

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

**Group Nomination & Governance 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 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 Nomination and Governance Committee (the Committee) to oversee the composition of the Boards and their committees, Board succession plans and governance arrangements for the Group and its subsidiaries; and to oversee the implementation of the Group’s Inclusion Diversity & Wellbeing strategy and objectives as set out in these terms of reference.
- 1.2 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.
- 1.3 The Committee has authority to oversee any investigation of activities relating to the Group which are within its Terms of Reference.
- 1.4 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.
- 1.5 The Committee may obtain, at the Group’s expense, external legal or other professional advice on any matter within its Terms of Reference.
- 1.6 The Committee Chair and the 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 Nomination and Governance Committees of Nationwide Building Society (the “Society”), VMUK and Clydesdale Bank plc (“CB”) operate an aligned governance model. This model includes the alignment of Nomination and Governance 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 Nomination and Governance Committee of the Society, VMUK and CB (each a “Committee”).
- 3.2 The “Group Committee” means the Nomination and Governance Committee of the Society. Any section which applies only to the Group Committee is titled “*Group Committee Only*”.

## **4. MEMBERSHIP**

- 4.1 Members of each Committee shall be appointed by the Board in consultation with the Chair of the Committee.
- 4.2 Each Committee shall be made up of the Group Chair and at least three independent non-executive directors of the Society, including the Senior Independent Director. A majority of the members of the Committee shall be independent non-executive directors of the Society.
- 4.3 The Board shall appoint the Committee Chair who shall be either the Group Chair or an independent non-executive director. The Group Chair shall not chair the Committee when it is discussing matters on their succession. In any such case, the Senior Independent Director will chair meetings of the Committee.
- 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 Appointments to each 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 the Committee.

- 4.6 Only the members of each Committee have the right to attend Committee meetings. Other individuals such as the Group CEO, Group Chief People Officer, and external adviser(s) 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 act as the Secretary of the Committee and will ensure that the Committee 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 necessary for the transaction of business shall be two members, one of whom must be the Chair of the Committee or their appointed deputy or the Senior Independent Director.
- 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 of the Society who are not members of the Committee may be co-opted as members for individual meetings.
- 6.4 A decision of the Committee may be taken by written resolution or electronic means. A decision in this instance will be valid only if taken by a quorum as set out in 6.1 above.
- 6.5 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 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 of the meeting is located.

## **7. FREQUENCY OF MEETINGS**

- 7.1 Each Committee shall meet at least two times a year and otherwise as required.

## **8. NOTICE OF MEETINGS**

- 8.1 Meetings of each 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 any 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 each member 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 of 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 all members of the Committee and, once agreed, 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**

### **BOARD COMPOSITION**

- 10.1 To keep under regular review, the structure, size and composition (including the skills, knowledge, experience, length of service and diversity) of the Boards and their committees, and, in accordance with the Board Composition and Succession Policy, to identify the current and likely future needs of the Boards with appropriate emphasis on succession planning.
- 10.2 In determining the needs of each of the Boards, the Committee shall have regard to a range of factors including the current and future challenges and opportunities facing the Group and the need to balance continuity and knowledge of the Group with the need to progressively refresh membership of the Boards and their committees. Based on this review, the Committee will make recommendations to the Boards as to any changes required.

- 10.3 To review membership of each of the Board Committees and, in consultation with the Chairs of the relevant Committees as appropriate, make recommendations to the Boards as to any changes required to ensure that the Committees possess the necessary capabilities to provide effective oversight of the Group's strategic priorities including an appropriate range and balance of skills, experience, knowledge and behaviours.

## NEW APPOINTMENTS

To assist the Chair in keeping the composition of the Boards under review and leading the appointments process for nominations to the Boards including:

- 10.4 conducting an evaluation, prior to any Board appointment being made, of the balance of skills, knowledge, experience and diversity on, and future needs of, the Boards;
- 10.5 based on this evaluation, preparing a role description including a specification of the skills, capabilities and expected time commitment for the appointment in question;
- 10.6 agreeing the process and criteria for selection including the use of open advertising or the services of external advisers to facilitate the search as appropriate, ensuring that the agreed process pays due regard to the interests of diversity including as to gender, ethnicity and background;
- 10.7 considering candidates on merit and against objective criteria, but with due regard to the benefits of diversity, paying due regard to other interests to avoid conflicts and to ensure that appointees are able to devote sufficient time to the role;
- 10.8 assessing the suitability of candidates by reference to the PRA and FCA 'fit and proper' test including competence and capability criteria;
- 10.9 agreeing any special requirements that should apply to the selection and appointment of the Group Chair and Group CEO, including, if appropriate, the establishment of a special committee. In keeping with best practice governance standards, any such committee will comprise solely non-executive directors. In relation to Group Chair succession, the search will be led by the Senior Independent Director or other non-executive Director nominated by the Committee for that purpose. Neither the Chair of the Board nor any director seeking appointment as Chairman will be eligible to participate in the process; and
- 10.10 ensuring that prospective non-executive directors of the Group undertake that they will have sufficient time to fulfil their duties and that any significant new appointments outside of the Group are approved by the Committee on behalf of the Board prior to their acceptance ensuring that prospective non-executive directors disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.

## SERVING DIRECTORS

- 10.11 To recommend to the Boards, the re-appointment of any non-executive director at the conclusion of their specified term of office having regard to their performance and ability to continue to contribute to the Boards in the light of the knowledge, skills and experience required.
- 10.12 To recommend to the Board for re-election by members any director of the Society under the annual re-election provisions recommended by the UK Corporate Governance Code having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of membership of the Boards and Committees.
- 10.13 To assess at least annually and make recommendations to the Board concerning the independence of each of the non-executive directors of the Society (excluding the Chair of the Society) to ensure that they continue to meet the independence requirements of the UK Corporate Governance Code.
- 10.14 To conduct an annual review of the time commitments required of the non-executive directors of the Group.
- 10.15 To consider and authorise, subject to ratification by the Board, any situational or potential conflict in which a Director of the Group may have a direct or indirect interest that conflicts or potentially may conflict with the interests of the Group.
- 10.16 To consider any matters relating to the continuation in office of any Director of the Group at any time including the suspension or termination of service of any executive director as an employee of the Group subject to the provisions of the law and their service contract.

## SUCCESSION PLANNING

- 10.17 To keep the leadership needs of the Group under review, including formulating succession plans for the Group Board and the Group Executive Committee, having regard to the needs of the Group based on current and future challenges and opportunities and readiness for succession.
- 10.18 To oversee the development of a diverse pipeline for succession at board and executive committee levels across the Group.
- 10.19 To review and make recommendations to the Board regarding plans for succession for both executive and non-executive directors (including emergency plans) and in particular for key roles such as Group Chair and Group CEO.
- 10.20 To conduct a full review of executive talent and succession at least once a year, identifying development needs and succession considerations.
- 10.21 To approve the appointment of members of the Group Executive Committee.
- 10.22 To approve the appointment of executive directors of the VMUK Board and Clydesdale Board.
- 10.23 On convening of the Board Contingency Planning Committee, the Committee shall delegate authority to the Board Contingency Planning Committee to implement the Emergency Chair Succession Plan and Executive Committee Succession Plan subject to any material changes which would be brought back to the Committee for review.

## BOARD PERFORMANCE REVIEW

To determine and lead the process for the annual Board Performance Review including:

- 10.24 setting the criteria for the evaluation of the performance and effectiveness of the Board, its committees and each non-executive Director;
- 10.25 engaging external facilitators as required for an independent evaluation of the performance of the Board at least every three years;
- 10.26 agreeing and overseeing progress against action plans addressing the results of the review particularly in relation to any recommendations regarding succession planning and composition; and
- 10.27 ensuring that the conclusions and recommendations arising from these reviews and evaluations of the Group Chair and Group CEO are reported to the Board.

## OVERSIGHT OF THE GROUP'S GOVERNANCE ARRANGEMENTS

- 10.28 To keep the Group's governance arrangements under review and make recommendations to the Board to ensure that the arrangements are consistent with the Group's strategic objectives and the Society's mutual status. In so doing, the Committee shall have regard to best practice governance standards and principles including those set out in the UK Corporate Governance Code and related guidance issued by the Building Societies Association from time to time, regulatory pronouncements and other relevant standards and codes applicable to mutual societies.
- 10.29 To monitor and make recommendations to the Board on board-level governance issues including the establishment of appropriate policies and practices to enable the Board to operate effectively and efficiently.
- 10.30 To review and recommend to the Board for approval the Directors' Report on Corporate Governance for inclusion in the Group's Annual Report & Accounts.
- 10.31 To receive and review, on an annual basis, an assessment of the continued fitness and propriety of SMF holders and notified non-executive directors.
- 10.32 To review and note significant changes to the Group's Management Responsibilities Map and those of its regulated subsidiaries (including Clydesdale).
- 10.33 To consider and, if appropriate approve, any recommendations made by management relating to disciplinary and/or regulatory investigations involving Executive Directors of the Group or members of the Group Executive Committee where they may be grounds for the matter to be escalated from management mechanisms and to refer those matters to the Remuneration Committee where appropriate.
- 10.34 To review periodically the Board Composition and Succession Policy and recommend any changes to the Board for approval.

## OTHER DUTIES

- 10.35 To conduct periodically a review of the Society, VMUK and CB Directors' Registers of Interests and, if appropriate, recommend to the Boards the authorisation of interests shown in the Registers.

- 10.36 To approve in principle any loan to a Director of the Group or connected person of a director in accordance with the Group's policy on loans to directors.
- 10.37 To receive reports on the progress against the Group's Inclusion and Diversity strategy and objectives.
- 10.38 To challenge management to improve policies and processes in place wherever the Group's diversity targets are not being achieved or progressed.

## 11. CONSOLIDATED OVERSIGHT

- 11.1 The Committee is responsible for the oversight of the nomination and governance arrangements of the Group.
- 11.2 In exercising its responsibilities, the Committee will have the right to request that VMUK Nomination Committee take action or provide information, documentation and assistance such as the Committee shall determine.

## 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 A report to members on the Committee's activities is to be included in the Group's Annual Report and Accounts including the process for appointments, explaining whether external advice or open advertising has been used. Where an external search agency has been used, it shall be identified in the annual report and accounts and a statement made as to whether it has any connection with the Group.
- 12.4 The Group's Annual Report and Accounts will include a statement on the Board's policy on diversity including any measurable objectives that it has set for implementing the policy, how the policy has been implemented and progress on achieving the objectives.

## 13. DECISION MAKING AND SENIOR MANAGER AND CERTIFICATION REGIME RESPONSIBILITIES

- 13.1 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 can be recorded.
- 13.2 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.

## 14. ANNUAL GENERAL MEETING

- 14.1 **Group Committee only:** The Committee Chair 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.

## 15. MISCELLANEOUS

Each Committee shall:

- 15.1 give due consideration to applicable laws and regulations and any published guidance, as appropriate;
- 15.2 be cognisant of any conduct risks arising (or increasing) as a result of their judgment and will take proactive steps to avoid or mitigate these risks where possible;
- 15.3 work and liaise as necessary with all other Board committees as required;
- 15.4 have access to sufficient resources in order to carry out its duties, including access to the Secretariat for assistance as required;
- 15.5 receive appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members; and
- 15.6 at least once a year, review its own performance, constitution and 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.