasury and UKFI. The overall responsibility for ensuring that the intentions of this Framework Document are carried out in practice lies ultimately with the Chairman of the Board, the Chancellor of the Exchequer and the Chairman of UKFI. The Chairman of the Board will maintain regular contact with the Nominated Officer. Below them, senior individuals within the Company and UKFI will be nominated who will have the responsibility to ensure that all contacts between the Company and UKFI are conducted at the right level, with the right people, and in the right spirit.

Revision of Framework Document

48. This Framework Document may be amended and/or supplemented from time to time where required by UKFI and/or HMT. In particular, it is noted that amendments and supplements may be required if the activities of UKAR change or alter in the future.

The Version of this document has been approved by;



Signature

Lowri Khan, Director, HM Treasury

Date

16/3/17

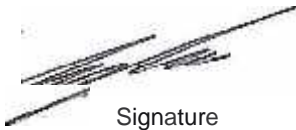


Signature

Oliver Holbourn, Chief Executive Officer, UKFI

Date

16/3/17



Signature

Ian Hares, Chief Executive Officer, UKAR

Date

16/3/17