Nationwide Building Society, Virgin Money UK PLC and Clydesdale Bank PLC

Group Board Risk Committee Terms of Reference

For the purposes of these Terms of Reference, terms shall have the meanings given to them in the Group Governance Framework.

1. PURPOSE AND AUTHORITY

1.1 The Board of Nationwide Building Society (the "Society"), and the Board of Virgin Money UK PLC ("VMUK") and its subsidiaries including the Board of Clydesdale Bank PLC (together the "VM Sub Group") (collectively known as "the Boards") have delegated authority to the Board Risk Committee (the "Committee") to provide oversight and advice in relation to current and potential future risk exposures and future risk strategy; and help the Board in discharging its risk governance and oversight responsibilities as set out in these Terms of Reference.

1.2 The "Group Committee" means the Board Risk Committee of the Society. Any section which applies only to the Group Committee is titled "***Group Committee Only***".

1.3 The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues and to report back to the Committee.

1.4 The Committee has authority to oversee any investigation of activities relating to the Group or its specific entity which are within its Terms of Reference.

1.5 The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties or call any employee to be questioned at a meeting of the Committee as and when required.

1.6 The Committee may obtain, at its entity's expense, external legal or other professional advice on any matter within these Terms of Reference.

1.7 The Committee Chair and the Group Society Secretary are authorised by the Board to review and approve any non-material change required to be made to the Committee's Terms of Reference. Any such change should be reported to the Board.

2. BOARD MODEL

2.1 The Board Risk Committees of Nationwide Building Society (the "Society"), VMUK and Clydesdale Bank PLC ("CB") operate an aligned governance model. This model includes the alignment of Board Risk Committee meetings of each entity, with each agenda clearly identifying which item relates to which entity.

3. APPLICATION OF BOARD MODEL

3.1 These Terms of Reference apply to each Board Risk Committee of the Society, VMUK and CB (each a "Committee").

4. MEMBERSHIP

4.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nomination and Governance Committee and in consultation with the Chair of the Committee.

4.2 The Committee shall be made up of at least three independent non-executive directors, including a member of the Audit Committee and a member of the Remuneration Committee.

4.3 The Committee Chair shall be appointed by the Board and shall be an independent non-executive director.

4.4 In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4.5 The Group Chair shall not be a member of the Committee.

4.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three-year period (or, in exceptional circumstances, two such periods), provided the director still meets the criteria for membership of that Committee.

4.7 Only the members of the Committee have the right to attend Committee meetings.

4.8 The Group Chair, Group CEO, Group CRO, and other Executive Directors of the Society or VMUK will normally attend meetings.

4.9 Other individuals such as, external adviser(s), and representatives from relevant business functions of the Group may be invited to attend all or part of any meeting as and when appropriate.

5. SECRETARY

5.1 The Group Society Secretary or their nominee shall be the Secretary to the Committee and will ensure that it receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

6. QUORUM AND MODE OF MEETINGS

6.1 The quorum for the transaction of business shall be two members, one of whom must be the Chair of the Committee or their appointed deputy.

6.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6.3 In the event of difficulty in forming a quorum, independent non-executive directors who are not members of the Committee may be co-opted as members for individual meetings.

6.4 Voting at meetings shall be valid if taken by a quorum as set out in paragraph 6.1 above.

6.5 A decision by written resolution shall be in accordance with either the Society's Memorandum and Rules or the relevant Company's Articles of Association, whichever is applicable.

6.6 The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone, video or other communication equipment. For the avoidance of doubt, a quorum in that event shall be as set out in paragraph 6.1 above. Such a meeting shall be deemed to take place where the largest group of members of the Committee participating is assembled or, if there is no such group, where the Chair is located.

7. FREQUENCY OF MEETINGS

7.1 The Committee shall meet at least four times a year and otherwise as required.

7.2 At least once a year, without the presence of executive management, the Group Committee shall meet with the Group CRO to discuss their remit and any issues arising from the risk oversight activity. In addition, the Group CRO, the Data Protection Officer, the Group Chief Internal Auditor and the Money Laundering Reporting Officer shall be given the right of direct access to the Committee.

8. NOTICE OF MEETINGS

8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of the Committee Chair, any member of the Committee, or at the request of external or internal auditors if they consider it necessary.

8.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda and papers will be sent to all members of the Committee and any other person required to attend no later than three working days before the date of the meeting.

9. MINUTES OF MEETINGS

9.1 The Secretary to the Committee shall minute the proceedings and resolutions of all meetings of the Committee. The minutes will be produced as a composite document, but the Secretary will identify to which entity the issue relates, and separate minutes may be provided as necessary.

9.2 The Secretary of the Committee shall record any conflicts of interest reported at the meeting.

9.3 Draft minutes of Committee meetings shall be circulated to the Committee Chair for approval in principle and, once that approval is given, will be circulated to all members of the Committee at the next meeting of that Committee. Once agreed, the minutes will be made available to all members of the Board (unless, in the opinion of the Committee Chair, it would be inappropriate to do so).

10. DUTIES AND RESPONSIBILITIES

Risk appetite

The Committee shall:

10.1 ***Group Committee Only*** – monitor risk appetite to ensure it is in line with emerging regulatory, corporate governance and industry best practice;
10.2 ***Group Committee Only*** – annually, or more frequently as required, establish and recommend to the Group Board risk appetite metrics, and ensure that the Group Board considers the appropriateness of the Group's strategy in the context of these risk appetites; and
10.3 ***Group Committee Only*** – advise the Group Board on the Group's current and future risk appetite;
10.4 review reports on risk appetite breaches and associated remedial action undertaken.

Risk management framework and internal controls

The Committee shall:

10.5 ***Group Committee Only*** – keep under review the effectiveness of the Group's Enterprise Risk Management Framework ("ERMF") to identify, assess and manage risk within the agreed strategy and Board Risk Appetite, ensuring sound systems of risk management and internal controls;
10.6 ***Group Committee Only*** – under delegated mandate from the Group Board, approve the ERMF.
10.7 Delegate authority to the Group CRO to approve minor revisions to the ERMF in between meetings of the Committee to ensure that they are kept up to date; such revisions shall be reported at the next appropriate meeting of the Committee. Any significant revisions will be reported to the members of the Committee;
10.8 under delegated mandate from the Group Board, approve the Oversight Plan;
10.9 at least annually, ensure that a review of its respective entity's emerging and principal risks is undertaken and challenge the respective entity's assessment of key current and longer-term risks;
10.10 Assess risk management matters raised by any of its respective entity's regulators and challenge action being taken to address such matters. Where appropriate, provide recommendations to the Board;
10.11 provide oversight and challenge of the day-to-day risk, control and oversight arrangements of the executive and provide advice to the Board as to the effectiveness of the control environment; and
10.12 provide oversight and challenge so that there is appropriate alignment between the entity in question or, in the case of the Group Committee, the Group's, material products and services (including pricing and profitability) and the Group's values, risk strategy, risk appetite and customer outcomes.

Risk monitoring

The Committee shall:

10.13 review the respective entity's or, in the case of the Group Committee, the Group's, risk profile in respect of performance against risk appetite, risk trends, customer outcomes, emerging risks and risk concentrations; and
10.14 receive and review management reports which assess the nature and extent of risks facing its respective entity, including reports on any material breaches of risk appetite, and consider the adequacy of proposed actions and the impact on the business of risks that do materialise.

Regulatory stress-testing

The Committee shall:

10.15 provide oversight and challenge of the design and execution of stress and scenario analysis, including review of the ICAAP and ILAAP submissions including, where appropriate, the review of assumptions, results, and proposed management actions on behalf of the Board;
10.16 under delegated mandate from the Board, approve the ICAAP and ILAAP;
10.17 review and approve all other stress-testing submissions; and
10.18 with respect to the foregoing, it is recognised that certain operational decisions must be made by CB for example, relating to the ILAAP.

Material transactions/strategic proposals and outsourcing

The Committee shall:

10.19 provide oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by its Board, focusing in particular on implications for the Group's risk appetite, and strategy and taking independent external advice where appropriate; and

10.20 monitor the risks associated with outsourcing including disaster recovery and exit plans.

Risk culture

10.21 The Committee shall provide advice, oversight and challenge necessary to enable management to embed and maintain risk awareness and management in the respective entity's culture and to ensure appropriate customer outcomes.

External reporting and disclosure

The Committee shall:

10.22 review and recommend to the Audit Committee for onward recommendation to the Board for approval, the statements concerning the effectiveness of the risk management framework and supporting internal controls, other than financial reporting controls (which are covered by the Audit Committee), to be included in the Annual Report & Accounts, prior to endorsement by the Board and the external auditors;

10.23 review and approve other risk-related sections within the respective entity's Annual Report & Accounts;

10.24 ***Group Committee Only*** – review and recommend to the Group Audit Committee for onward recommendation to Group Board for approval, the Board Risk Committee Report in the Group's Annual Report & Accounts; and

10.25 ***Group Committee Only*** – with regard to the Group's Annual Report & Accounts from the year ending 31 March 2027, the report to the Group Board shall include a description of how the Committee has monitored and assessed the effectiveness of the risk management framework and internal controls; a declaration of effectiveness of material controls as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues; save that, in relation to financial controls, any recommendation as to description or declaration of effectiveness shall be made by the Group Audit Committee.

Chief Risk Officer

10.26 ***Group Committee Only*** – The Committee shall make recommendations to the Group Board on the appointment and resignation or dismissal of the Group CRO. The Chair of the Committee will be consulted in respect of the Group CRO's performance appraisal and compensation.

10.27 The Group CRO's formal reporting line is to the Group CEO. However, the Group CRO also has a reporting line to the Group Committee through the Chair of the Committee in respect of the matters set out in these Terms of Reference.

10.28 The Group CRO will meet regularly with the Chair of the Committee and will have the right and responsibility to elevate issues to the Chair of the Committee where they consider it necessary in the furtherance of their responsibilities.

Risk function

The Committee shall:

10.29 monitor and assess the effectiveness of the Second Line Oversight functions in the context of the overall risk management system and review all reports to the Committee from the Second Line Oversight functions;

10.30 ***Group Committee Only*** – review and discuss with the Group CRO the scope of the work of the Group Risk Function, including its plans, issues identified, how management is addressing these issues and the effectiveness of systems of risk management;

10.31 satisfy itself that the Risk Function is adequately resourced, has appropriate access to information and is free from constraint by management or other restrictions so as to be able to perform its role effectively (including the identification, monitoring and management of risk); and

10.32 provide advice on the appointment of external risk consultants that the Group CRO may decide to engage for advice or support.

Remuneration

The Committee shall:

10.33 ***Group Committee Only –*** provide input to the Group Remuneration Committee and to assist that committee in its assessment of possible impacts on variable remuneration. Such "input" may be provided in conjunction with the Group Audit Committee, including:

(a) an examination of whether remuneration incentives take into consideration capital, liquidity and the likelihood and timing of earnings,

b) whether any risk weightings should be applied to performance objectives incorporated in the incentive structure of executive remuneration, and

(c) how incentive and remuneration arrangements appear to have affected observed behaviours & influences on risk culture & any consequent impact on the organisation's principal risks and to make recommendations to the Remuneration Committee on clawback provisions;

10.34 ***Group Committee Only*** – the Chair (on behalf of the Committee) will recommend to the Group Remuneration Committee the outcome of performance assessment of in-scope individuals within the Risk function, as determined by that function, and the outcome of individual risk adjustment for the Group CRO and person reporting directly to them who work within Group Risk;

10.35 ***Group Committee Only*** – review any recommendations, including those made by the Group Investigations Oversight Committee, to the Group Remuneration Committee in respect of serious breaches of risk management or significant involvement of Risk and Oversight; and

10.36 ***Group Committee Only*** –refer matters for investigation to the Group Investigations Oversight Committee as appropriate.

Other matters

The Committee shall:

10.37 review the annual report from the Money Laundering Reporting Officer;

10.38 review the annual report from the Data Protection Officer;

10.39 under delegated mandate from the Board, approve the Recovery Plan and Resolvability Self-Assessment; and

10.40 monitor the deployment of the Recovery Plan, once implemented, and assess the risk of entering into Resolution.

11. CONSOLIDATED OVERSIGHT

11.1 ***Group Committee only:*** The Committee has a responsibility to provide oversight of risk related matters and enterprise risks within its regulated subsidiaries and consider, and if appropriate endorse, material deviations by these regulated subsidiaries from the approach adopted for the Group.

12. REPORTING RESPONSIBILITIES

12.1 The Committee Chair shall report formally to the Group Board on its proceedings after each meeting on all matters within its duties and responsibilities.

12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12.3 ***Group Committee only*** – A report on the Committee's activities is to be included in the Group Annual Report and Accounts.

13. AUTHORITIES DELEGATED TO THE COMMITTEE

13.1 The Committees shall approve under delegated mandate from the Board (in relation to their respective entities and, where applicable, the Group):

- *Group Committee only:* the ERMF (as set out at section 10.6 of these Terms of Reference);
- Recovery Plan (paragraph 10.39);
- Resolvability Self-Assessment (paragraph 10.39);
- ICAAP and ILAAP (paragraph 10.15); and
- Oversight Plan (paragraph 10.8).

14. DECISION MAKING AND SENIOR MANAGER AND CERTIFICATION REGIME RESPONSIBILITIES

14.1 All members of the Committee are responsible for, and bound by, the decisions taken by the Committee whether or not they actively supported or participated in the decisions although dissent may be recorded.

14.2 A member of the Committee who is a Senior Management Function (SMF) Holder under the Senior Manager and Certification Regime (SMCR) remains individually accountable for their contributions to collective decisions and their implementation insofar as those contributions are in scope of their Senior Manager responsibilities and therefore they also remain accountable for taking reasonable steps in respect of their function and allocated responsibilities.

15. ANNUAL GENERAL MEETING

15.1 *Group Committee Only* – The Chair of the Committee or a deputy chosen from the Committee membership shall attend the Society's Annual General Meeting to respond to any member questions on the Committee's activities or any matter within the remit of the Committee.

16. MISCELLANEOUS

16.1 Where there is a perceived overlap of responsibilities between the Committee and the Audit Committee, the Committee Chairs shall have discretion to agree the most appropriate Committee to fulfil any obligation. An obligation under the Terms of Reference of either the Board Risk Committee or the Audit Committee will be deemed by the Board to have been fulfilled provided it is dealt with by either Committee.

The Committee shall:

16.2 give due consideration to applicable laws and regulations, and to the recommendations in the UK Corporate Governance Code 2024 and FCA's Consumer Duty, as appropriate;

16.3 be cognisant of any conduct risks arising (or increasing) as a result of its judgment and will take proactive steps to avoid or mitigate these risks where possible;

16.4 work and liaise as necessary with all other Board Committees as required;

16.5 have access to sufficient resources in order to carry out its duties, including access to Secretariat for assistance as required;

16.6 receive appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members; and

16.7 at least once a year, review its own performance, constitution and these terms of reference to ensure it is operating effectively and in line with PRA and FCA requirements, and report the results of this review and recommend any changes necessary to the Board for approval.