# A year of mutual support

## Review of the year 2021

Including our Summary financial statement

Nationwide Building Society

**Harry**, supporting members since 2017

# Welcome
## to our Review of the year (5 April 2020 to 4 April 2021)

As a building society, we're owned by our members. We're founded on the belief that we can achieve more together than we can alone. Our purpose is to build a stronger, kinder society for the mutual good of all.

During last year, a year like no other, our mutual values and purpose proved more relevant than ever. How did Nationwide Building Society respond to the pandemic? What were our priorities?

Our Chair, David Roberts, and Chief Executive Officer, Joe Garner, provide their perspectives. We've set out our financial information in our 'Summary financial statement'. There's also a short report on how much we pay our Board of directors. Please have a read. And, don't forget, if you have any questions, you can put them to members of the Board at our AGM or at the online TalkBack we're holding the week before. See the enclosed Notice of AGM for how to do that.

**Thank you for being a member.**

# What your Society has achieved this year

**No. 1 for customer satisfaction**
among our peer group[1]

**One of the UK's most trusted financial brands**[2]

**Banking Brand of the Year 2020**
for the fourth year

**16.3 million members**
2020: 16.3 million

**Helped 1 in 7 first time buyers**
into a home of their own
2020: 1 in 6

**£265 million**
member financial benefit, from better incentives and pricing than the market average
2020: £735 million[3]

**£790 million**
underlying profit
2020: £469 million

**£823 million**
statutory profit
2020: £466 million

**Extended our Branch Promise**
to keep a branch in every town or city we are in today until at least 2023

**For those impacted by the pandemic**
**256,000** mortgage payment holidays and **105,000** payment breaks or interest-free periods on loans, credit cards and overdrafts

[1] © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2021 and 12 months ending 31 March 2020. For more information, see footnote 4 on page 14.
[2] Nationwide Brand Guidance Study compiled by Kantar, based on customer and non-customer responses for the 12 months ending March 2021. Financial brands included Nationwide, Barclays, Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB and Santander, with Nationwide first for trust amongst non-customers and joint first with First Direct for trust amongst customers.
[3] See page 61 of our Annual Report and Accounts for more information on member financial benefit. The comparative has been restated.

# How is your Society performing?

We measure our performance on the things that matter most to our members. That's great service, long-term value and financial strength. We set our 2021 targets expecting a more normal year, but last year was far from normal. As a result, we have not hit all our targets. In addition, Covid-19 and the actions we have taken to respond to it will continue to affect our performance. That's why we've adjusted some of our near-term targets, as you can see below. You can find out more in our Annual Report and Accounts page 10.

## Service

Providing our members with legendary service

### Our 2021 target

To be the best for customer satisfaction in our peer group, with a lead of at least 4%pts.

### What we achieved

We were no. 1 for customer satisfaction in our peer group, but we didn't achieve our 4%pts target lead[1].

### Future target

In 2022, we'll aim for a lead of at least 2%pts and a 4%pts lead by 2023.

### Our 2021 target

To be among the top five organisations in the UK for customer satisfaction. Across all types of business, not just financial services.

### What we achieved

We were joint 13th in January 2021[2] (2020: 4th).

### Future target

Our ambition hasn't changed. We still want to be among the UK's top five organisations for customer satisfaction.

## Value

Helping more members achieve their financial ambitions and providing better value to our members

### Our previous target

To have 4 million committed members by 2022.

### What we achieved

We have 3.6 million committed members (2020: 3.5 million)[3].

### Future target

We'll aim to maintain 3.6 million committed members in 2022.

### Our 2021 target

To provide at least £400 million of value to our members each year, through better incentives and pricing than the market average.

### What we achieved

£265 million of member financial benefit (2020: £735 million)[4].

### Future target

Over the next few years, we expect this to return to over £400 million.

## Strength

Keeping our members' money safe and secure

### Our 2021 target

To have a UK leverage ratio (a measure of our financial strength) of at least 4.5%.

### What we achieved

We exceeded our target with a UK leverage ratio of 5.4% (2020: 4.7%).

### Future target

Going forward, we still want to have a UK leverage ratio of at least 4.5%.

[1] Lead at March 2021: 1.6%pts, March 2020: 5.4%pts. © Ipsos MORI 2021, Financial Research Survey (FRS), 12 months ending 31 March 2021 and 12 months ending 31 March 2020. For more information, see footnote 4 on page 14.
[2] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January in each year.
[3] Committed members have at least two products with us, one of which is either a main personal current account, a mortgage of at least £5,000, or a savings account of at least £1,000. The comparative for 2019/20 committed membership has been restated to reflect improved data quality since originally reported.
[4] The comparative for member financial benefit has been restated. For more information on member financial benefit see page 61 of our Annual Report and Accounts.

# A letter from David Roberts

Your Society's Chair

*Dear fellow member,*

Welcome to our Review of the year. During the nearly 40 years I have spent working in financial services, I cannot recall a year of greater uncertainty or change.

The pandemic has been a crisis first for people, and second for the economy. While the huge success of the UK's vaccination programme gives grounds for optimism, economic uncertainty and personal hardships remain. I'd like to explain how we approached this crisis to protect the Society and your interests.

## Maintaining our financial strength to support members into the future

As a mutual, Nationwide has always succeeded by bringing people together and putting our members first. Today, 16.3 million members trust us with their finances. Our success allows us to make choices. In recent years, for example, we've chosen to invest in improving our service, upgrading our technology and in giving more value to members. When times are tough, however, we must focus on the basics. Last year was definitely one of those times. The UK's economic output fell by a record amount and the Government took unprecedented action to support the economy. We came into the pandemic in a strong financial position but needed to take action to strengthen our finances and keep our members' money safe. When the Bank of England cut its bank base rate to a historic 300 year low, reducing our savings rates became inevitable. It was not a decision we took lightly however, and since December we've once again been increasing the value delivered to members through propositions such as our Start to Save account and our Triple Access Online account.

Having ensured we were strong financially to weather the pandemic, our second big decision was to renew and strengthen our commitment to protect and support members, colleagues, and communities. In the face of physical, mental and financial challenges, our employees have worked hard, been adaptable and shown a deep ethic of care. Our senior leaders have done a tremendous job of guiding the Society through difficult circumstances. I am grateful for how we have pulled together over the last year, and for our

## Chair's letter *continued*

members' understanding and patience during this challenging period: thank you to you all.

### Refocusing our strategy to meet the challenges of a post-Covid world

Crises are often a catalyst for change and this one is no exception. Although life is beginning to return to normal, the rapid changes we've seen in how we live, shop, work and bank are here to stay. We must adapt to this new world, and the Board approved a refreshed strategy for the Society in October: re-building society, nationwide. We will show our mutual difference through delivering better value and service to members, and contributing positively to our communities. We will focus on establishing meaningful, lifelong relationships and offering real value to our members, with products and services more attuned to where they are in life. We will continue developing the digital services members want, while also protecting the branch services members value by extending our Branch Promise until 2023. As always, our strategy will be underpinned by a strong financial position and our values. We remain committed to being a responsible organisation and a force for good in society. We are helping address climate change by reducing our own impact and by developing green propositions for members. We are committed to being an inclusive organisation, which reflects the diversity of the wider communities we serve. We engage with policymakers and charities to improve the quality of homes in this country, and to encourage mutual respect.

### Strong governance and oversight

The Board's job is to challenge the Society to grow and improve. We welcomed two new Board members in the last year, Tamara Rajah, CEO of digital company Live Better With, and Debbie Klein, Group Chief Marketing, Corporate Affairs and People Officer at Sky. Together, they will strengthen our knowledge of digital transformation, disruptive technologies and sustainability. Rita Clifton retires from the Board at the AGM after nine years' service. Rita has been an outstanding director and I would like to thank her for her wise counsel and unwavering support for members.

The Board is also responsible for setting the pay for our most senior executives. In line with our mutual values, our leaders led the way for the industry on pay at a time when the finances of many of our members, their families and communities were under pressure. Our CEO was one of the first in the UK to take a voluntary 20% reduction in his salary and pension contribution for 2020/21, whilst the non-executive directors committed to donate 20% of their net fees from June to December 2020 to Shelter. We did not award any performance pay to our leadership team in 2019/20 and their performance pay potential this year, in line with that for all employees, was limited to one third of what it would be in normal times. However, looking ahead, it is important that we appropriately reward our senior leaders so that we can attract and retain the right executive team. That means we expect remuneration for executive directors to return to previous levels over the next year – with performance pay subject, of course, to outcomes. Despite the pandemic, directors have continued to engage with members first-hand, hosting virtual TalkBacks for 1,400 members in the last year. We will hold our 2021 AGM virtually for the second year in July. Please do vote and join us on the day to hear about how our Society has navigated the past extraordinary year.

### A year of mutual support

We end the year in a good place: financially strong, operationally resilient and committed to supporting our members to save, own their own homes and achieve financial security. Thank you again for your support for our Society over the last year.

# A letter from Joe Garner

Your Society's Chief Executive

*Dear fellow member,*

The last year has been dominated by the pandemic which continues to be – first and foremost – a human crisis. The pandemic has tested the resilience of people, communities, and organisations. Everyone has dug deep this year, to help us keep members and colleagues safe, to keep our services running smoothly, and to safeguard our financial strength. By working together, we have come through this year financially strong, and able to support our members and communities through uncertain times: this is the essence of what it means to be a mutual. I would like to thank you, our members, and my colleagues, for your support during the last year.

## Keeping members and colleagues safe

From the start of the first lockdown, protecting the health and safety of colleagues and members was our top priority, while maintaining essential services.

We rapidly put in place measures to protect members and colleagues which meant more than 90% of branches remained open throughout the pandemic. We introduced social distancing in our branches and offered members video appointments. We supported vulnerable members with, for example, cash deliveries and specialist telephone helplines. We moved many services online at speed, such as only taking 12 days to introduce online valuations. Meanwhile, some 13,000 office-based colleagues moved to home working almost overnight, as did some 1,000 branch roles. Colleagues supported one another by working flexibly. I'm really proud of how everyone rose to the challenge of finding ways to support our members and keep our essential services running.

## Supporting members and communities

Supporting members through financial hardship has been another priority. As well as payment holidays, our home support package also included an industry-leading 'no repossessions' pledge until May 2021. We also extended our Branch Promise until 2023 to support people and communities, for those times when our members need to see us face to face.

Chief Executive's review *continued*

We remained focused on helping members achieve their dreams of home ownership. After a partial closure, the housing market bounced back thanks to pent-up demand, the stamp duty holiday and because people re-evaluated their homes and where they wanted to live. While the partial market closure reduced our overall lending compared to last year, our market share was broadly the same. We continued to support first time buyers. We lent responsibly, and by tightening our lending criteria were one of the first few lenders to be able to offer 90% loan to value mortgages again. Since the year end, the launch of our Helping Hand mortgage saw us become the first major lender to offer first time buyers the ability to borrow 5.5 times salary, on 5 or 10 year fixed rate mortgages with a loan to value of up to 90%.

Our buy to let business, The Mortgage Works, has had one of its strongest ever years for gross lending. As the rental sector has grown, supporting good landlords has become an important part of how we fulfil our role as a building society, helping people into good quality homes.

It was a tough year for savers when the bank base rate was cut to an all-time low, and frustrating for us too, since our aim is to pay the best possible rates to our savers. Nationwide has a proven record of paying higher deposit rates than the market average; in the last five years, we have paid over £2 billion in extra interest to depositors. However, we reduced our savings rates in light of the reduction in bank base rate and this resulted in member financial benefit falling below our target of £400 million, having significantly exceeded it in recent years. In the medium term we expect member financial benefit to exceed our target again. Total deposit balances increased by £11 billion, although our overall market share of deposits fell.

We want to continue to encourage a savings culture which is an important part of financial wellbeing. We have found new ways to reward savers, including our Start to Save account, a Mutual Reward Bond, and a Triple Access Online account. I am pleased to report a recovery in our savings volumes towards the end of the year as a result of this activity.

Last year we reached a 10% market share of all current accounts[1]. This year, we withdrew switching incentives so that we could focus on supporting our existing members. We maintained our share[1], and continued to attract new members through the Current Account Switching Service[2].

Overall, our customer satisfaction remained strong. In 2020, we were delighted to be named *Which?* Banking Brand of the Year for the fourth year running and were no. 1 for customer satisfaction among our peer group for the ninth year running[3], although our lead narrowed and fell below our target. However, our own member survey showed that lower savings rates and the disruption to branch services, both caused by the pandemic, reduced satisfaction among savers and branch users, although this recovered towards the year end as things began to normalise[4].

## Safeguarding our financial strength

We have always taken a prudent approach to managing our finances. That proved its worth in this crisis year when we have remained strong and secure despite a very volatile environment.

Capital ratios remain high and our UK leverage ratio is above our target. On financial performance, our net interest income and margin improved and we also reduced our costs. Arrears remain low today but, unsurprisingly, in light of the uncertain economic times ahead, the impairment charge for loans that might not be repaid remained high.

Overall, these factors combined to increase our profitability levels significantly, enhancing our financial strength and allowing us to support our members, colleagues, and communities. Extending our Branch Promise is one example of this.

### Re-building society, nationwide

Looking ahead, we face a radically different business and economic outlook compared with 18 months ago. The shape and speed of the economic recovery is unclear. The pandemic has accelerated existing trends in digital adoption and working practices. Other major issues, from climate change to the inequalities exposed by the Black Lives Matter movement, demand fundamental change.

As expected, we are constantly adapting our strategy to meet these challenges. We will, of course, continue to enhance our resilience, invest in security, and become more efficient. After a period of very strong growth, over the next few years we will focus on building deeper, lifelong relationships with our members. We will develop innovative propositions to help members make the most of their money at every stage of their lives and continue to deliver the outstanding service our members deserve and want. We are investing in our digital capabilities and are also making more of our branch network by moving to a new model where branch colleagues can serve customers over the phone, digitally and in person. This approach gives members access to our highly experienced branch colleagues and supports the viability of our branches.

The pandemic gave us a unique opportunity to review our working practices. Having found that the flexibility of remote working has benefited our colleagues and enabled us to serve our members better, we are moving to a flexible model permanently. We still see an important role for offices, for collaborative work and for those who cannot or do not want to work from home.

We will use our voice for mutual good, helping to solve some of the challenges and injustices in our society today – from climate change, to housing, to diversity. For example, we are extending green finance, already available to members, to landlords through The Mortgage Works.

To summarise, over the last year, we've demonstrated the Society's resilience – financially, operationally, and culturally. While the outlook remains challenging, the strength of our values, our social purpose and our finances mean we can continue to work for the mutual good of our members, colleagues, and communities, as we re-build society, nationwide.

Joe Garner

[1] CACI's Current account and savings database (February 2021 and February 2020).
[2] Pay.UK quarterly CASS data, 9 months to December 2020.
[3] © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2021. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 54,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.5% of the main current account market as of April 2020 – Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB. Prior to April 2017, those in our peer group were providers with more than 6% of the main current account market – Barclays, Halifax, HSBC, Lloyds Bank (Lloyds TSB prior to April 2015), NatWest and Santander.
[4] Member experience tracker survey asks members to rate their satisfaction and provide feedback, following a specific interaction across channels and products. Survey results for the 3 months ending 31 March 2020 to the 3 months ending 31 March 2021.

# Building thriving membership
# Growing and serving our membership

We're here to help our members save, buy homes, and manage their money.

We have:

**16.3 million members**
building society, nationwide.
(2020: 16.3 million)

**3.6 million members** who have
more than one product with us.
(2020: 3.5 million)[1]

## Mortgages

Last year, we
**lent £29.6 billion**
to our members.
(2020: £30.9 billion)

Demand for mortgages went down during lockdowns. At other times, it went up because of the stamp duty holiday and also because people's housing needs changed during the pandemic.

We also **helped 1 in 7**
first time buyers into a home of their own.
(2020: 1 in 6).

We gave **256,000**
mortgage payment holidays to those impacted as a result of Covid-19.

We went above and beyond other mortgage lenders by promising our mortgage members affected by Covid-19: **no repossessions**
before the end of May 2021.

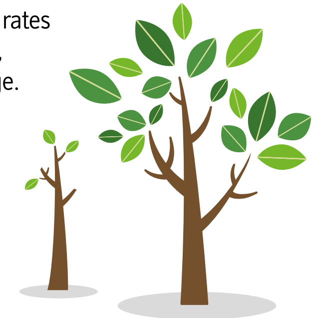
And we expanded our green product range to encourage our members to make their homes **greener**.

[1] The comparative for committed members has been restated to reflect improved data quality since originally reported.

## Savings

We continued to offer deposit rates that, on average over the year, were above the market average.

Last year, our members saved an extra **£10.6 billion** with us. (2020: £5.7 billion)



We encouraged the nation to start saving and found new ways to reward savers.

**Start to Save**

helped **130,000** people save more than £100 with us for the first time.

**Mutual Reward Bond**

Out of the 85,000 members who opened one, **336 won £10,000** in its prize draw.

## Current accounts, loans and credit cards

Last year, we withdrew our current account switching incentive and focused on **supporting our existing members** during the pandemic.

**We gave 105,000 payment holidays or interest-free periods** on loans, credit cards and overdrafts.

We continue to look after **1 in 10** of the UK's current accounts[2].

[2]CACI's Current account and savings database (February 2021 and February 2020).

# Built to last
# Managing your Society for the long term

**We always aim to keep enough profit to maintain our financial strength. At the same time, we give value to our members now, while investing to meet their needs in the future.**


This year, we focused on keeping Nationwide, our members and our colleagues safe through the pandemic.

And we made sure we stayed **financially strong** and **built to last**, so we can keep supporting our members through the uncertain times ahead.

Our UK leverage ratio compares our capital against our assets. It measures how able we are to withstand economic shocks, like Covid-19. We're pleased to say the ratio is **5.4%** (2020: 4.7%). That's above both what we legally need and our own minimum target of 4.5%.

We aim to provide at least £400 million of **financial benefit** each year to our members, from better incentives and pricing than the market average.

When the economy goes through rough times, as it did last year, we may not always be able to deliver this.

Last year, our members benefitted from an extra **£265 million** in financial benefit (2020: £735 million)[3]

Over the next few years, we expect member financial benefit to return to above our annual target of **£400 million**.

[3] The comparative for member financial benefit has been restated. For more information on member financial benefit see page 61 of our Annual Report and Accounts 2021.

Our underlying profit was

**£790 million**

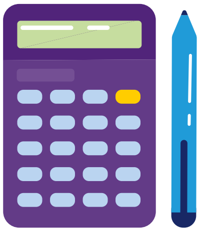
compared to £469 million in 2020.

Our statutory profit was

**£823 million**

compared to £466 million in 2020.

This supports our **strong capital** position. It also shows how we carefully protected our financial strength during the challenges brought about by Covid-19.



Our total income went up by

**£239 million**

to £3,285 million.

and costs went down by

**£94 million**

to £2,218 million.

Our Common Equity Tier 1 (CET1) ratio is an important measure of our financial strength.

It was **36.4%** compared to 31.9% in 2020.

We continue to invest in **transforming our digital services and platforms** to help give our members what they need and want.

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We made good progress during the year to become more **efficient**.

And we'll keep investing where we deliver most **value** to our members and the Society.

# Building legendary service
# Doing our very best to serve our members

**We always aim to give our members the great service they deserve. Whether that's in person, online or through our Banking app.**

Covid-19 had an impact on the service we've been able to provide to our members.

But we're still **no. 1** for customer satisfaction in our peer group[4].

We were joint 13th in the all-sector UK Customer Satisfaction Index, where we were also the **highest ranked** high street financial services provider[5].

We conduct our own member experience survey too[6]. And the good news is that as life has started to get back to normal, we're seeing a strong recovery in our satisfaction ratings.


## Our branches

We worked hard to find ways to support our members while keeping them safe during the pandemic.

We kept **90%** of our branches open through the first lockdown. During the latest lockdown, we kept **98%** open[7].

We created more space in **440** branches to serve our members safely.

We also extended our promise to keep a branch open in every town or city we're already in until at least 2023.

[4] Lead at March 2021: 1.6%pts, March 2020: 5.4%pts. © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2021 and 12 months ending 31 March 2020. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 54,000 adults (aged 16+) a year in total across Great Britain. Interviews were face to face, over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.5% of the main current account market as of April 2020 - Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB.

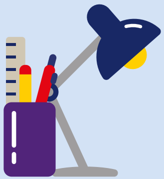
[5] Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2021.

[6] Member experience tracker survey asks members to rate their satisfaction and provide feedback, following a specific interaction across channels and products. Survey results for the 3 months ending 31 March 2020 to the 3 months ending 31 March 2021.

[7] Average calculated between 6 January to 12 April 2021, consistent with the high street reopening.

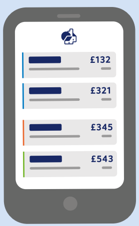
## In response to the pandemic

We quickly adapted the role of our branch colleagues to handle more calls to support our members. They've now handled over **1.5 million** calls and **350,000** digital messages.



We also made it possible for our contact centre colleagues to serve our members from their **homes**.

We supported our members who relied on our branches for cash. We gave them a **dedicated helpline**. And if they needed it, we delivered cash to their homes.




And to help our members get started with online banking, we offered sessions on how to use our **Banking app** to manage their money safely and securely.

## Our technology

Following lockdown restrictions, many of our members quickly shifted to **online services**.

**3.7 million** current account members now use our Banking app (2020: 3.3 million).

On top of that, **76%** of all the products we sold were bought online (2020: 62%).

Our digital messaging grew by **29%** over the year to **2.9 million** (2020: 2.3 million).


We adapted **quickly** and **flexibly** to the pandemic by offering members more ways to manage their money online.

These included:

- automated applications for payment holidays
- online mortgage decisions in principle given within 15 minutes
- improvements to our Banking app, including new ways to protect our members from falling victim to scams
- a new online Covid-19 support hub on our website, so all the help was in one place.

## Protecting members from fraud

We continued investing to make our systems **more secure** against fraud and scams.

With our fraud defence systems and specialist fraud team, we helped prevent the loss of **£113 million** of attempted fraud on card and online transactions.

On top of that, our branch colleagues protected members from **£5.5 million** of attempted scams.

# Building PRIDE
# Creating a healthy culture for our people

**When our people believe in what they do, feel valued and can grow their own careers, that's when they can best serve our members.**


## Wellbeing

We worked hard to support and protect our colleagues' **health and wellbeing** throughout the year.

That included offering colleagues a dedicated wellbeing website and regular online sessions to improve wellbeing. We also offered our colleagues a wellbeing app.

**40%** of our colleagues went on to download it.

The **Banking Standards Board** looked at how our employees felt about the support we offered during the pandemic. Among our major peers[8], our colleagues were the most proud of the way we supported our members during this time.

The study also put us in the top 25% for **shared purpose, respect, reliability and resilience**[9].

**BUPA Health and Wellbeing Award Responsible Business Champion 2020**[10] for embedding health and wellbeing into our culture.

8 Banking Standards Board's 2020 Employee Survey. Major peers surveyed comprise the following systemically important institutions: HSBC, Lloyds Banking Group, Morgan Stanley International, NatWest and Santander UK.
9 Banking Standards Board's 2020 Employee Survey.
10 Awarded by Business in the Community (BITC).

## Our mutual values

Our culture reflects our shared set of values, beliefs and behaviours which we capture in the acronym PRIDE. This firmly puts our members at the heart of all our decision making.

This year, we have updated the ‘E’ in PRIDE. We’ve gone from ‘Excelling at relationships’ to ‘Empowering each other’. This recognises the difference we can make to our members when all our diverse and talented employees feel ‘empowered’ to act and change things for the better.

**P**utting our members and their money first
**R**ising to the challenge
**I**nspiring trust
**D**oing the right thing in the right way
**E**mpowering each other

**pride**

## Inclusion and diversity

We want to build an **inclusive culture** where everybody can **thrive** by being themselves. And a Society that reflects the diversity of the wider communities we serve.

We’re working to achieve this by:

- sponsoring under-represented groups to develop and progress their career
- progressing ethnically diverse colleagues into broader, more stretching roles
- embedding inclusion and diversity into the way we work.

## Gender and ethnicity pay gap

Our **gender** pay gap at 5 April 2020 remained unchanged at **28%** (2019: 28%).

Our **ethnicity** pay gap was **16%** (2019: 17%).

For both, the gap shows we have more women and employees from an ethnically diverse background in junior roles than senior ones. We’re working hard to change this.

# Building a national treasure
# Contributing to our wider community

**Our focus is not just on providing better value and service for our members, but on being better for society too. Mutual benefit with mutual support for the mutual good of all.**

We commit at least 1% of our pre-tax profits each year to **good causes**[11]. It's split between our own social investment programme and the Nationwide Foundation, an independent charity that we set up and fund. In 2020/21, we committed **£7.4 million**, compared to £9.5 million in 2019/20.

## Everyone deserves a place fit to call home

Four years ago, we decided to focus our social investment on **housing**. In the last year alone, our **Community Boards** awarded grants of **£4 million** to 99 local housing projects across the country. Search Community Boards on our website if you'd like to know more or take part.

20 years tackling homelessness together

This year, we're celebrating our **20-year partnership** with the housing charity, **Shelter**.

We donated TV advertising space that directly helped Shelter raise **£175,000**. We also funded **six** more advisers for its helplines and **three** community engagement workers.

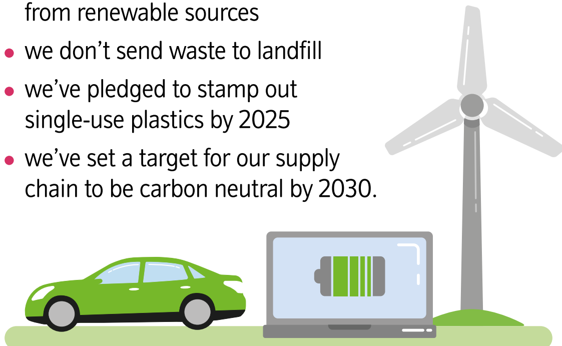
## Living greener

We're committed to reducing our carbon emissions.

**We're proud that we've been carbon neutral for our offices, branches and fleet cars since April 2020.**

Some of the ways we're helping the environment:

- 100% of our electricity comes from renewable sources
- we don't send waste to landfill
- we've pledged to stamp out single-use plastics by 2025
- we've set a target for our supply chain to be carbon neutral by 2030.



[11] The 1% is calculated based on average pre-tax profits over the previous three years.

## Making the nation's housing greener

Housing accounts for around 15% of the UK's total carbon emissions[12].

By 2030, we want at least **50%** of all the homes on our mortgage books to have an EPC rating of C or above.

We've also made **£1 billion** of funds available to borrow to help improve the energy efficiency of Britain's homes.

In Swindon, we're funding the development of **239** EPC A rated homes. Our hope is that others join us in creating quality, sustainable homes in the right way, with the support of local communities.

Oakfield

## Mutual respect

As a building society, we believe people can achieve so much more together than they can on their own. That's why we believe in 'mutual respect' and why we do all we can to promote it.

We joined forces with **The Diana Award** and a host of celebrities to launch **The Big Anti-Bullying Assembly**.

Now, we're working with The Diana Award to train **10,000** Anti-Bullying Ambassadors across 660 UK primary schools.

We also partnered with the Football Association's Respect programme. We aim to engage with 1 million parents, coaches and young players across 100,000 local football teams to promote **mutual respect** on and off the pitch.

The Big Anti-Bullying assembly 2020

The FA For All RESPECT Nationwide

**Building society with mutual respect**

### Our five Mutual Good Commitments will help us to build a better society

- Helping to achieve safe and secure homes for all
- Leading the greening of UK homes
- Supporting our members' financial wellbeing
- Championing thriving communities
- Internally reflecting the diversity of our society.

[12] Office for National Statistics, February 2020.

# Nationwide Foundation

**When you can't afford a place fit to call home, it's difficult to settle down, build a life or make the most of the opportunities you're given. It makes it harder to cope with mental or physical health problems too. And even harder to overcome them.**

Having a place fit to call home makes more things possible. That's why we give at least 0.25% of our pre-tax profits to the Nationwide Foundation, an independent charity.

The charity aims to increase the availability of decent, affordable homes to people in housing need.

The Nationwide Foundation wants to change the way we tackle housing problems. The main ways that it influences for positive change are by funding the right charitable causes and by persuading change-makers to do things differently.

You can find out more at **nationwidefoundation.org.uk**

If you'd like to ask the trustees a question,
just email **enquiries@nationwidefoundation.org.uk**

You can also call the Nationwide Foundation on **01793 652002**. The Foundation will put the answers to any questions on its website, **nationwidefoundation.org.uk**

The Nationwide Foundation registered charity number is 1065552.

# Statement of the auditors

to the members and depositors of Nationwide Building Society.

We have examined the Summary financial statement of Nationwide Building Society for the year ended 4 April 2021, which comprises the Results for the year, the Reconciliation of statutory profit to underlying profit, the Financial position at the end of the year, and the Summary of key financial ratios required by the Building Societies Act 1986 set out on pages 22 to 23, and the Summary report of the directors on remuneration on pages 24 to 31.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary financial statement, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the auditable part of the Report of the directors on remuneration of Nationwide Building Society for the year ended 4 April 2021.

Our responsibility is to report to you our opinion on the consistency of the Summary financial statement with the Financial statements, Directors' report, and Report of the directors on remuneration within the Annual Report and Accounts, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

### Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary financial statement to the Annual Report and Accounts. Our audit report on the Society's Annual Report and Accounts and the auditable part of the Report of the directors on remuneration describes the basis of our opinion on those financial statements and the auditable part of that report.

### Opinion

In our opinion the Summary financial statement is consistent with the Financial statements, the Directors' report and the Report of the directors on remuneration of Nationwide Building Society within the Annual Report and Accounts for the year ended 4 April 2021 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

### Use of our report

This statement is made solely to the members and depositors of Nationwide Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
London
20 May 2021

# Summary financial statement

## For the year ended 4 April 2021

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand at every office of Nationwide Building Society from 16 June 2021. They will also be available on the internet at **nationwide.co.uk**. The auditor's report in relation to the full financial statements was not qualified in any respect.

### Summary directors' report

The Summary directors' report comprises 'What your Society has achieved this year' on page 3, 'How is your Society performing?' on page 4, 'A letter from your Society's Chair' on pages 5 and 6, and 'A letter from your Society's Chief Executive' and review of performance on pages 7 to 20.

Approved by the board of directors on 20 May 2021 and signed on its behalf by:

**D L Roberts**, Chair

**J D Garner**, Chief Executive Officer

**C S Rhodes**, Chief Financial Officer

### Results for the year

| | **2021 £m** | 2020 £m |
|---|---|---|
| Net interest income | **3,146** | 2,810 |
| Other income and charges | **139** | 236 |
| Gains/(losses) from derivatives and hedge accounting | **34** | (7) |
| Administrative expenses | **(2,218)** | (2,312) |
| Impairment losses and other provisions | **(278)** | (261) |
| **Profit for the year before taxation** | **823** | **466** |
| Taxation | **(205)** | (101) |
| **Profit for the year** | **618** | **365** |

### Reconciliation of statutory profit to underlying profit

| | **2021 £m** | 2020 £m |
|---|---|---|
| **Statutory profit for the year before taxation** | **823** | **466** |
| Financial Services Compensation Scheme (FSCS) (note i) | **1** | (4) |
| (Gains)/losses from derivatives and hedge accounting (note ii) | **(34)** | 7 |
| **Underlying profit for the year before taxation** | **790** | **469** |

Notes:
i. FSCS charges and credits are excluded from statutory profit when they relate to institutional failures.
ii. Although we only use derivatives to manage risks, their impact can be volatile. This volatility is largely due to accounting rules that do not fully reflect the economic reality of our approach to hedging financial risks.

The reconciliation above adjusts statutory profit before tax for specific items to derive an underlying profit before tax figure. The purpose of this measure is to reflect management's view of the Group's underlying performance and to assist with like for like comparisons of performance across periods.

## Financial position at the end of the year

| Assets | 2021 £m | 2020 £m |
|---|---|---|
| Liquid assets | **45,826** | 37,388 |
| Mortgages | **190,706** | 188,587 |
| Other lending (note i) | **10,841** | 12,391 |
| Derivative financial instrument assets | **3,809** | 4,771 |
| Fixed and other assets | **3,732** | 4,904 |
| **Total assets** | **254,914** | **248,041** |

## Financial position at the end of the year

| Members' interests, equity and liabilities | 2021 £m | 2020 £m |
|---|---|---|
| Shares (member deposits) | **170,313** | 159,691 |
| Borrowings | **59,467** | 62,257 |
| Derivative financial instrument liabilities | **1,622** | 1,924 |
| Other liabilities | **1,581** | 1,637 |
| Subordinated liabilities | **7,575** | 9,317 |
| Subscribed capital | **243** | 253 |
| Core capital deferred shares | **1,334** | 1,325 |
| Other equity instruments | **1,336** | 593 |
| Reserves (note ii) | **11,443** | 11,044 |
| **Total members' interests, equity and liabilities** | **254,914** | **248,041** |

Notes:

i. Other lending includes consumer banking and commercial lending.

ii. Reserves include a general reserve of £11,140 million (2020: £10,749 million). The remainder relates to a cash flow hedge reserve, revaluation reserve and other reserves.

## Summary of the key financial ratios required by the Building Societies Act

| | 2021 | 2020 |
|---|---|---|
| **Gross capital as a percentage of shares and borrowings** This ratio helps us measure how much capital we have to protect our members and other creditors against shocks. | **9.5%** | 10.2% |
| **Liquid assets as a percentage of shares and borrowings** This ratio is a measure of our ability to meet normal cash demands, such as savings withdrawals or providing new mortgages. | **19.9%** | 16.8% |
| **Profit for the year as a percentage of mean total assets** This ratio measures the profit made in the year relative to the average amount of total assets. | **0.25%** | 0.15% |
| **Management expenses as a percentage of mean total assets** This ratio is a way of measuring how efficient we are being. | **0.88%** | 0.95% |

We are required to disclose the above ratios under legislation originally drafted in 1986. Today, we use different measures for capital strength, liquidity, profitability and efficiency. These include our Common Equity Tier 1 capital ratio, UK leverage ratio and underlying profit. More information on these measures is shown on pages 12 and 13 .

# Summary report of the directors on remuneration

## For the year ended 4 April 2021

*"Having the same goals helps make sure everyone works together to put our members' needs first."*

This report is a summary of our full 'Report of the directors on remuneration', which you can find online at **nationwide.co.uk** within the 'Results and accounts' section. It includes details of the directors' pay for the year to 4 April 2021 and what they can earn in the coming year.

*Dear fellow member,*

I am pleased to share a summary of the Remuneration Committee's report.

### The impact of the pandemic

When I wrote my report last year, the Covid-19 pandemic was in its early stages. The past year has continued to be very challenging for our colleagues and our members, and the difficult economic environment has impacted our business and how we operate. Over the last two financial years we have exercised restraint whilst also recognising the exceptional work of colleagues to continue to support our members.

Last year, in view of the pandemic and responding to a request from our leadership team, the Committee determined that no performance pay award would be made to the leadership team, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) for 2019/20 and that a flat award of £1,200 should be given to all other colleagues. We decided not to give any across-the-board pay rises to directors, senior employees, the Society Chair and non-executive directors. Joe Garner, our CEO, also asked for a 20% reduction in his combined salary and pension for 2020/21. Chris Rhodes, our CFO, asked that his pension allowance drop to 16% of salary from 2020/21. We also reduced the maximum amount all our colleagues, including executive directors, could earn for performance in 2020/21 by around two-thirds.

### A reminder of our core principles

Pandemic or no pandemic, being a member-owned organisation, our approach to remuneration reflects the needs of our members, and is designed to drive the right behaviours, alongside the need to remain competitive.

The remuneration we pay includes two elements: fixed pay and performance related pay. The latter includes three measures that apply to everyone. Having the same goals helps make sure everyone works together to put our members' needs first. For senior leaders we will be adding a controls measure for 2021/22 to recognise our focus on continuing to ensure the Society remains safe and secure for the long term. The performance pay for senior leaders also reflects their individual contribution and behaviours.

### Our safeguards

The Board will only pay any performance related pay if it is sure that the Society is financially secure.

Senior leaders receive their performance pay in instalments, over seven years in the case of our executive directors. This encourages our leaders to stay with the Society, to take decisions that are right for the long term and to keep performing. A large part remains 'money at risk' which the Committee may cancel or reduce, taking into account the Society's and the individual's performance over the seven-year period.

We aim to be transparent with our members and disclose details of our executive pay arrangements. That includes complying with the UK Corporate Governance Code, where it is relevant to us as a mutual.

## Performance and pay for 2020/21

We are enormously proud of, and grateful to, our colleagues for how they have risen to the challenges of the pandemic – doing their best for our members and keeping our essential services going. To reflect this, in view of the two thirds reduction in performance pay opportunity, and our strong financial results, the Committee agreed to use its discretion to make two small gestures: whilst Society performance against the measures set last year was slightly below target, the Committee agreed to pay out this element at target level; and a one-off payment of £300 will be made to all employees excluding the CEO and CFO. Our results for the year show that the Society has continued to deliver strong performance against our purpose of building society, nationwide, and our strategic cornerstones.

For our executive directors this means payments have been awarded under the Directors' Performance Award (DPA) in respect of the year. In line with the approach taken for all employees, the Committee agreed to pay out the Society measures under the plan at target level. A reduction was also made to the awards for executive directors to take into account risk factors in the year. Details of these payments, including the measures set and factors considered, are set out in this report.

## Looking ahead to 2021/22

Looking ahead, the Committee recognises the need to attract and retain the talent needed to deliver our strategy. With this in mind, and taking into the account the Society's strong financial performance, the Committee agreed that having had two years of significantly reduced performance pay it was appropriate to reinstate performance pay opportunities for 2021/22 to pre Covid-19 levels.

The CEO made a voluntary reduction to his combined salary and pension of 20% in 2020/21. For 2021/22 the Committee approved a salary 2% above the CEO's salary prior to this voluntary reduction, and a salary increase of 2% for the CFO. There is no change to the CEO's and CFO's pension allowance, which remains at the reduced level of 16% of salary. These salary increases are aligned to the anticipated all-employment settlement. It also means the combined salary and pension allowance for both the CEO and CFO is lower than it was on their appointment to these roles.

Over the coming year the Committee will undertake a review of executive pay arrangements, including how we link performance pay to the achievement of the longer-term objectives of the Society, with a view to present a revised policy for member approval at the 2022 AGM. As part of this review, we will look closely at whether the current permitted 1 to 1 ratio of fixed to variable pay limits our ability to attract, reward and retain the talent we need to remain competitive and best serve members.

Our directors' remuneration policy received strong support at the 2020 AGM (with around 93% of votes 'For'). I would like to thank members for that support. You can see a summary of the policy on page 30. On behalf of the Remuneration Committee, I recommend that you endorse our annual report on remuneration.

**Mai Fyfield**
Chair – Remuneration Committee

# Annual report on remuneration for 2020/21

## Directors' Performance Award (DPA)

A significant proportion of the overall remuneration for executive directors is dependent on the performance achieved in the year against a number of key measures.

The DPA has two elements: an all-employee element and an element for our most senior leaders. Performance under both elements of the DPA reward the attainment of challenging strategic and financial measures drawn from the Society's Plan and for 2020/21 reflected three of the five strategic cornerstones: Building thriving membership, measured through our number of committed members, Building legendary service, measured through our customer satisfaction[1], and Built to last which ensures we focus on our total costs. These measures ensure that we are focused on delivering benefits to our members. The senior leaders element also incorporates an amount based on individual performance and behaviours.

Three 'gateways' must be passed before any payment is made under the plan, based on measures of profit before tax, leverage ratio and conduct risk. These gateways were passed in 2020/21.

In reviewing performance under the DPA during 2020/21, the Committee further assessed the Society's performance against the three equally weighted measures of committed members, customer satisfaction and total costs. The Committee must also be satisfied that there are no significant conduct, risk, reputational, financial, operational or other reasons why awards should not be made, taking into account input from the Board Risk and Audit committees.

| Outcomes for DPA 2020/21 (table shows actual outcomes for the executive directors / maximum opportunity) | J D Garner | C S Rhodes |
|---|---|---|
| **Combined Society performance element (note i)** | **24%** | **19%** |
| **Individual performance element (note ii)** | **12%** | **9.5%** |
| **Sum of performance pay achieved based on Society and individual performance** | **36%** | **28.5%** |
| **Total performance pay achieved based on Society and individual performance (after Remuneration Committee adjustment):** In line with the approach taken for all employees, the Committee exercised its discretion to pay out the Society measures under the plan at target in recognition of the resilient performance during the year. In determining award levels for the executive directors, the Committee also took into account a broad range of factors and then applied a downwards adjustment of 5% to the value of the award to take into account risk factors arising during the year. | **37% / 51%** | **29% / 37%** |

**Notes:**

i. Comprises number of committed members, customer service satisfaction rating and total costs.

ii. For the element based on individual performance, performance was assessed against both the delivery of the collective performance scorecard for the leadership team as well as individual goals, conduct and behaviours.

[1] © Ipsos MORI 2021, Financial Research Survey (FRS), for the 12 months ending 31 March 2021. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 54,000 adults (aged 16+) a year in total across Great Britain. Interviews were over the phone and online, taking into account (and weighted to) the overall profile of the adult population. The results reflect the percentage of extremely satisfied and very satisfied customers minus the percentage of customers who were extremely or very or fairly dissatisfied across those customers with a main current account, mortgage or savings. Those in our peer group are providers with more than 3.5% of the main current account market as of April 2020 - Barclays, Halifax, HSBC, Lloyds Bank, NatWest, Santander and TSB.

# Executive directors' remuneration

Where indicated, the tables in the following sections have been audited.

These disclosures are included in compliance with the Building Societies Act 1986 and other mandatory reporting regulations, including the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which the Society has voluntarily adopted. The table below shows the total remuneration for each executive director for the years ended 4 April 2021 and 4 April 2020.

**Single total figure of remuneration for each executive director *(Audited)***

| 2021 | Fixed remuneration | Fixed remuneration | Fixed remuneration | Fixed remuneration | Variable remuneration | Variable remuneration | Total pay package |
|---|---|---|---|---|---|---|---|
| Executive directors | Salary £'000 | Pension allowance £'000 | Travel and other taxable benefits (note i) £'000 | Total £'000 | Directors' Performance Award (note ii) £'000 | Total £'000 | £'000 |
| J D Garner | **783** | **125** | **39** | **947** | **289** | **289** | **1,236** |
| C S Rhodes | **654** | **105** | **30** | **789** | **191** | **191** | **980** |
| **Total** | **1,437** | **230** | **69** | **1,736** | **480** | **480** | **2,216** |
| 2020 | | | | | | | |
| J D Garner | 916 | 220 | 150 | 1,286 | - | - | 1,286 |
| C S Rhodes | 634 | 137 | 63 | 834 | - | - | 834 |
| T P Prestedge (note iii) | 601 | 144 | 144 | 889 | - | - | 889 |
| M M Rennison (note iv) | 306 | 73 | 59 | 438 | - | - | 438 |
| **Total** | 2,457 | 574 | 416 | 3,447 | - | - | 3,447 |

**Notes:**

i. This value is included as fixed remuneration for the calculation of the bonus cap in meeting our regulatory requirements. A full description of the taxable benefits is set out below.

ii. Variable remuneration consists of the awards under the DPA. A substantial proportion of any awards under this plan are subject to deferral with payments spread over the following seven years.

iii. T P Prestedge resigned from the Board on 10 March 2020.

iv. M M Rennison stepped down from the Board on 13 September 2019.

Our directors receive a number of benefits and, where appropriate, we pay on their behalf the tax associated with those benefits. In the single figure table above, 'taxable benefits' includes certain essential travel costs met by the Society, including any tax due under HMRC regulations, provided to enable the executive directors to work whilst travelling and undertake their responsibilities most effectively. Other benefits include medical insurance, car allowance and security.

# Non-executive directors' remuneration

The total fees paid to each non-executive director are shown below.

**Single total figure of remuneration for non-executive directors *(Audited)***

| | **2021 Society and Group fees £'000** | **2021 Travel and other taxable benefits (note i) £'000** | **2021 Total fees and taxable benefits £'000** | 2020 Society and Group fees £'000 | 2020 Travel and other taxable benefits (note i) £'000 | 2020 Total fees and taxable benefits £'000 |
|---|---|---|---|---|---|---|
| D L Roberts (Society Chair) | **405** | **1** | **406** | 405 | 2 | 407 |
| R Clifton | **98** | **-** | **98** | 98 | 7 | 105 |
| M Fyfield | **130** | **3** | **133** | 119 | 4 | 123 |
| A Hitchcock | **94** | **-** | **94** | 94 | 7 | 101 |
| D Klein (note ii) | **6** | **-** | **6** | - | - | - |
| K A H Parry (Senior Independent Director) | **143** | **-** | **143** | 129 | 6 | 135 |
| U K Prashar (note iii) | **26** | **-** | **26** | 83 | 5 | 88 |
| T Rajah (note iv) | **55** | **-** | **55** | - | - | - |
| P Rivett (note v) | **109** | **-** | **109** | 63 | 1 | 64 |
| T J W Tookey | **134** | **-** | **134** | 134 | 3 | 137 |
| G Waersted | **94** | **-** | **94** | 94 | 7 | 101 |
| M A Lenson (note vi) | **-** | **-** | **-** | 28 | 1 | 29 |
| L M Peacock (note vii) | **-** | **-** | **-** | 96 | 3 | 99 |
| **Total** | **1,294** | **4** | **1,298** | 1,343 | 46 | 1,389 |
| Pension payments to past non-executive directors (note viii) | | | **242** | | | 248 |

**Notes:**

i. Taxable benefits for non-executive directors relate to expenses incurred in connection with travel and attendance at Board and committee meetings. HMRC deems these expenses to be taxable where the meetings take place at the Society's main offices; the Society settles the tax on behalf of the non-executive directors and this is included in the amounts shown.

ii. D Klein joined the Board on 1 March 2021.

iii. U K Prashar stepped down from the Board on 16 July 2020.

iv. T Rajah joined the Board on 1 September 2020.

v. P Rivett joined the Board on 1 September 2019.

vi. M A Lenson stepped down from the Board on 18 July 2019.

vii. L M Peacock stepped down from the Board on 31 December 2019.

viii. The Society stopped granting pension rights to non-executive directors who joined the Board after January 1990.

# CEO pay ratio reporting

The ratio of the CEO's total remuneration to the total remuneration of the median employee of the Society for 2020/21 was 38:1 (41:1 in 2019/20). Further details of the CEO pay ratio calculation are set out in the full 'Report of the directors on remuneration'. The reduction in the median pay ratio compared to 2019/20 is due to the 20% voluntary reduction in the CEO's combined salary and pension for 2020/21 and an increase to the total remuneration of the median employee.

# The year ahead

A summary of the remuneration policy approved by our members in 2020 is set out below together with an overview of how it will be applied in 2021/22. In applying this policy, the Committee is guided by the need to ensure executives are appropriately motivated and rewarded to deliver demonstrable value for our members. This summary does not replace or override the full approved policy, which is available at **nationwide.co.uk**

As set out in the Committee Chair's letter, J D Garner's base salary will return to the level that would have applied in 2020/21, had the temporary voluntary reduction not been made. An increase of 2% has been applied to J D Garner's base salary thereafter. A 2% increase has also been applied to C S Rhodes's base salary. The reduction in pension allowances to 16% of salary in 2020/21 will continue to apply, with the pension allowances of both executive directors continuing to be aligned with the maximum benefit available to the wider employee population.

Taking into account the Society's resilient performance over the year and the need to remain competitive so that the Society is able to attract and retain the appropriate talent, the Committee has agreed to reinstate the potential performance pay opportunities for all employees for 2021/22, following the temporary reduction for 2020/21. For our executive directors, this means that the performance pay opportunities for the year ahead will be in line with the normal levels in our approved policy, as summarised in the table below.

In determining any awards under the plan, the Committee will consider the overall performance of the Society over the year and the economic circumstances at that time. The actual maximum amount that may be awarded in respect of any year would be subject to the limit prescribed by regulation, which is currently set such that variable remuneration does not exceed 100% of fixed remuneration. This means in certain cases, the actual maximum opportunity available under the DPA may be lower than the values set out in the table.

The Committee will continue to focus on ensuring our remuneration structure supports the right culture and behaviours as well as our values as a mutual. Awards under the DPA will continue to be aligned to measures which are most important to our members. Targets are commercially sensitive and so will be disclosed, along with performance achieved, in next year's report. Gateway measures will continue to have to be met before any payments are made under the plan. For 2021/22 these gateways will be based on profit before tax, leverage ratio and conduct risk.

# What our directors could earn in 2021/22 based on performance

The table below illustrates the amounts that executive directors would be paid under three different scenarios.

| Breakdown of total remuneration for 2021/22 (£'000) | J D Garner | C S Rhodes |
|---|---|---|
| **Fixed pay** | | |
| Salary | 934 | 667 |
| Pension as a percentage of salary | 16% | 16% |
| **Performance pay** | | |
| Target as a percentage of salary | 98% | 78% |
| Maximum as a percentage of salary | 152% | 112% |
| **Total remuneration** | | |
| Fixed pay – base salary, pension and benefits (note i) | 1,234 | 837 |
| Target – assuming we deliver target levels or performance against measures set out in the DPA | 2,149 | 1,357 |
| Maximum assuming DPA arrangements pay out in full. This would only occur where performance has been truly exceptional across all measures set (note ii) | 2,654 | 1,584 |

**Notes:**

i. Includes benefits based on 2019/20 actuals, in line with the scenario charts included in our directors' remuneration policy report.

ii. The actual maximum amount that may be awarded in respect of any year would be subject to the limit laid down by regulatory standards, which is currently set such that variable remuneration does not exceed 100% of fixed remuneration.

## Remuneration policy implementation for 2021/22

| Remuneration element | Summary of policy | Implementation in 2021/22 |
|---|---|---|
| **Base salary** | • Normally reviewed on an annual basis, taking into account market data for similar roles in comparable organisations, the individual's skills, experience and performance and the approach being taken on salaries in the wider organisation. | J D Garner £934,320 (19.3% increase on reduced salary / 2% increase on 2020/21 salary prior to voluntary reduction).<br>C S Rhodes £667,080 (2% increase). |
| **Benefits** | • Include car benefits, healthcare and insurance benefits. | No change for 2021/22. |
| **Pension** | • Executive directors receive a cash allowance in lieu of pension.<br>• The maximum pension allowance payable is set at a level in line with the wider employee population (currently 16% of base salary). | No change for 2021/22. |

## Remuneration policy implementation for 2021/22 (continued)

| Remuneration element | Summary of policy | Implementation in 2021/22 |
|---|---|---|
| **Directors' Performance Award (DPA)**<br><br>Comprises two elements:<br>(i) an all-employee element<br>(ii) an element in which the most senior leaders participate subject to deferral provisions | • The gateway and Society performance measures for both elements of the DPA will normally reflect a mix of financial measures and measures relating to the strategic performance of the Society as well as regulatory obligations. Individual performance (including conduct and behaviours) will also be assessed.<br>• The targets reflected in the Society's plan need to be achieved to generate a 'target' award against the Society measures, and considerably exceeded to generate the maximum award.<br>• No more than 40% of the total performance pay award (i.e. the sum of both elements of the DPA) is paid after the end of the performance period and at least 60% is deferred for between three and seven years.<br>• A minimum of 50% of both the upfront and deferred elements is linked to the value of the Society's core capital deferred shares (CCDS) and subject to a twelve-month retention period.<br>• The all-employee element operates on the same basis for all employees. | For awards made in respect of 2021/22, maximum variable pay opportunities including both elements are as follows:<br>• 152% of base salary for the CEO<br>• 112% of base salary for the CFO<br>Performance measures:<br>• Gateway measures based on profit before tax, leverage ratio and conduct risk; and<br>• Society performance, subject to minimum performance thresholds, assessed against the following cornerstones: Building thriving membership – number of committed members; Building legendary service – customer service satisfaction rating; and Built to last – total costs; and for senior leaders only – controls.<br>A portion of the award assessed is based on individual contribution, behaviours and conduct (28%/27% of the award for the CEO and CFO respectively). |
| **Society Chair and non-executive director fees** | • The Society Chair's fee is normally reviewed and approved by the Remuneration Committee on an annual basis.<br>• Non-executive director fees are normally reviewed and approved by the executive directors and the Society Chair annually.<br>• The Society Chair and non-executive directors do not take part in any performance pay plans or in any pension arrangements. Benefits may be provided if considered appropriate, including reimbursement of any reasonable expenses. | Increases of 1.97% have been made to the Society Chair fee and the basic fee for non-executive directors. From 2021/22, the senior independent director will receive committee membership fees, which were not previously paid. In recognition of this, the senior independent director fee has reduced to £30,000. The Voice of the Employee fee has been increased by 10%. |

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**Nationwide Building Society**. Head Office: Nationwide House, Pipers Way, Swindon, Wiltshire SN38 1NW.

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