# Strategic report

Extract from the Annual Report and Accounts 2023, pages 3 to 76

Nationwide
Building Society

# Strategic report



## Ownership model

Describes how we create value over the longer term.

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## Risk overview

Includes our approach to managing risks and our assessment of our top and emerging risks.

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## Purpose and strategy

'Our Blueprint for a modern mutual' sets out our new purpose and strategy.

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## Financial review

Includes information on financial performance and the main trends and factors which have impacted our financial results.

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## Key performance indicators

Our performance in the year is shown against our strategic key performance indicators.

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## Our stakeholders

Listening and engaging regularly with our stakeholders is fundamental to the way we do business.

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## Committed to doing the right thing

Being a responsible business is part of our mutual heritage and we remain committed to doing business in a way that positively impacts our customers, employees and communities.

Our climate change disclosures are on pages 53 to 64

Our Mutual Good Commitments and Environmental, Social and Governance (ESG) disclosures are on pages 46 to 51

Our non-financial and sustainability information statement is on page 52

For more information on our social purpose and our ESG commitments and disclosures, see our ESG hub on **nationwide.co.uk/about-us/responsible-business**

The Strategic report has been approved by the Board of directors and signed on its behalf by:

**Debbie Crosbie**
18 May 2023

# What your *Society* has achieved this year

**No. 1**
**for customer satisfaction**

among our peer group
for the 11th year running[1]

**£100 million invested**
**in cost of living support and supermarket shopping cashback[2]**

**£9.6 million**
**committed to charitable activities**

2022: £7.1 million

**Committed to a net-zero carbon future**

by setting science-based targets

**1 in 5 current account switchers came to us[3]**

2022: 1 in 5

**Continued to look after almost**
**£1 in every £10**
**saved in the UK[4]**

**Helped 1 in 7**
**first time buyers**

into a home of their own

2022: 1 in 7

**Branch Promise**

to remain in every town or city
we are in today until at least 2024

**£1,055 million**

**member financial benefit,**
from better pricing and incentives
than the market average

2022: £325 million

**£2,233 million**

**underlying profit**

2022: £1,604 million

**£2,229 million**

**statutory profit**

2022: £1,597 million

**6.0%**

**leverage ratio**

2022: 5.4%

1. Lead at March 2023: 3.8%pts, March 2022: 4.6%pts. © Ipsos 2023, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 31 March 2023. Results based on a sample of around 47,000 adults (aged 16+). The survey contacts around 51,000 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 3.3% of the main current account market as of April 2022 – 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.
2. Includes money invested in our 5% cashback offer on debit card expenditure in supermarkets and convenience stores from February until April 2023 (up to £10 per month), cost of living payments for colleagues, our cost of living customer helpline and our financial health checks in branches.
3. Pay.UK monthly CASS data. 12 months to March 2023: 19.2%; 12 months to March 2022: 18.3%.
4. Market share of household deposit balances, based on Bank of England data, as at 31 March 2023: 9.6% (2022: 9.4%).

# Our *difference* is our mutual ownership model

We are a building society, not a bank. That means we are owned by our members – our customers who have their current account, mortgage or savings with us.

# Our Purpose

## Banking – but *fairer*, more *rewarding*, and for the good of *society*.

As a modern mutual, we make a positive difference for our members and customers, our communities and society as a whole.

# Our Business Model

Nationwide holds a unique position in UK financial services. As the largest building society, we can deliver the valuable banking products and services and mutual good to our customers that others cannot.

As a building society, we are owned by our members – our customers who have their current account, mortgage or savings with us.

We aim to return additional value to our members as owners, through our Nationwide Fairer Share products and payments.

We deliver our valuable banking products and services to all of our customers by helping them with:

- managing everyday finances – one in ten[1] of the UK's current accounts are with us and one in five current account switchers came to us last year[2]
- owning a home – we are the UK's second largest mortgage provider
- saving for the future – we look after almost £1 in every £10 saved in the UK

We also support landlords and those who rely on the private rented sector for their long-term housing needs through our buy to let business, The Mortgage Works. This diversifies our income, and helps us give value back to our customers, through better product pricing and service.

In total, around 75% of our funding comes from our customers, and over 95% of our lending is secured on residential property[3].

# Our Strategy

We have four strategic drivers. We focus our time and money on them, so that we can fulfil our purpose:

- **More rewarding relationships**
- **Simply brilliant service**
- **Beacon for mutual good**
- **Continuous improvement**

For more information on:

- Our Blueprint for a modern mutual, see page 26
- Delivery against our strategic drivers, see pages 15 to 22
- Our Nationwide Fairer Share Payment and Nationwide Fairer Share Bond, see The Nationwide Fairer Share, nationwide.co.uk/fairershare-payment

1. CACI's Current Account and Savings Database, Stock (February 2023).
2. Pay.UK monthly CASS data. 12 months to March 2023: 19.2%; 12 months to March 2022: 18.3%.
3. The Building Societies Act requires that at least 75% of our lending is secured on residential property and at least 50% of our funding comes from customers. For more detail, please see page 319.

# Our Stakeholders

- Retail members and customers
- Buy to let customers
- Colleagues
- Mortgage intermediaries
- Investors and rating agencies
- Communities
- Suppliers
- Regulators and policy makers

As a mutual, our members – customers who have their current account, mortgage or savings with us – are our owners and are our primary stakeholders. We also have other important stakeholders who we engage with and consider in our decision making.

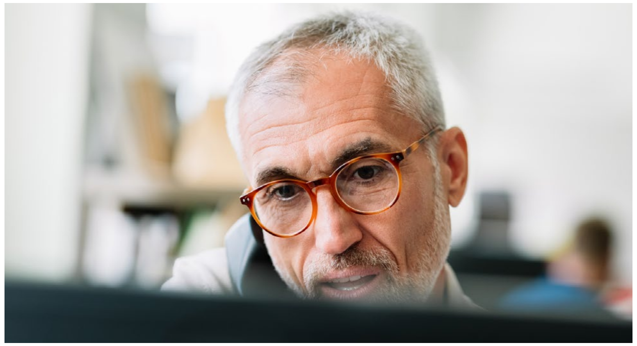
We are committed to maintaining effective communications and building positive relationships with all our stakeholders. More information on our engagement with stakeholders can be found on page 29.

# What Makes Us Different - Our Ownership Model

As a mutual, we are owned by our members, which means we think about profit in a different way from our banking peers. We do not have to pursue profit to pay shareholders dividends. Instead, we balance our need to retain sufficient profit to remain financially strong, with rewarding members and our commitment to share our success through:

Delivering value in banking and rewarding loyalty.

Providing brilliant and trusted service.



Product and service propositions that meet the needs and expectations of existing and future customers.

Committing at least 1% of our pre-tax profits[4] each year to charitable activities.

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

Chairman's Letter

# A letter from *Kevin Parry*

## your Society's Chairman

# Dear fellow *member*

I am pleased to write to you following my first full year of service as your Chairman.

When I wrote to you last year, we were all continuing to adapt to living within a global pandemic and the challenges which that brought us. Last year saw more change and new challenges, yet throughout that Nationwide has continued to focus on its members by continuing to protect its financial strength.

Financially, our pre-tax profit is 40% higher than last year at £2.2 billion. This is after delivering member financial benefit of £1.1 billion, broadly representing the amount by which our members benefit more than they would if they banked with a typical competitor.

In addition, our financial strength has enabled the Board to declare our Nationwide Fairer Share Payment – with eligible members to receive a £100 payment into their current account in June 2023 – and the Nationwide Fairer Share Bond. The Fairer Share Payment will amount to an estimated £340 million in total. More details on eligibility can be found at nationwide.co.uk/fairershare. Only a mutual can reward its members in this way. In the future, the Board intends to declare annual distributions provided they would not be detrimental to the financial strength of the Society.

The cost of living, rising Bank rate and inflation all presented fresh challenges for us and our members amidst uncertainty in the UK economy, changes across government, and extreme volatility from the 'mini-Budget' in September 2022. However, throughout the year Nationwide maintained its strength and continues to be a well-trusted brand on the UK high street[1]. The Nationwide Board has faced these challenges head on and discharged its duties with due care to ensure that Nationwide is set up for long-term success. You can read more about the strategic decisions we have taken, how we engaged with our stakeholders, and how our mutual status is at the heart of our approach in greater detail on pages 29 to 39.

On behalf of the Board, I would like to thank all our colleagues for their hard work and stand out customer service during another challenging year.

The year has seen Nationwide welcome its first female CEO, Debbie Crosbie, who led the team that extended the Branch Promise, delivered strong financial performance and supported our members and colleagues through the cost of living pressures. We have also continued to progress our key agendas on inclusion and diversity and sustainability. Nationwide has publicly committed to net-zero and its intermediate science-based targets, albeit this remains subject to broader public policy in order to achieve the long-term goals. Further detail on all this activity can be found on pages 46 to 64.

The Board engaged with members, customers and colleagues during the year through TalkBack sessions, both in person, online, or a combination of both. This new approach enabled the Board to engage more frequently and with more people than before the pandemic and will be continued.

I am pleased to be able to confirm that two out of four of our most senior Board positions are now held by women, as recognised in the FTSE Women Leaders Review 2023, and that our Board is broadly balanced between men and women. The Board continues to oversee progress against inclusion and diversity targets and hold executive

1. Joint 1st based on a study conducted by an international market research company commissioned by Nationwide Building Society, based on customer and non-customer responses for the 12 months ending March 2023. Financial brands included Nationwide, Barclays, The Co-operative Bank, First Direct, Halifax, HSBC, Lloyds Bank, NatWest, TSB, Santander, Monzo and Starling Bank.

management to account to deliver greater diversity across the workforce.

Within the organisation, we continued to focus on the management of risks and controls and held executive management to account to deliver improvements at pace. Our new CEO is committed to making these improvements and the Board supports her in this entirely.

I have set out in the Governance report the key changes that have been made to the Board this year on page 78, but I would like to extend my thanks to Mai Fyfield and Gunn Waersted for their counsel and service. Both Mai and Gunn will step down at the AGM and we wish them well. In turn, I welcome Tracey Graham as the incoming Senior Independent Director, subject to regulatory approval.

The Board continues to demonstrate its commitment to diversity of thought in its appointments.

As I look to the year ahead, I am confident that Nationwide will remain resilient in the face of continued political and economic uncertainty and that the mutual model will continue to serve our members' interests well. The Board has approved a new strategy and purpose for Nationwide and we look forward to overseeing the delivery of that strategy for the benefit of Nationwide's members, customers, colleagues and the communities that we serve.

**Kevin Parry**
Chairman

Chief Executive Review

# Reflections on 2022/23 from *Debbie Crosbie*

## your Society's Chief Executive

# My *reflections* on 2022/23

Last year, we started our modern mutual journey.

We are making good progress on our strategy, despite the macroeconomic challenges and market pressures that impacted our costs and the cost of living for our customers. Throughout this, our colleagues kept their focus on helping our customers in the best way possible.

Our financial performance last year was the strongest on record. We also delivered our highest ever level of member financial benefit, through better pricing and incentives than the market average.

As a mutual, we aim to reward our savings customers with the highest savings rates we possibly can, whilst ensuring we remain financially sustainable over the longer term. Our average deposit rates over the year were 65% higher than the market average. Combined with our attractive current account switching incentive during October and November 2022, this increased our market share of deposit balances to 9.6%.

We are here to support our customers today and for the long term, which is why it is important that we maintain our financial strength. Our leverage ratio, which measures our ability to withstand economic shocks, continues to be well above our minimum regulatory threshold.

This strength allowed us to support our customers and colleagues in new ways. We invested £100 million, which included the cost of providing cashback to current account customers on their supermarket shopping when they made purchases using their debit cards between February and April 2023. It also included cost of living payments for our colleagues and support for customers facing cost of living challenges, including practical support in our branches, a dedicated telephone helpline and an online cost of living hub.

And most notably, our financial strength has enabled us to introduce the Nationwide Fairer Share Payment, which rewards our members who have the deepest banking relationships with us, and the Nationwide Fairer Share Bond, with an exclusive interest rate for members. It is a clear and positive way of demonstrating our mutual difference and aligns with our purpose. You can find out more information about it on our website[1].

Simultaneously, we have demonstrated our mutual good in the communities we serve, committing £9.6 million over the year to charitable activities.

1. The Nationwide Fairer Share, nationwide.co.uk/fairershare-payment

# Looking ahead to the *future*

We have remained number one for customer satisfaction in our peer group for eleven years running[2], but as our customers' needs evolve, we must innovate, adapt and modernise to stay relevant and distinctive.

We have an exciting journey ahead. We will execute our refreshed strategy and deliver brilliantly for our customers today as well as for those of the future.

We will develop new products and services, invest more in rewarding relationships, make it easier for colleagues to do their jobs well and demonstrate the real difference that mutuals make in our society.

Thank you to our customers, who are at the centre of everything we do. I look forward to another exciting year and to delivering our new purpose: *Banking – but fairer, more rewarding, and for the good of society.*

Deborah A Crosbie

**Debbie Crosbie**
Chief Executive

For more information on:

- Our Blueprint for a modern mutual, see page 26
- Our financial review, see page 69

2. © Ipsos 2023, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2023. For more information, see footnote 1 on page 5.

# More *rewarding* relationships

1 in 10[3] of the UK's current accounts are with us and, at the 2023 Moneyfacts Consumer Awards, we won the Current Account Switching Provider of the Year award**
2022: 1 in 10[3]

**Helped over 15,000 save for the first time with us through our Start to Save Issue 2 account**

**Provided customers with 5% cashback, up to £10 each month, on supermarket and convenience store purchases using their debit cards between February and April 2023**

**1 in 7 first time buyers into a home of their own**
2022: 1 in 7

**Deposit growth: £9.1 billion**
2022: £7.7 billion

**Gross lending: £33.6 billion**
2022: £36.5 billion

## *Deeper, broader, more lifelong* banking relationships that provide the best value.

We aim to provide our customers with the best value in UK banking. Our mutual model is intrinsically more rewarding than our banking peers, as we deliver value to our customers, rather than paying dividends to shareholders. We want to extend this beyond monetary value and to create lifelong relationships.

The customers with the deepest relationships with us are our committed members: those with two or more of our products[4]. At 4 April 2023, we had 3.68 million committed members. For more information, see page 24.

### Helping people into homes

We were founded to help people into homes of their own, and this remains important to our strategy today. Our share of total gross mortgage lending was 10.8% (2022: 11.8%), reflecting lower gross lending of £33.6 billion (2022: £36.5 billion). Strong demand in the first half of the year was offset by a softer market in the second half, when higher Bank rate and inflation affected customers' affordability assessments, and increased their caution around borrowing at higher rates.

3. CACI's Current Account and Savings Database, Stock (February 2023 and February 2022).
4. Committed members had their main personal current account with us, or a mortgage of at least £5,000, or at least £1,000 in savings accounts, plus at least one other product.

We continued to price competitively and enhanced our online Mortgage Manager service, making it easier for our existing customers to switch product or extend their mortgage term to reduce their mortgage payments. Our existing mortgage customers have access to rates that are at least as good as those for new customers remortgaging to us, and we have the highest retention of mortgage customers in our peer group[5].

We helped over 72,000 first time buyers into a home of their own (2022: 87,000), equating to one in seven (2022: one in seven) of all first time buyers, above our share of the wider market. Our Helping Hand mortgage has successfully supported affordability, enabling first time buyers to borrow more (up to 5.5 times their salary) on 5 and 10-year fixed rate mortgages. It also extends to 95% loan to value, reducing the pressure on first time buyers of saving for a larger deposit, and we offer £500 cashback to help with moving costs. We continue to ensure we lend responsibly, with robust underwriting checks, but without relying on the Government's 95% mortgage guarantee scheme. In recognition of the support we have provided, we were awarded the Best First Time Buyer Mortgage Provider at the Moneyfacts Awards 2022.

The buy to let market was smaller overall, as higher interest rates in the second half of the year also impacted landlords' affordability and profitability, limiting their ability to expand portfolios or raise capital. The gross lending market share of our buy to let subsidiary, The Mortgage Works (TMW), decreased, to 11.0% (2022: 14.5%), as our pricing temporarily became less competitive when the Bank rate rose and the market contracted. We became more competitive in the fourth quarter of the financial year and refined our affordability tests for buy to let customers. This enabled us to offer mortgages to more landlords, whilst continuing to lend in a responsible way.

## Supporting those who save with us

We believe in encouraging good savings habits, and the financial security this can provide customers in the long term. We saw strong growth in customer deposits over the year. They increased by £9.1 billion (2022: £7.7 billion), despite the cost of living challenges reducing the savings market overall. Our market share of deposit balances grew to 9.6% (2022: 9.4%). This strong growth reflected the competitiveness of our savings products, in particular our Fixed Rate Bonds.

We also increased our variable savings rates over the year, to support and retain existing savers. Our Start to Save Issue 2 account, for those new to saving, helped over 15,000 people save at least £100 for the first time with us in the past year, and over 900 people won £250 in our prize draw.

## Encouraging more people to bank with us

Banking is core to our purpose. At the 2023 Moneyfacts Consumer Awards, we were recognised as Current Account Switching Provider of the Year. Overall, we opened 679,000 (2022: 604,000) new current accounts, increasing our current account market share to 10.4% (2022: 10.3%)[6]. This was supported by our market-leading current account switcher incentive during October and November 2022, that offered £200 cashback to those who switched to us[7].

## Delivering value back to our customers

As a mutual, we create value for our customers through better pricing and incentives. Over the year, we launched a number of standout savings products that rewarded loyalty and supported our success, including Member Online Bond and Flex Instant Saver. We also continued to provide customers signed up to our free SavingsWatch service with notifications when interest rates changed or when new products were launched.

Our deposits comprise both savings and current accounts. On average, we offered interest rates on deposits that were 65% higher than the market average, largely driven by our savings rates. Our competitive deposit rates contributed over 70% of our total member financial benefit of £1,055 million (2022: £325 million). For more information, see page 71.

To support customers a little further through the cost of living challenges, we ran a current account cashback offer from 9 February to 30 April 2023. Customers earned 5% cashback on their debit card purchases at a wide range of supermarkets and convenience stores, up to £10 each month.

5. eBenchmarkers residential retention at point of maturity, for the top 6 lenders (May to July 2022 maturities, 3 months post-maturity).
6. CACI's Current Account and Savings Database, Stock (February 2023 and February 2022).
7. To earn the £200 cashback, customers must have completed a full switch to us, from a current account held with another provider, using the Current Account Switch Service.

# Simply *brilliant* service

## Personalised service you can *trust, at every touchpoint.*

**No. 1 for customer satisfaction among our peer group for the 11th year running[8]**

**Extended our Branch Promise to 2024**

**Extended our operating hours for online chat to provide 24/7 availability, 365 days a year**

**Handled over 4,000 calls to our cost of living helpline**

**Provided a six-month overdraft interest holiday for 38,000 potentially struggling customers**

**Active mobile banking app users grew 9% to 4.6 million**
2022: 4.2 million

We are aiming for simply brilliant customer service, with a great mobile banking experience and modern branches with colleagues at their heart, to offer personalised and trusted support.

In 2023, we ranked 1st for customer satisfaction among our peer group for the 11th year running[8]. We also measure our position for satisfaction across all sectors and, in January 2023, we finished in joint 28th position out of 267 organisations, with a score that was 4.9pts ahead of the all-sector average[9]. For more information, see pages 24 and 25.

### Supporting our customers through cost of living pressures

As a mutual, supporting our customers through cost of living pressures was a priority. We introduced a number of initiatives to help them. We encouraged our customers to come to us if they had concerns about their current or future financial position. We launched a new cost of living helpline to make it easier for them to speak with us. So far, we have handled over 4,000 calls through our helpline. We have provided information and help to access self-service options on our cost of living webpage, and personalised support through our specialist support team. We also make referrals to support charities, including Citizens Advice, StepChange and PayPlan, in situations where customers have debts across several lenders. We have donated to these charities to support them in their work.

For the 38,000 customers we have identified as being potentially more vulnerable to cost of living pressures, based on their overdraft and credit usage, we applied an automatic six-month overdraft interest holiday. This protected and supported them to reduce borrowing without affecting their credit score. We also reduced the interest rate for those on persistent debt plans. Our Mortgage Manager tool allows borrowers to review their terms and consider payment options, with access to support if they struggle to meet repayments.

Our cost of living webpage also offers information on managing money and budgeting, and provides links to help with existing debt. We held nine Money Matters webcasts that provided practical help with managing money and, since April 2022, we have held Money Lessons in over 400 schools, supporting over 40,000 students and increasing financial inclusion and knowledge.

8. © Ipsos 2023, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2023. For more information, see footnote 1 on page 5.
9. Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January 2023.

## Delivering excellent customer service

We are improving our mobile banking experience and continue to invest in our core digital services. The number of customers who actively used our mobile banking app grew to 4.6 million (2022: 4.2 million), representing 60% of all our active current account customers. Payments and transfers through the banking app increased by 15%. This year, we extended the operating hours of our in-app and online chat, which is now available 24 hours a day, every day of the year. We currently support around 200,000 conversations a month through this channel.

## Developing our branch network for the future

Our customers rely on our branches and sometimes prefer to speak to us face to face. We extended our Branch Promise, and will keep a branch in every town or city we are in today, until at least 2024 – another example of the difference that being a mutual makes. This year we also invested £3.9 million in our Bristol, Sheffield and Wembley branches to modernise them and improve customer experience. We now have the second largest single-brand branch network across the UK financial services sector and, at the 2023 Moneyfacts Consumer Awards, we won the Branch Network of the Year award.

We continue to use colleagues in branches to serve more of our customers in different ways, including face to face, by phone and through online messaging. Following a successful trial, as at 4 April 2023, 50 of our 606 branches are now closed for one or two days each week to enable colleagues to support customers in other ways. In some exceptional circumstances that were beyond our control, and in some towns and cities where we had more than one location, we have closed branches. However, this is kept to a minimum and last year only 23 branches were closed.

## Protecting our customers in challenging circumstances

We continue to work to protect our customers from fraud. Last year, our fraud defence systems and specialist fraud team helped prevent £115 million (2022: £97 million) of attempted fraud on card and online transactions. In addition to this, since its launch in 2021, our Scam Checker Service has helped prevent a further £6.1 million of potential scams.

Meeting the needs of all our customers, including those in vulnerable circumstances, is important to us. Our specialist teams support our most vulnerable customers, and we partner with gambling, debt, and mental health charities where customers need assistance beyond their banking needs.

# Beacon for *mutual good*

## Having a meaningful impact on customers, communities and society, by being bigger and doing better.

**Committed £9.6 million to charitable activities[10]**
2022: £7.1 million

**Pledged an additional £1 million to our debt partners and charities**

**Committed to a net-zero carbon future, setting science-based targets**

We have a bold social ambition and strive to have a positive impact in communities beyond our own customer base. The power of mutuality means we can do more together than we could each do alone.

### Our Mutual Good Commitments

Our current Mutual Good Commitments seek to impact positively our customers, communities and wider society. Our Mutual Good Commitments are to:

- Help to achieve safe and secure homes for all
- Protect our customers' financial wellbeing
- Support progress towards a greener society
- Champion thriving communities
- Reflect the diversity of our society

For more information on how we have performed against our commitments, see page 46.

### Everyone deserves a place fit to call home

As voted for by our members in 2007, we commit at least 1% of our pre-tax profits each year to charitable activities[10], largely focused on housing. This money is split between our own social investment programmes, including funding our long-term partnership with Shelter, the Nationwide Foundation and the internal costs of managing our social investment agenda. In 2022/23, this amounted to £9.6 million (2022: £7.1 million). In addition, we donated a further £1 million to our debt partners and charities to help them support more people through the cost of living pressures.

This year, we continued to focus our charitable giving around:

- Helping people into a home
- Preventing people from losing their home
- Supporting people to thrive in their home environment

Within our social investment programmes, we provide grants to local housing charities and projects across the UK. The grants are distributed through our Community Boards under the direction of customer and colleague volunteers.

As part of our £9.6 million commitment, we awarded £4.3 million (2022: £4.0 million) to support 96 (2022: 94) charitable housing projects through our Community Boards. We have therefore met our five-year target to donate £22 million in community grants, that we set when the Community Boards were founded. Over 540 projects have benefited and 118,000 people in housing need have been supported. In addition, our Colleague Grants programme saw over £580,000 awarded to 71 registered charities.

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

We partner with the national housing charity, Shelter. This year, our colleagues and customers raised £144,000 to support their vital services, on top of the £1.1 million we provided directly. Our donation helps to fund several advisers for their helplines and, last year, directly enabled the charity to answer over 6,400 calls. Over the 22 years of our partnership, our funding has directly enabled the charity to support 143,000 people in housing need.

Each year, at least a quarter of our charitable funding is awarded to the Nationwide Foundation, an independent charity. For more information on its work, see page 40.

We also made it simple for our colleagues and customers to donate to the British Red Cross appeals for Ukraine, Pakistan, and the Turkey-Syria earthquake. In total, they donated over £867,000.

## Reducing our environmental impact

We are playing our part to address the impact of climate change and support the UK in its progress towards a net-zero carbon emissions future by 2050. We joined the Net-Zero Banking Alliance and Glasgow Financial Alliance for Net Zero in 2021 and, in 2022, set highly challenging intermediate (by 2030) science-based targets[11] to work towards.

We offer a range of green propositions and initiatives to support our customers to reduce their carbon footprint and make homes more energy efficient. However, we have very limited control over practical measures to reduce emissions from properties owned by our borrowers, and we recognise that we will not be able to achieve the reduction in emissions to deliver our net-zero target without broader government policy changes, significant cross-industry collaboration, further government support for UK housing, and homeowners retrofitting their properties. Our Green Homes action group campaigns for a National Retrofit Strategy to support greening homes.

We are proud of the progress we have made to reduce the emissions of our own operations. Since 2018, all our electricity has been supplied from renewable sources, and we have remained carbon neutral (no net release of carbon dioxide into the atmosphere[12]) for all energy use and our internal operations since 2020. Our intermediate (by 2030) science-based targets also cover our supply chain and we have built climate change considerations into our third-party processes. For more information on our approach and progress, see pages 53 to 64 and our full climate-related financial disclosures[11].

11. Available on our Investor Relations page, nationwide.co.uk/investor-relations
12. We achieved carbon neutrality by a combination of eliminating our emissions and funding equivalent carbon savings through renewable or offsetting projects.

# Continuous *improvement*

## Being focused, fit and fast, and delivering at pace.

- **Invested £100 million to modernise our payments systems to provide customers with a more stable and resilient service**
- **Reduced our card reader requirements to improve customer experience whilst keeping them safe**
- **Simplified our processes to improve and increase support for customers**
- **Making our workspaces fit for the future and investing in our branches and customer support**

Making our business operations more productive, simplifying our processes and continuously managing risk and improving controls helps us to deliver services safely and efficiently for our customers.

Strong financial performance delivered underlying profit of £2,233 million (2022: £1,604 million) and statutory profit of £2,229 million (2022: £1,597 million).

As a result, our leverage ratio and Common Equity Tier 1 (CET1) ratio, which demonstrate our financial strength by measuring our ability to withstand economic shocks, increased to 6.0% (2022: 5.4%) and 26.5% (2022: 24.1%) respectively. Our leverage ratio is one of our key performance indicators and more information is included on page 25. Our financial strength means we can invest in meeting customers' needs and expectations now, and into the future.

### Modernising our technology

We are investing in digital capability and innovation, including improving our IT platforms and simplifying processes.

We have improved our processes for customers opening new savings and current accounts, and we are modernising our payments systems by moving them to a secure, cloud-based platform. This will result in a more resilient service, capable of making a higher volume of payments safely, quickly and securely.

This year we started to remove the requirement for customers to use the card reader to authorise some online and mobile banking transactions, providing more convenience and faster transactions. To help protect customers, we are developing a new verification process for authenticating high-risk transactions biometrically via our mobile banking app, using a 'selfie' photo.

We have also strengthened our fraud detection system for payments and improved scam warnings, making them simpler and highlighting social media scams.

We are exploring the latest developments in artificial intelligence, which could improve our in-app and online chat capabilities, and enable our colleagues to access information more efficiently. We are mindful that any future implementation of this would need to be done ethically and responsibly, in a way that recognises vulnerability, and focuses on good customer outcomes.

## Developing our workspaces to make them fit for the future

We are making sure that the size and location of our workplaces reflect the changing ways that our colleagues work, reduce our carbon footprint, and release cost savings that enable us to invest further in our branches and customer support.

We are moving our London office location back to our Threadneedle Street office by Autumn 2023. As well as bringing us closer to key stakeholders, the move follows our reduced workspace requirement in London and will significantly reduce our related costs in future years.

## Improving our operating and governance models

We are simplifying organisational structures and strengthening controls. This is reducing complexity, improving decision making and helping us to deliver more value at pace. Some of our non-customer facing structures have been streamlined, which will result in around 370 colleagues leaving the Society. We appreciate the contribution they have made to the Society and wish them well for the future.

Where appropriate, we have redeployed, retrained and upskilled colleagues, particularly within our branches, so they can support customers at every touchpoint. We are also increasing the number of colleagues directly supporting customers, particularly to combat fraud.

We are strengthening performance management, to improve the core capabilities and skills needed to deliver our business strategy and modern mutual purpose.

Our committee structures have also been updated to provide a clearer focus on risks and controls, operational resilience, service availability, managing conduct risks and closer oversight of our most important strategic projects.

We continue to transform and strengthen our risk and control processes, with simpler and clearer Board and management risk metrics, and improvements to material controls and processes, particularly customer facing ones. These changes mean we can respond to customers' needs more quickly and keep our customers safer from economic crime.

We are also improving the quality and use of data across the Society. This includes developing data to identify what matters most to our customers, and how their experiences can be improved. For colleagues, better data will help them to work more effectively and inform decision making. In addition, we plan to improve the data that helps the Society run in a controlled and safe manner, covering technology, change programmes, suppliers, property, and our controls.

# How we performed in 2022/23 against our strategic key performance indicators

Our five key performance measures for 2022/23 are set out on the following pages. Following our strategy refresh, we updated our key performance indicators to more effectively support the delivery of our strategic drivers. Our new measures for 2023/24 are set out on pages 26 to 28.

## Committed members

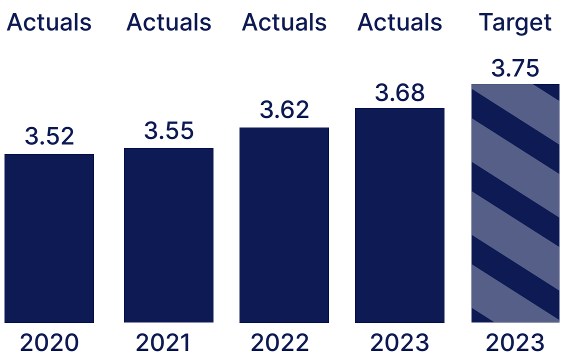
### What do we measure?

Our committed members measure reflects the depth of our relationship with our members, through the number of core products that they hold with us[1].

### How did we perform against our targets over 2022/23?

We have 3.68 million committed members, below our 3.75 million target for 2022/23. Growth in this measure, over the year, was impacted by the effects of the cost of living pressures on members' ability to save.

**Committed members[1]**
million




## Member financial benefit

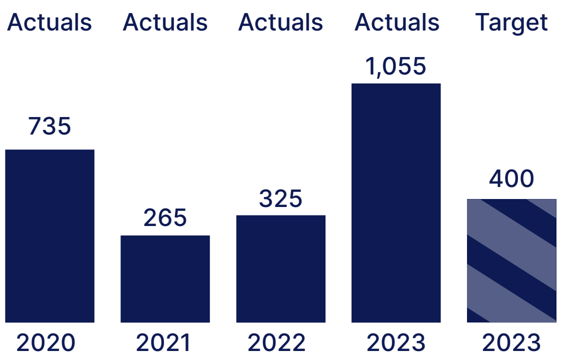
### What do we measure?

Member financial benefit measures the additional financial value we provide for members from better pricing and incentives than the market average, across our mortgage, savings and banking products.

### How did we perform against our targets over 2022/23?

We provided £1,055 million of member financial benefit, above our target of at least £400 million, and a record for the Society. This was driven primarily by our competitive savings rates, supported by the increases in Bank rate that gave us more opportunities to pass on further value to our savings members.

**Member financial benefit**
£ million




## Core products satisfaction

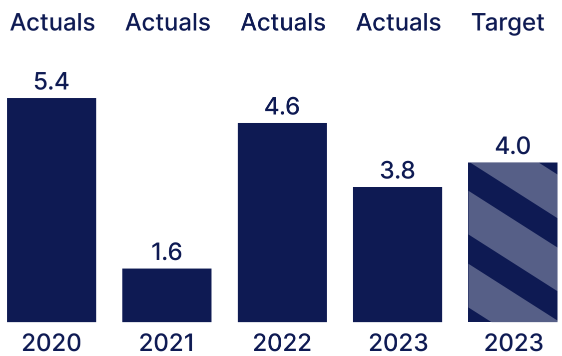
### What do we measure?

The Financial Research Survey (FRS) measures customer satisfaction in our peer group for our three core products combined (mortgages, savings and current accounts).

### How did we perform against our targets over 2022/23?

We have been no.1 for customer satisfaction among our peer group for 11 years running. Although our score in 2022/23 was as strong as the previous year, our lead of 3.8%pts over our nearest peer group competitor was below our target lead of 4%pts[2].

**Core products satisfaction[2]**
Lead, %pts




1. A committed member had their main personal current account, or a mortgage of at least £5,000, or at least £1,000 in savings accounts, plus at least one other product, with us.
2. © Ipsos 2023, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to 12 months ending 31 March 2023. For more information, see footnote 1 on page 5.

## UK Customer Satisfaction Index

## Leverage ratio

**What do we measure?**

The UK Customer Satisfaction Index (UKCSI) measures customer satisfaction across all sectors, on a consistent set of measures.

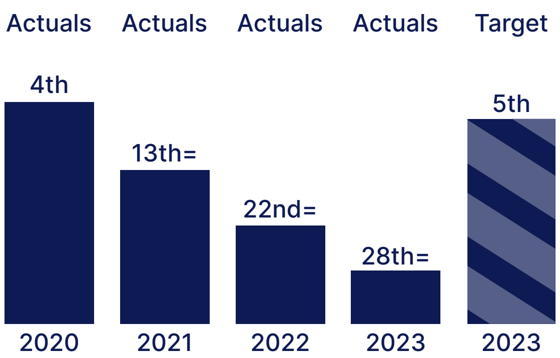
Our leverage ratio demonstrates our financial strength, and our ability to withstand economic shocks.

**How did we perform against our targets over 2022/23?**

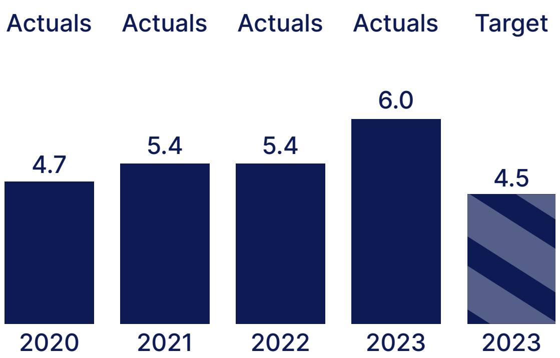
In January 2023, we ranked joint 28th across all sectors for customer satisfaction, out of 267 organisations[3]. This was below our target of being among the top five. However, our score of 82.6 was 4.9pts ahead of the all-sector average.

Our leverage ratio of 6.0% exceeded both regulatory requirements and our own internal target of at least 4.5%

**UKCSI[3]**
Rank




**Leverage ratio**
%




3. Institute of Customer Service UK Customer Satisfaction Index (UKCSI) as at January in each year. Our score of 82.6 is based on an index out of 100.

# Our *Blueprint* for a modern mutual

**In 2022/23, Nationwide approved a new strategy and business purpose.** Our new approach is centred around our purpose: *Banking – but fairer, more rewarding, and for the good of society*, and our four strategic drivers.

# More *rewarding* relationships

We will create deeper, lifelong relationships with our customers, that provide the best value in banking. We will increase value and reward loyalty for those customers who do more with us, including through targeted and competitive mortgage, savings and current account products. And we will continue to focus on helping first time buyers into homes.

In 2022/23, we helped one in seven (2021/22: one in seven) first time buyers, provided cashback on supermarket shopping[1], and held one in ten (2021/22: one in ten)[2] of the UK's current accounts.

# Beacon for *mutual good*

As we go about our business, we will be recognised as a beacon for mutual good. We want to be famous for the meaningful impact we have across customers, communities and society as a whole. We will use our voice to drive positive change and fairer banking practices, and support charitable activities that align with our purpose and ambitions.

In 2022/23, we committed £9.6 million (2021/22: £7.1 million) to charitable activities, plus an additional £1 million to our debt partners and charities, and committed to a net-zero carbon future, setting science-based targets.

# Simply *brilliant* service

The value we provide will be beyond rates, with distinctive, personalised service that stands out for ease, accessibility, security and trust, at every touchpoint. We will differentiate our mobile banking experience and combine this with modern branches that offer personal support when customers need it most.

In 2022/23, we were number one for customer satisfaction among our peer group[3], we extended our Branch Promise to 2024 and extended our operating hours for online chat to provide 24/7 availability, 365 days a year.

# Continuous *improvement*

We will be focused, fit and fast and simplify our processes and ways of working so that we deliver at pace, for the benefit of our customers, while retaining resilient controls that protect our customers and their money.

In 2022/23, we modernised our payments systems, reduced our card reader requirements, and simplified our processes to improve and increase support for customers.

In 2023/24 we will measure our performance on those things we consider to be core to these strategic drivers, as set out on page 28.

1. For more information, see pages 15 to 16.
2. CACI's Current Account and Savings Database, Stock (February 2023 and February 2022).
3. © Ipsos 2023, Financial Research Survey (FRS), for the 12 months ending 31 March 2013 to the 12 months ending 31 March 2023. For more information, see footnote 1 on page 5.

# Our strategic key performance indicators for 2023/24

We have updated our key performance indicators for 2023/24 to those that most effectively track the progress of our refreshed strategy. They align to our four strategic drivers as follows:

**More rewarding relationships** – creating deeper, lifelong relationships with our customers that provide the best value in banking

- **Measure: Engaged customers** – where a customer has a main personal current account with us, plus either a savings balance of at least £100 or a mortgage of at least £100.

**Simply brilliant service** – service that stands out for ease, accessibility, security and trust at every touch point

- **Measure: Customer experience score** – based on the feedback customers provide when they complete our survey after they interact with us, across our branches, telephone and digital channels.

**Beacon for mutual good** – we want to be famous for the meaningful impact we have across customers, communities and society as a whole

- **Measure: Heard good things about Nationwide** – the proportion of consumers who have heard good things about Nationwide, ranked against peer brands as part of our brand tracking survey.

**Continuous improvement** – ensuring our financial strength through efficient and effective processes and risk management

- **Measure: Leverage ratio** – which demonstrates our financial strength, as we progress the delivery of our refreshed strategy.

In addition, our current Mutual Good Commitments support our **Beacon for mutual good** strategic driver. More information on them can be found on page 46.

A number of these key performance indicators are also linked to the way we pay our colleagues, including at executive management level. For more information, please see the Report of the directors on remuneration, within the Governance report.

The targets for these measures will be finalised during the first half of the year and will be reported against in the Annual Report and Accounts 2024.

**Banking – but *fairer*, more *rewarding*, and for the good of *society*.**

# Engaging with our *stakeholders*

## Section 172(1) statement

This section describes how the directors considered matters set out in section 172(1) of the Companies Act 2006 (the 'Act'). This also forms the directors' statement required under section 414CZA of the Act. Although Nationwide, as a building society, is not required to follow the Act, we seek to apply its requirements where appropriate.

### Our stakeholders

Listening to and engaging regularly with our stakeholders is fundamental to the way we do business, and it ensures we operate in a balanced and responsible way, both in the short and longer term. Their views are important to us and they help to guide our decision making.

In this section, we summarise how we have engaged with, and responded to, feedback from each of our key stakeholder groups during the year, both at a broader Society level and at Board level. In addition, key decisions taken by the Board in the year and its related consideration of relevant stakeholders are set out on pages 36 to 39.

## Retail members and customers

As a mutual, we are here to support our customers, including our members (who are our customers with a current account, mortgage or savings with us). It is therefore important we understand their needs, now and in the future. More information on how we have delivered value and excellent service for them can be found on pages 12 to 22.

### Our engagement

At our Annual General Meeting (AGM), our members can have their say and vote on important issues. In July 2022, our AGM was held as a hybrid meeting so that members could choose to join in person, at our Head Office in Swindon, or online. For the first time, members were able to vote online during the meeting, and could ask live questions directly to the Board via an online platform. The 2022 AGM was attended by 281 members online and 32 attended in person.

We held three TalkBack events during the year, where customers could hear from, and engage with, Board directors and senior management. Two were held virtually and we also invited customers in Southampton to our first face-to-face TalkBack since the Covid-19 pandemic began.

We also held 30 online education events. These events included education on how to recognise scams, and how to use our internet bank and banking app safely. We provided investment education sessions and ran events to support first time buyers through the home buying process. Together, we engaged with over 5,400 attendees through our TalkBack and education events.

Our branches also ran 78 local Tea and Tech sessions, held face to face and streamed online, to help customers manage their money online, safely and securely.

In addition, we engaged with members through our Member Connect online forum, which provides a platform for members to share their views with us on a range of subjects.

**The themes of the topics raised by members and customers at our AGM and TalkBacks, and via Member Connect, included:**

- Cost of living pressures
- Protection from fraud and scams
- Benefits of membership (including product rates and offers)
- Maintaining access to branches and access to cash
- Inclusion and diversity
- Executive remuneration
- Acting responsibly, including our approach to climate change and net-zero commitments

**We responded to this by:**

- Supporting our customers impacted by the cost of living pressures (see page 17)
- Protecting our customers from fraud (see page 18)
- Supporting our vulnerable customers (see page 18)
- Delivering value back to our customers (see page 16)
- Extending our Branch Promise (see page 18)
- Supporting easy access to cash with our 1,200 free ATMs

### Board engagement

During the year, we held a number of virtual and in-person events, giving our customers the opportunity to meet Board directors and senior management.

Our members were able to engage with our Board directors at our AGM and Talkbacks. All three of our TalkBack events had a non-executive director present on the panel. Board members also visited branches to hear members' views.

The 2023 AGM will be hosted entirely online for the first time. Members will be invited to participate online, where they can submit live questions, and vote online during the meeting.

The Board reviewed customer service and satisfaction data at all its meetings and was engaged on, and approved, the extension of the Branch Promise.

The Board and the Board Risk Committee reviewed and challenged the approach and activity being undertaken by the Society to ensure it was fully prepared for the implementation of the FCA's Consumer Duty. More information on this can be found on page 39.

## Buy to let customers

We support landlords and those who rely on the private rented sector for their long-term housing needs. We do this through our buy to let mortgage business, The Mortgage Works, and we aim to be the most trusted partner for landlords.

### Our engagement

We provided education and features through our landlord website to support landlords' understanding of their responsibilities and the provision of better homes for renters. This benefits all types of landlords, including those running their portfolios as a limited company. We actively monitor changes in the buy to let sector through research organisations and develop content accordingly. This includes working with our research provider to gain quarterly feedback from landlords and respond appropriately where possible.

### Our engagement with landlords included the following key topics:

- Cost of living pressures and the rise in Bank rate
- Interpreting the implications of the Government's Levelling Up the United Kingdom white paper
- Landlords' relationships with their tenants

### We responded to this by:

- Supporting landlords facing higher interest rates by pricing products for existing landlord customers with the same rates as new landlord customers and extending the period for landlords to switch product ahead of their mortgage product maturing from 6 weeks to 13 weeks, enabling them to secure a new rate earlier.
- Sending a monthly email to our landlord subscribers with legislation changes and housing market news affecting landlords and their tenants. We also published blogs on our landlord website covering topics relevant to elements of landlord life. These included changes in smoke and carbon monoxide regulations during 2022, the Government's white paper on a fairer private rented sector, and tips for improving relationships between landlords and tenants.

### Board engagement

While the Board has not engaged directly with buy to let customers, it received regular reports on buy to let lending and engagement and discussed the pressures facing landlords and tenants as part of these updates. Our Landlord Strategy was reviewed and noted by the Board during the year.

## Colleagues

Our colleagues are at the heart of serving our customers and delivering our strategy. We are committed to building a supportive and inclusive environment for our colleagues. We want to help them to be at their best and to thrive by building a culture where they feel supported and valued, and can grow their careers. On page 32, you can read more about how we support our colleagues.

### Our engagement

We invite all colleagues to share their views on working at Nationwide, the challenges they face and what works well, through monthly surveys. On average, 43% of colleagues respond each month, providing important insight for managers to use in their decision making.

We also gathered colleague insights and feedback through other surveys, including the MIND Wellbeing Index, and through engagement with Employee Network Groups and the Nationwide Group Staff Union (NGSU). In addition, we answered questions and sought feedback during webcasts that discussed important and timely topics, such as our refreshed strategy, senior leadership introductions and organisational structure changes.

When we made organisational changes impacting colleagues, we engaged with those impacted and the NGSU.

### Key topics raised by colleagues included:

- Cost of living support (for customers and colleagues)
- Changes to our workplaces
- Leadership, strategy and organisational changes
- Pay, bonuses and pensions
- Resourcing, training and developing multi-channel skills (in branches)
- Improving our social mobility
- Products and propositions
- Inclusion, diversity and wellbeing
- Speaking up

### We responded to this by:

- Supporting our colleagues impacted by the cost of living pressures
- Launching our social mobility network
- Launching our new Resolution Framework, to support speaking up and helping to resolve grievances by encouraging collaboration and appreciating diverse views. This reduced resolution timeframes by 40% (on a sample taken 3 months post implementation).

More information on our support for our colleagues is set out on the next page.

### Board engagement

The Board engaged with colleagues throughout the year as the Society transitioned through leadership changes.

The Chairman led two non-executive director Townhall events, face to face and virtually, where colleagues were able to question and engage with our Board.

To further promote engagement between the Board and colleagues, the Board appoints one director to have specific responsibility for the Employee Voice in the Boardroom. The Board also appoints one director with responsibility for overseeing the integrity and effectiveness of our employee whistleblowing policies and procedures.

The Board received updates on the results of employee engagement surveys and welcomed the General Secretary of the NGSU to a Board meeting during the year to discuss the alignment of interests between the NGSU and the Society.

# *A focus on our Colleagues*

We are committed to building a supportive and inclusive environment for our colleagues. In doing so, we will create a high-performance, purpose-driven culture where they can thrive and develop rewarding careers.

**Supporting our colleagues' financial wellbeing**

We want to support our colleagues, including their financial wellbeing, through the cost of living pressures. Our cost of living initiatives that we offer to customers are also available to any of our colleagues who are customers. In addition, in August 2022, we made a one-off £1,200 cost of living payment to support over 11,000 of our colleagues earning less than £35,000.

We also introduced a new pay package, effective from 1 April 2023, increasing pay three months earlier than normal. This delivered significant increases in pay for colleagues, particularly for those on lower salaries, with the majority of colleagues receiving a 6.5% increase on existing base pay.

Our Employee Care helpline is available to all Nationwide employees and dependants[1] and provides a free counselling, health and wellbeing, legal information, and debt support service.

**Refreshing our hybrid working commitments**

In November, we refreshed our commitment to hybrid working. While some elements remain unchanged, for example the requirement to work within the UK and our commitment to flexibility, we also set clearer expectations on coming together in person to maintain relationships, support our culture and to collaborate.

We have developed initiatives and guidelines to support colleagues and leaders working in a hybrid environment, including networking events to encourage new joiners and colleagues to meet across our office locations, as well as role-specific guidance.

**Building our inclusive culture**

We are working to build an inclusive culture and we want our Society to reflect the diversity of the communities we serve. We need a diverse range of backgrounds, skills and experiences to help us continue to serve our customers in the best way and offer the services and products that are most relevant to them.

Our inclusion measures help us monitor how inclusive our culture is. In April 2023, 84% (2022: 81%) of our colleagues, including 79% (2022: 73%) of our ethnically diverse colleagues, felt everyone had an equal opportunity to thrive, regardless of background. Our diversity measures, which underpin our Mutual Good Commitment to reflect the diversity of wider society, are reported each month to the Board and the leadership team.

In 2022, we partnered with Progress Together, a membership body centred on progression, retention and socio-economic diversity in financial services. With their support and input, we began to gather voluntary socio-economic data from our colleagues in January 2023. This will enable us to benchmark our socio-economic diversity against our peers and inform our future inclusion, diversity, and wellbeing priorities.

Our new social mobility employee network became our eleventh employee network. The others are: gender; ethnicity; sexual orientation; disability; faith and belief; working carers; working families; veterans and reservists; mental wellbeing; and sustainability. Our networks celebrate diversity, such as with an Asian Experience Month, Black History Month and Pride Month, and help colleagues build support networks and drive supportive changes. For example, they introduced trained workplace menopause coaches and built special educational needs (SEN) inclusion into our volunteering work on Money Lessons in schools.

In 2022, our Race Together Network was awarded the Network Group of the year at the Ethnicity Awards. Minds Matter, our mental wellbeing network, was shortlisted for Best New Mental Health Initiative in the InsideOut Awards 2023 and our Proud network was shortlisted for British LGBT Network Group of the year in the British LGBT Awards.

In the 2023 Financial Times' Diversity Leaders list, which surveys more than 100,000 employees on their perceptions of organisations' inclusivity and efforts to promote diversity, we were the highest-ranked UK high street financial services provider for the second year running[2]. We were also awarded Gold Employer standard by Stonewall for our work on LGBTQ+ inclusion.

**Understanding our gender and ethnicity pay gaps**

At 5 April 2022, our gender pay gap was 30.0% (2021: 30.0%). This means we have a higher proportion of women in lower paid roles than in senior roles. Although we increased the proportion of women in senior roles, the proportion of women in entry-level and less senior roles also increased, and so our gender pay gap was unchanged.

We are one of the few organisations to voluntarily publish our ethnicity pay gap. At 5 April 2022, our ethnicity pay gap was 7.4% (2021: 11.3%), with more ethnically diverse employees in lower paid roles than in senior roles. The reduction in pay gap was supported by an increase in the proportion of ethnically diverse colleagues in mid-level roles.

Pay gaps are different to equal pay. Equal pay looks at how colleagues are paid for doing the same or similar work. We regularly monitor pay to ensure our pay policies are not biased. For more information, see our Gender and Ethnicity Pay Gaps report on our website[3].

1. Includes immediate family or a partner and dependents who are aged 16 years or older and living in the same household, including students living at university.
2. The Financial Times-Statista ranking of Europe's Diversity Leaders 2023, based on independent surveys of more than 100,000 employees across Europe on their perceptions of their organisations' diversity and inclusion practices.
3. Pay gaps at Nationwide, nationwide.co.uk/about-us/inclusion-and-diversity/pay-gaps

## Mortgage intermediaries

We have around 28,000 mortgage intermediaries who place business with us, accounting for over 80% of all the mortgages we provide.

### Our engagement

We regularly canvass our mortgage brokers on their views on our products and service. This includes through the use of third-party firms to obtain feedback on applications submitted and perceptions of us as a mortgage provider.

We also gathered feedback through six-monthly and ad hoc workshops where brokers provided feedback on their experiences directly to the colleagues responsible for formulating products and policy.

### Our engagement with mortgage intermediaries included discussion on the following topics:

- Improving service
- Digital integration
- Consumer Duty principles
- Supporting first time buyers

### We responded to this by:

- Enhancing our digital application process to speed up the mortgage application submission process for intermediaries.
- Continuing to engage with various trade bodies and having representatives in important forums such as the Intermediary Mortgage Lenders Association (IMLA). This ensures Nationwide can influence how the mortgage industry develops.
- Maintaining a constant presence in the mortgage market during the uncertain economic times of 2022, when other lenders withdrew, providing consistency for both our intermediaries and our borrowers.

### Board engagement

The Board has been updated on intermediary engagement during the year, receiving updates on broker recommendation scores.

## Investors and rating agencies

Our wholesale funding investors support us in meeting our funding and capital requirements. Our investors are interested in our financial performance and sustainability practices and use our credit and Environmental, Social and Governance (ESG) ratings to support their understanding.

### Our engagement

We maintain an active dialogue with investors who support us in meeting our funding and capital requirements. This includes during the due diligence process ahead of wholesale funding issuances and in responding to general queries. Our Investor Relations programme provides existing and potential investors with the opportunity to meet senior managers and executive directors of the Society. In the year, we updated our investors on our latest financial performance and provided information on areas of interest to investors, such as our ESG activities.

To support investors' understanding of our performance and risk management, we engaged with credit and ESG rating agencies to ensure the Society is rated appropriately. This led to an upgrade in the Society's ESG ratings with Sustainalytics and MSCI.

### Key areas of interest for our investor base included:

- Strategic objectives and leadership changes
- Impacts of an uncertain economic and geopolitical outlook
- Housing market outlook and implications for the mortgage market
- The outlook for asset quality in a rising interest rate environment
- Capital strength and expected wholesale funding requirements
- Competition within the UK financial services sector
- Sustainability, in particular the Society's approach to climate change

### We responded to this by:

- Continuing to provide timely strategic and financial updates to our investors. As the economic environment evolved we adapted our disclosures to meet investors' information needs and areas of interest.
- Continuing to enhance our climate-related financial disclosures as investor demand increased. In December 2022, in keeping with our commitments following our sign-up to the Net-Zero Banking Alliance (NZBA), we published our intermediate (by 2030) science-based targets, supported by comprehensive disclosures detailing how we will progress towards these.

### Board engagement

On behalf of the Board, the Chief Executive and Chief Financial Officer provided a comprehensive update directly to investors following each of our external results announcements. The Chief Financial Officer also led an investor roundtable, as well as a series of meetings with our largest investors in the weeks following our results announcements, to answer their questions.

## Communities

As a mutual organisation, our focus is not just on providing better value and service for our customers, but on being better for society too. That is why we commit at least 1% of our pre-tax profits[5] to good causes. Last year, these largely focused on housing and our work with community partners and charities to support our local communities.

### Our engagement

Our Community Grants programme enables charities across the UK to apply for grants that support people and communities in housing need. We held 11 Community Boards, where community grants were distributed under the direction of member and colleague volunteers.

We also engaged with and supported our communities through our employee volunteering programme, and our long-term partnership with charity Shelter.

We worked closely with the local community in the design and planning of 239 EPC A-rated homes at our Oakfield housing development in Swindon.

### Our engagement with communities included the following key topics:

- Awareness of housing issues and emergencies.
- Challenges faced by local charities, particularly as a result of cost of living pressures.
- Progress on our Oakfield housing development, which paused when our previous construction partner went into administration.

### We responded to this through:

- Our social investment programme, including our partnership with Shelter (see pages 19 to 20).
- Our support of crisis appeals led by the British Red Cross (see page 20).
- Appointing Lovell as our new construction partner on Oakfield and putting the first homes on sale in December 2022.

### Board engagement

The Board received updates on the Society's social investment strategy and on the work of the 11 Community Boards. This included updates on the Community Grants programme and Nationwide's partnership with Shelter. The Board received regular updates on the Oakfield development.

The Board also received four updates on the Society's Responsible Business activities, including progress towards its Mutual Good Commitments. For more information on our progress, see pages 46 to 51.

## Suppliers

We work with around 1,100 suppliers who help us run and improve our business and deliver quality service for our customers.

We engage with our suppliers from initial engagement to support a smooth process for and prompt payment of invoices, and we specifically target payment of our smaller suppliers within 10 working days where possible.

### Our engagement

We engaged with our third-party suppliers on key topics, including operational performance, contract management, risk and future opportunities, and on Environmental, Social and Governance (ESG) matters. Our business-as-usual engagement covers pre-onboarding due diligence, inclusion in tenders, and supplier controls testing. We also meet with key suppliers once a quarter to review their performance.

We joined the Buy Social Corporate Challenge to engage with a range of innovative suppliers, and engaged with the Minority Supplier Development Network, the UK's leading supplier diversity advocacy organisation.

We update our suppliers on any material announcements through email or webcast communications, and we share our risk and compliance expectations on our Supplier Portal webpage. We also ran a webcast on EcoVadis, attended by around 70 suppliers, where we requested suppliers undertake their sustainability assessment and explained the process and benefits of doing so. We have partnered with EcoVadis since 2021, to provide universal sustainability ratings for us and our suppliers, helping us build a better understanding of our wider impact through our supply chain.

The Society's Chief Procurement Officer presented at events, including the Chartered Institute of Procurement and Supply's Sustainable Procurement Summit in May 2022, on creating a culture for sustainability, and on a panel at the EcoVadis Annual Conference in October 2022, on the role of procurement in progressing sustainability.

### Our engagement with suppliers included the following key topics:

- The use of EcoVadis ratings, including a request to upload emissions data to enable us to understand further the ESG credentials and ratings of our supply chain
- Leadership updates, including the appointment of the Society's new Chief Executive Officer and Chief Operating Officer
- An overview of the Society's performance in 2021/22
- Our intermediate (by 2030) science-based targets and expectations of our key suppliers in supporting us to decarbonise (for more information, see our full climate-related financial disclosures[6])
- Operational performance and contract management
- Outcomes of, and actions from, supplier controls testing
- The resilience of our suppliers through major geo-political events, such as the war in Ukraine and Chinese military exercises around Taiwan, and potential power outages

5. The 1% is calculated based on average pre-tax profits over the previous three years.
6. Available on our Investor Relations page, nationwide.co.uk/investor-relations

**We responded to this by:**

- Our Procurement for Mutual Good programme, which helped our supply chain to become greener, more inclusive and more ethical, by further embedding ESG considerations into our procurement and supplier management processes.
- Monitoring whether our highest carbon-emitting suppliers had set science-based targets and requesting sustainability schedules were incorporated into agreements.
- Continuing to work with Carbon Intelligence to calculate our scope 3 upstream emissions.
- New social enterprise relationships, including Hey Girls period products, Ethstat Ethical Stationery for coffee and NEMI teas which are used within our premises.

**Board engagement**

The Board Risk Committee received updates on key supplier relationships during the year and considered the Society's management of its key supply chains and the steps being taken to avoid undue risk. The Board Risk Committee, under delegated authority from the Board, approved the Third-Party Risk Policy.

## Regulators and policy makers

Regulators and policy makers oversee our activities and undertake consultations and policy reform. We aim for the highest possible standards of regulatory compliance to protect and enhance the integrity of the UK financial system and ensure fair outcomes for our customers.

**Our engagement**

We engaged effectively with regulators and policy makers throughout the year to influence them on behalf of the Society and its customers. Most notably, we secured reforms to modernise the Building Societies Act which will provide a more up to date regulatory environment for Nationwide to operate within.

We engaged through a combination of one-to-one meetings, roundtable discussions and conferences and events, which were attended by members of the Board, the Executive Committee and subject matter experts. This included our Chairman attending meetings with the Chief Secretary to the Treasury, the Economic Secretary to the Treasury, the Governor of the Bank of England, the Chief Executive of the PRA and the Director General of Financial Services at HM Treasury. Our Chief Executive attended some of these meetings and attended roundtables with the Chancellor of the Exchequer. Our Chief Financial Officer gave evidence to the Treasury Select Committee, and we also hosted a visit by the Leader of the Opposition to Nationwide House.

At a global level, we continued to build links through the Net-Zero Banking Alliance (NZBA) and Glasgow Financial Alliance for Net Zero (GFANZ), contributing to reports on transition planning and public policy frameworks. Nationwide's work on green homes was included as a case study in the GFANZ Recommendations and Guidance on Financial Institution Net-zero Transition Plans.

**During the year, our engagement with regulators and policy makers included discussion on the following key topics:**

- The Financial Services and Markets Bill
- Modernisation of the Building Societies Act
- Access to cash and banking hubs
- Cladding and mortgage lending
- Cost of living support
- The FCA's Consumer Duty
- Support for mortgage holders
- Authorised Push Payment (APP) fraud
- Economic crime
- Reform of the private rented sector
- First time buyers
- Green homes and climate change
- Transition planning
- Central Bank Digital Currencies
- Social housing
- Ringfencing of UK banks
- Open finance

**We responded to this through:**

- Answering information requests and Select Committee inquiries on key issues of interest.
- Providing input to consultations from government departments, including HM Treasury, the former Department for Business, Energy and Industrial Strategy (BEIS), and the Department for Levelling Up, Housing and Communities (DLUHC).
- MP branch visits, connecting with policy makers at a local level, engagement with the Shadow Treasury team on the Financial Services and Markets Bill, and joining roundtable discussions with senior Government and Opposition policy makers, including on the cost of living, green homes and mortgage support.

**Board engagement**

The Board received regular reports detailing Nationwide's regulatory interaction, the changing regulatory environment and the impacts for Nationwide. This included the FCA's Consumer Duty, to be implemented in July 2023.

In addition, Board members attended regular meetings with representatives from regulatory bodies, and regulators attended Board meetings to present key reports.

The Board has been regularly updated on the progress being made to meet Environmental, Social and Governance requirements and meetings held with policymakers and regulators on these subjects.

# Board *decisions*

At the heart of our mutual purpose is the need to engage, consult with and act in the interests of our stakeholders. The Board is responsible for setting a clear strategy and direction, ensuring the long-term success and sustainability of the Society. When making decisions, it considers the outcome for all relevant stakeholders, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly, and the consequences of its decisions. The Board and Board committee terms of references available at nationwide.co.uk reflect the importance of considering the requirements set out in section 172(1) of the Act. The template for writing Board and Board committee papers must include a section for authors to outline how the update or proposal directly or indirectly impacts our key stakeholder groups. The Board reviews this as part of its assessment to determine the relevant stakeholder impacts.

Principal decisions are those decisions taken by the Board, including decisions taken by or delegated to management which the Board has oversight of, that are of strategic importance, material to the operations of the business and are significant to the Society's key stakeholders. This statement describes three examples of principal decisions taken during the year.

## Which stakeholders were considered?

- Members and customers
- Colleagues
- Communities
- Suppliers
- Regulators
- Investors
- Mortgage intermediaries
- Buy to let customers

> The Board plays a pivotal role in providing strong governance and oversight of the Society. Our goal is not only to fulfil our statutory obligations as a Board but also to ensure the Society is managed in line with our mutual values. Among these values is the strong commitment from the Board to engage directly with our stakeholders, to listen to their views and to consider their interests during Board discussions and decision making.

**Kevin Parry**
Chairman

# Setting a new strategy

## Which stakeholders were considered?

Members and customers
Colleagues
Communities
Suppliers
Regulators
Investors
Mortgage intermediaries
Buy to let customers

## What was the decision-making process?

Following the appointments of the Chairman and CEO, a strategy refresh was discussed by the Board at its September 2022 meeting before being considered at its Strategy Conference in October 2022. The new strategy built on the Society's reputation for providing great service and long-term member value by setting out the strategic direction for the delivery of operational and service excellence, and the delivery of compelling banking propositions, whilst recognising the Society's mutual heritage and its commitment to making a positive contribution to society.

At the October 2022 Strategy Conference, views on the proposed new strategy were gathered from Board members, senior management and external advisors to ensure that it was an appropriate step forward. The Board scrutinised and challenged the priorities of the new strategy, particularly the proposals to enhance operational and service delivery and member value. The Board also sought to understand how the strategy would be delivered over three horizon timelines.

At its November 2022 meeting the Board reviewed and approved the final version of the strategy and agreed how it would monitor execution delivery.

## How did the directors fulfil their duties under section 172 and how were stakeholders considered?

Stakeholder considerations were central to the decision-making process. The new strategy was built around member, colleague and regulator feedback on how the Society's processes and operations could be enhanced to deliver service and operational excellence. The Board was played footage of member and colleague feedback at the Strategy Conference where members spoke of their interactions with the Society, their experiences of service delivery and the role of branches in meeting customer and community needs. The promotion of the long-term success of the Society was also a strong consideration of the Board when evaluating the new strategy to ensure the Society retained credibility with regulators and investors.

## What were the actions and outcomes?

Following the feedback provided by the Board, senior management and other stakeholders at the October 2022 Strategy Conference, the new strategy was refined and subsequently presented to the November 2022 Board meeting where it was discussed further, prior to its approval. At this November 2022 meeting the Board discussed how it would monitor strategy execution and delivery and agreed to receive updates via regular reporting from management. These reports would update the Board on the continuing operational and service enhancements being planned and implemented and any challenges encountered.

Horizon 1 of the new strategy "Blueprint for a Modern Mutual" was launched during April 2023, and colleague engagement activities were rooted in the feedback received from members and colleagues and how the renewed focus on enhancing operational service delivery would benefit members and customers.

The Board will continue to check and challenge the execution of the strategy refresh to ensure that it remains on track and meets the needs of members, customers and wider stakeholders.

# Agreeing the content of climate-related financial disclosures and science-based targets for publication

## Which stakeholders were considered?

Members and customers
Communities
Suppliers
Regulators
Investors

## What was the decision-making process?

In June 2021 the Board approved the Society becoming a signatory to the Glasgow Financial Alliance for Net-Zero, a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy by encouraging companies to adjust their business models and develop credible plans to transition to a low-carbon, climate resilient future. The Society's position is demonstrated through its Mutual Good Commitments and during the year the Board, the Board Risk Committee and the Audit Committee have dedicated and continue to dedicate considerable time and focus to climate change, particularly in scrutinising climate disclosures prior to external publication.

In May 2022, the Audit Committee, under delegated authority from the Board, considered and approved Nationwide's Climate-related Financial Disclosures 2022 ahead of publication alongside the 2021/22 results in May 2022.

As part of the Society's Net-Zero Banking Alliance membership, and to demonstrate the role the Society plays in supporting the UK's net-zero ambition, a set of intermediate (by 2030) science-based targets for the Society's scope 1, 2 and 3 emissions were developed in accordance with the methodologies of the Science-Based Targets Initiative. In September 2022, the Board Risk Committee reviewed and challenged the risks relating to the Science-Based Targets Disclosures which were due to be published by the end of December 2022. In November 2022, both the Audit Committee and Board Risk Committee further considered the Science-Based Targets Disclosure and following scrutiny and challenge by these Board committees the Board approved the publication of the Society's Science-Based Targets Disclosure in December 2022.

In March 2023, the Audit Committee reviewed Nationwide's Climate-related Financial Disclosures 2023 to be published as a standalone document subject to final approval alongside the 2022/23 results in May 2023.

## How did the directors fulfil their duties under section 172 and how were stakeholders considered?

The Board is aware that climate change presents a risk to the Society, its members and the wider community. In making climate-related decisions and disclosures the Board has been mindful of and evaluated the likely long-term consequences and the impact on communities and the environment. The Society has made relevant disclosures publicly available so that regulators, investors and suppliers can assess how the Society is managing climate risk. The Board has also considered implications of decisions to ensure that risks from climate change are managed and effectively incorporated into the Society's governance model.

## What were the actions and outcomes?

In developing the disclosures and outlining its position for stakeholders, the Board recognised these were subject to key dependencies, for example that the UK and the Society would not be able to reach net-zero carbon emissions by 2050 without broader policy changes. The Society has, therefore, continued to collaborate with other mortgage providers and with government to support the changes needed to transition the economy to net-zero.

The Board continues to monitor progress against climate-related financial disclosures and targets via the regular reports it receives from management.

# Approach to implementing the FCA Consumer Duty

## Which stakeholders were considered?

- Members and customers
- Colleagues
- Suppliers
- Regulators
- Investors
- Mortgage intermediaries
- Buy to let customers

## What was the decision-making process?

The FCA confirmed the final details of the new Consumer Duty requirements in July 2022, setting higher and clearer standards of consumer protection across financial services and requiring boards and management to make good outcomes for consumers central to their firm's culture, strategy and business objectives.

The Board recognised that the Consumer Duty requirements aligned strongly with the Society's mutual ethos and values but sought assurance that the Society was making the necessary preparations to meet the specific requirements of the Duty by the first implementation deadline of 31 July 2023. Updates on progress against the implementation deadline were presented regularly to the Board and the Board Risk Committee who provided governance oversight and challenge.

At its meeting in September 2022, the Board Risk Committee reviewed and challenged the proposed Consumer Duty Implementation Plan.

At its October 2022 meeting, the Board approved the Consumer Duty Implementation Plan which was subsequently submitted to the FCA.

## How did the directors fulfil their duties under section 172 and how were stakeholders considered?

The Consumer Duty will set higher expectations for the standard of care that financial services firms provide to customers. Although this aligns with the Society's ethic of care, the Board has scrutinised and challenged the approach and activity being undertaken by the Society to ensure it will be fully prepared for the implementation and the ongoing embedding of the Consumer Duty in usual business activity. Management has attended Board meetings to explain, for example, how customer product journeys have been mapped to ensure that consumer outcomes meet the standards required. This has strong links with the new Society strategy focused on enhancing operational and service excellence based on feedback from members, colleagues and regulators. The Board has considered customer vulnerability and how the needs of vulnerable customers will be met under the Consumer Duty. The Board currently receives regular updates on complaints data and how processes are being challenged in response to feedback received, but this complaints data is now additionally being analysed through a Consumer Duty lens. Engagement with the FCA has been ongoing during the Consumer Duty planning and preparation period.

By ensuring that the Society complies with evolving regulatory requirements, the Board is helping to ensure that the Society can continue to attract investors and, ultimately, fulfill its social purpose as a mutual.

## What were the actions and outcomes?

The Board and Board Risk Committee have provided governance oversight and challenge of the Society's Consumer Duty preparations. The Board has appointed a Consumer Duty Board Champion to support the Chair and the CEO in raising the matter regularly in all relevant discussions and challenging the Board and senior management on how they are embedding the Consumer Duty and focusing on consumer outcomes.

Specific training sessions on Consumer Duty have been held for the Board, and the Board Risk Committee continues to receive specialist advice on conduct risk and Consumer Duty implications.

Nationwide Foundation

The Nationwide Foundation is an independent charity set up by the Society in 1997. Each year, we donate at least 0.25% of Nationwide's pre-tax profits to the Nationwide Foundation – £2,405,000 in 2022/23 – as part of the 1% of pre-tax profits[1] we commit to good causes. The Nationwide Foundation's vision is for everyone in the UK to have access to a decent home that they can afford. It uses its funding and influence under three programme areas to change the housing system for the better.

## 1 Nurturing ideas to change the housing system

This programme supports emerging solutions to create truly affordable and decent homes for the people most in need. Its work in 2022/23 included:

- Working with the Joseph Rowntree Foundation and FrameWorks UK to produce a 'How to talk about homes' toolkit. This will help organisations that are campaigning for change, by providing guidance on the best ways to communicate to help the public understand the need for more affordable and decent homes, and to encourage support for solutions.

- Supporting and funding work by the Town and Country Planning Association on potential new legislation to make sure homes are built to benefit the health of the people who live in them. The aim is to pass a new set of 'Healthy Homes' principles into law, such as adequate space and natural light, that will apply to all new-build homes.

- Funding a pioneering project in Bristol that provides homes for people in need, situated on microsites around existing houses with a large amount of surrounding space. The Foundation is working to bring this project to more areas. It is a completely new way of creating decent, affordable homes which has received strong interest from ministers.

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

## 2 Backing community-led housing

Community-led housing gives communities the power to create decent, affordable homes in the places where they are wanted and needed. The Nationwide Foundation is a major funder in this sector and in 2022/23 it:

- Continued to advocate for the importance of government funding to help the community-led housing sector grow further.
- Supported and funded key organisations across the UK that help community groups to build homes.
- Funded new work to find out about the challenges faced by people from Black and minority ethnic backgrounds in creating community-led housing.

## 3 Transforming the private rented sector

The Nationwide Foundation campaigns and funds other organisations to reform the private rented sector to better provide decent, affordable homes. In 2022/23, this included:

- Funding research into the impact of tenancy reform in Scotland, especially on the tenants who are most vulnerable to harm, and using the findings to influence further reforms across the UK.
- Funding a programme of work across the UK to support renters to have their voices heard in local and national decision making.
- Using the findings from its research to influence the upcoming Renters' Reform Bill and other legislation to make it as effective as possible for renters, especially those in need.

## Next steps for the Nationwide Foundation

During 2023/24, the Nationwide Foundation will remain committed to its Decent Affordable Homes strategy. While continuing to generate robust influence through funded work, it is also increasing its own activity, using the knowledge it has gathered to influence positive change to the UK's housing system.

Nationwide Foundation

# Committed to doing the *right thing*

# Statement from *Debbie Crosbie,* Chief Executive

We strive to do the right thing in a responsible way for the benefit of our customers, colleagues, communities and the environment.

In 2019, we committed to the UN Global Compact and I am pleased to reaffirm our support for the Ten Principles of the United Nations Global Compact, which includes our commitment to protect and promote Human Rights, Labour Rights, the Environment and Anti-Corruption.

The social, political, economic and environmental challenges facing the world today make it more important than ever that we act to progress activities that support these Ten Principles. Our Mutual Good Commitments help us to hold true to our ethical principles and mutual purpose, with supporting targets that further reinforce the UN Sustainable Development Goals (SDGs).

For more information on:

- our alignment with the UN Sustainable Development Goals, see page 45
- our Mutual Good Commitments, see page 46
- our Principles for Responsible Banking disclosures, see nationwide.co.uk.
- our Climate-related Financial Disclosures 2023, see nationwide.co.uk.
- our intermediate (by 2030) science-based targets, see nationwide.co.uk.

# UN Global Compact: Communication on Progress

We continue to integrate the principles of the UN Global Compact into our business strategy, culture and daily operations. Further information on how we are progressing can be found on our broader Responsible Business webpages and where referenced below.

| Human Rights: doing the right thing for our customers and the way we do business | |
|---|---|
| Our Mutual Good Commitments | Page 46 |
| Human Rights statement | nationwide.co.uk |
| Modern slavery and human trafficking statement | nationwide.co.uk |
| Supporting our customers | Pages 12 – 22 |
| Supporting our colleagues | Page 32 |
| Communities and social investment | Pages 19 – 20 |
| Supporting our suppliers | Pages 34 – 35 |
| Governance | Page 77 |

| Labour Rights (our colleagues): doing the right thing for our colleagues | |
|---|---|
| Our Mutual Good Commitments | Page 46 |
| Our Code of Conduct | nationwide.co.uk |
| Health and safety | nationwide.co.uk |
| Inclusion, diversity and wellbeing | Pages 32 and 50 – 51 |
| Gender and ethnicity pay gaps | Page 32 |
| Our suppliers | Pages 34 – 35 |
| Freedom of association | nationwide.co.uk |
| Discrimination | nationwide.co.uk |

| Environment: doing the right thing for the environment and its impact on our customers | |
|---|---|
| Our Mutual Good Commitments | Page 46 |
| Climate-related financial disclosures, with information on:<br>• greening our operations<br>• building a greener supply chain<br>• greener homes<br>• our partnerships<br>• biodiversity | nationwide.co.uk |
| Intermediate Net-Zero Ambitions 2022: Basis of Preparation disclosure | nationwide.co.uk |
| Responsible investment | nationwide.co.uk |

| Anti-corruption: doing the right thing to prevent crime | |
|---|---|
| Our Mutual Good Commitments | Page 46 |
| Fraud and scams | Pages 18 and 48 |
| Data privacy | nationwide.co.uk |
| Economic crime | nationwide.co.uk |
| Cyber security | nationwide.co.uk |
| Modern slavery and human trafficking statement | nationwide.co.uk |
| Our Code of Conduct | nationwide.co.uk |
| Speaking up and whistleblowing | nationwide.co.uk |
| Political involvement | nationwide.co.uk |

# UN Sustainable development goals

We want to be a beacon for mutual good. Being a responsible business is part of our mutual heritage and we remain committed to doing business in a way that positively impacts our customers, employees and communities.

As a signatory to the United Nations Principles for Responsible Banking, we are committed to a strategic alignment with the 2015 Paris Climate Agreement and to the UN Sustainable Development Goals (SDGs). Our Mutual Good Commitments, as set out on the next page, are most closely aligned to the SDGs listed below.

**SDG 1 No poverty**
We take positive action against homelessness, and to enhance financial inclusion and wellbeing, and support and protect our customers' money.

**SDG 5 Gender equality**
We promote gender equality and are working towards equal representation of women in our leadership population by 2028.

**SDG 7 Affordable and clean energy**
Since 2018, we have continued to source 100% of our electricity for our own operations from renewable sources.

**SDG 8 Decent work and economic growth**
We are a real living wage employer, promote positive work practices and take action to enhance the wellbeing, diversity and inclusion of our people.

**SDG 10 Reduced inequalities**
We are working to reduce economic inequality in our communities and seek to ensure everyone has access to good and secure housing, finances and work opportunities.

**SDG 11 Sustainable cities and communities**
Our social investment programme helps us give back to our communities. And we work on solutions to create affordable, accessible and sustainable homes.

**SDG 12 Responsible consumption and production**
We divert as much waste as possible from landfill, recycle our office equipment and source food locally. Our Procurement for Mutual Good programme supports a greener, more inclusive and more ethical supply chain.

**SDG 13 Climate action**
We are part of the Net-Zero Banking Alliance, committing to a net-zero future by 2050 and have published intermediate (by 2030) science-based targets in support. Our green propositions encourage our customers to improve the energy efficiency of their homes.

# Our Mutual Good *Commitments*

We are progressing bold initiatives, represented by five Mutual Good Commitments, that demonstrate how our business aligns to, and supports, the UN Sustainable Development Goals (SDGs). These are embedded within our strategy and overseen by the Executive Committee and the Board.

When we refreshed our strategy, we reviewed and, where appropriate, updated the underlying measures that support our broader Mutual Good Commitments. The measures that underpin our Mutual Good Commitments are set out over the following pages.

## Help to achieve safe and secure homes for all

Page 47

- SDG 1 No poverty
- SDG 8 Decent work and economic growth
- SDG 10 Reduced inequalities
- SDG 11 Sustainable cities and communities

## Protect our customers' financial wellbeing

Page 48

- SDG 1 No poverty

## Support progress towards a greener society

Page 49

- SDG 7 Affordable and clean energy
- SDG 11 Sustainable cities and communities
- SDG 12 Responsible consumption and production
- SDG 13 Climate action

## Champion thriving communities

Page 50

- SDG 8 Decent work and economic growth
- SDG 11 Sustainable cities and communities

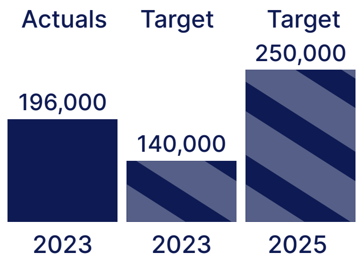
## Reflect the diversity of our society

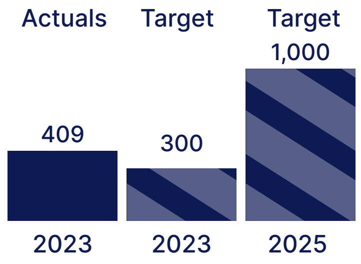
Page 50

- SDG 5 Gender equality
- SDG 8 Decent work and economic growth
- SDG 10 Reduced inequalities

# Help to achieve *safe and secure* homes *for all*

| Our measures | Our progress |
|---|---|
| **By 2025, we will help 250,000 people to buy their first home[1].** | We continue to focus on helping first time buyers into homes.<br><br>We are working to address the two main challenges that first time buyers face – raising a deposit and being able to borrow enough to afford a property. Since setting our target in November 2020, we have helped 196,000 people into their first home, ahead of our cumulative target for 2023. More information on how we are supporting first time buyers can be found on pages 15 to 16. |
| **We will ensure 100% of our new buy to let lending on rental properties continues to meet the Decent Homes Standard[2,3].** | Over a fifth of the 4.4 million households that rent privately in England endure the poor conditions associated with substandard housing[3]. With many of our customers in rented accommodation, we seek to enable a private rented sector that works for the mutual good of both landlords and tenants. We ensure that the buy to let properties we lend on are compliant with, or exceed, the Decent Homes Standard[2,3] recommendations, so that tenants can live in safe and decent homes. |
| **By 2025, we will have provided £1 billion of new lending to support the social housing sector[4].** | Our partner charity, Shelter, is calling on the government to build at least 90,000 social homes a year, to ensure everyone has a safe place to call home[5].<br><br>Our target demonstrates our support for the social housing sector, benefiting those in more vulnerable housing situations. |




1. Set against a baseline of 30 November 2020.
2. We physically inspect the vast majority of the buy to let properties we originate new loans on, to ensure they meet or exceed the Standard. For the remainder, we use data to assess adherence to the Standard.
3. A Decent Homes Standard in the private rented sector: consultation - GOV.UK (www.gov.uk)
4. Set against a baseline of 31 March 2022.
5. Let's build a better future: Call on the government to build social housing | Campaigns - Shelter England.

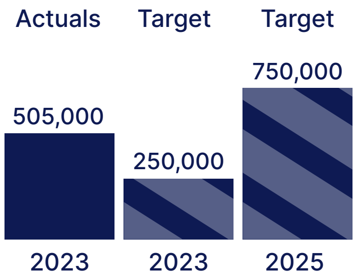
# Protect our customers' *financial wellbeing*

## Our measures

**By 2025, we will protect 750,000 customers with our Scam Checker Service[6].**

## Our progress

We will continue to strive to protect our customers from fraud. In 2021, we launched our Scam Checker Service, underpinned by our Scam Protection Promise. This enables our customers to check their payments with us, before they make them, if they have concerns. Our Promise means that, if after checks and a scam conversation, the payment does not appear suspicious but later turns out to be a scam, we promise to refund our customers every penny. Our target demonstrates our commitment to providing support and reassurance to our customers concerned about potential scams.




Customers protected by our Scam Checker Service

6. Set against a baseline of 31 March 2022.

# Support progress towards *a greener society*

## Our measures

**We aim to reduce our scope 1 emissions that we control across our own business operations, in line with our 2030 scope 1 science-based target, and remain carbon neutral for these emissions[7].**

**We aim to continue to source 100% renewable electricity for our own operations, in line with our 2030 scope 2 science-based target.**

**We will aim to reduce our scope 3 emissions for our mortgages, other secured lending activity, and our supply chain, by taking steps to reduce those emissions within our control and encouraging our customers, borrowers and suppliers to do the same, in line with our 2030 scope 3 science-based target.**

## Our progress

In December 2022, Nationwide published its intermediate (by 2030) science-based targets. Our Mutual Good Commitment measures now reflect these. You can find out more about our science-based targets in our Intermediate Net-Zero Ambitions 2022: Basis of Preparation, and our Climate-related Financial Disclosures 2023.

Scope 1 and 2 emissions are also included in our directors' long-term variable pay targets. For more information on this, please see page 124.

We consider it highly unlikely at present, that our measures for scope 3 investments emissions can be achieved under current government policies in connection with the UK's housing stock. Emissions associated with our residential mortgage lending account for the majority (more than 80%) of our total scope 3 emissions and we have very limited control over practical measures to reduce the emissions from properties which are owned by our borrowers.

7. Carbon neutral refers to no net release of carbon dioxide into the atmosphere and is achieved by removing or eliminating emissions, or through funding equivalent carbon savings.

# Champion thriving *communities*

| Our measures | Our progress |
| --- | --- |
| **Our Branch Promise: Every town and city which has a branch today will still have one until at least 2024.** | Over the year, we extended our Branch Promise once again, providing reassurance to our customers who rely on our branches, or prefer to speak to us face to face. We now have the second largest single-brand branch network across the UK financial services sector and won the Branch Network of the Year award at the 2023 Moneyfacts Consumer Awards.<br><br>In some exceptional circumstances that were beyond our control, and in some towns and cities where we had more than one location, we have closed branches. However, this is kept to a minimum and last year only 23 branches were closed. |
| **We will commit at least 1% of our pre-tax profits to charitable activities each year[8].** | We met our target in 2022/23, committing £9.6 million (2021/22: £7.1 million). More information can be found on page 19. |

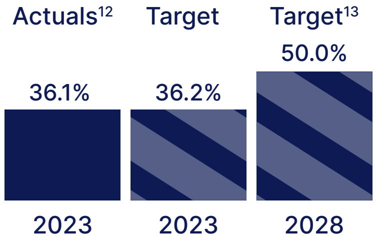
# Reflect the *diversity* of our society

| Our measures | Our progress |
| --- | --- |
| **By 2028, our people will reflect the wider society that we represent.**<br><br>This includes seven measures that span across gender, ethnicity, disability and sexual orientation, as set out on the next page. | We achieved four of our seven measures to meet by 2023. These measures are set out on the next page. However, further focus is needed to increase representation of Black, Asian, mixed and other ethnically diverse colleagues in senior roles and across our overall employee population. We are also slightly behind where we planned to be in terms of the proportion of women in our leadership population. We aim to address this, and further the progress we have made across our other measures, through the delivery of our refreshed strategy, which includes activity to improve social mobility.<br><br>We will improve diverse representation and progression through a holistic and embedded inclusion and diversity approach to talent identification, succession, development and management. This includes ensuring that we have robust data and we put key data into the hands of decision makers to enable evidence-based decision making and consistently inclusive practices to drive sustainable progress.<br><br>For more information on the work we are doing to progress inclusion, diversity and wellbeing, including our gender and ethnicity pay gaps, see page 32.<br><br>Diversity measures are also included in our directors' long-term variable pay targets. For more information on this, please see page 124. |

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

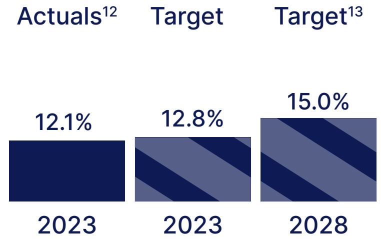
## Gender[9]

### Leadership population[11]

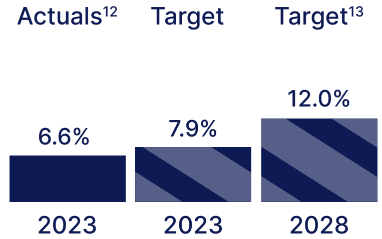



## Ethnicity[10]

### All employees

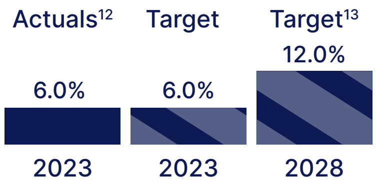



### Leadership population[11]

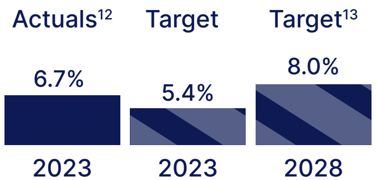



## Disability[14]

### All employees

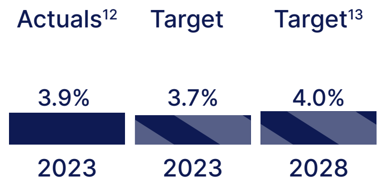



### Leadership population[11]

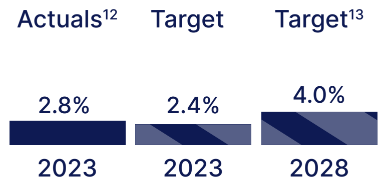



## Sexual Orientation[15]

### All employees




### Leadership population[11]




We also report on other statutory diversity measures[16] separately to our Mutual Good Commitments. These are as below:

| | Gender[9] | Ethnicity[10] |
|---|---|---|
| **All employees** | 60.7% (11,234 females) | 12.1% |
| **Senior managers[16]** | 37.6% (35 females) | 4.3% |

9. Gender – The figures reflect female representation.
10. Ethnicity – Figures reflect Black, Asian, mixed and other. Excluded from the % are white majority and minority.
11. Leadership population – A targeted and broader leadership population comprising around 1,000 of our leaders.
12. All data as at 4 April 2023, and based upon headcount not FTE (full-time equivalent value) of employees directly employed by Nationwide Building Society.
13. We will review our longer-term measures in light of latest census data.
14. Disability – Figures reflect those identifying as disabled or as having a long-term health condition.
15. Sexual Orientation – Figures reflect those identifying as bi-sexual, gay man, gay woman, lesbian and other. Excluded from the % are those identifying as heterosexual.
16. Statutory measures – We have presented additional measures that are not part of our Mutual Good Commitment targets but are statutory measures based on the Companies Act. Figures are based upon headcount and percentage headcount of each population. Senior manager figures reflect the Companies Act definition of an employee who has responsibility for planning, directing or controlling the activities of an entity or a strategically important part of it, which includes our executive population comprising the Executive Committee and their direct reports.

# Non-financial & sustainability *information statement*

This statement provides an overview of topics and related reporting references as required by Sections 414CA and 414CB of the Companies Act 2006. Non-financial and sustainability (environmental, social and governance) information is integrated across the Strategic report and other publications and we have used cross-referencing in the table on the right to avoid duplication.

**For further information on non-financial and sustainability matters, please see our separate reporting on nationwide.co.uk:**

- Climate-related financial disclosures
- Intermediate Net-Zero Ambitions 2022: Basis of Preparation
- Principles for Responsible Banking report
- Responsible business webpages

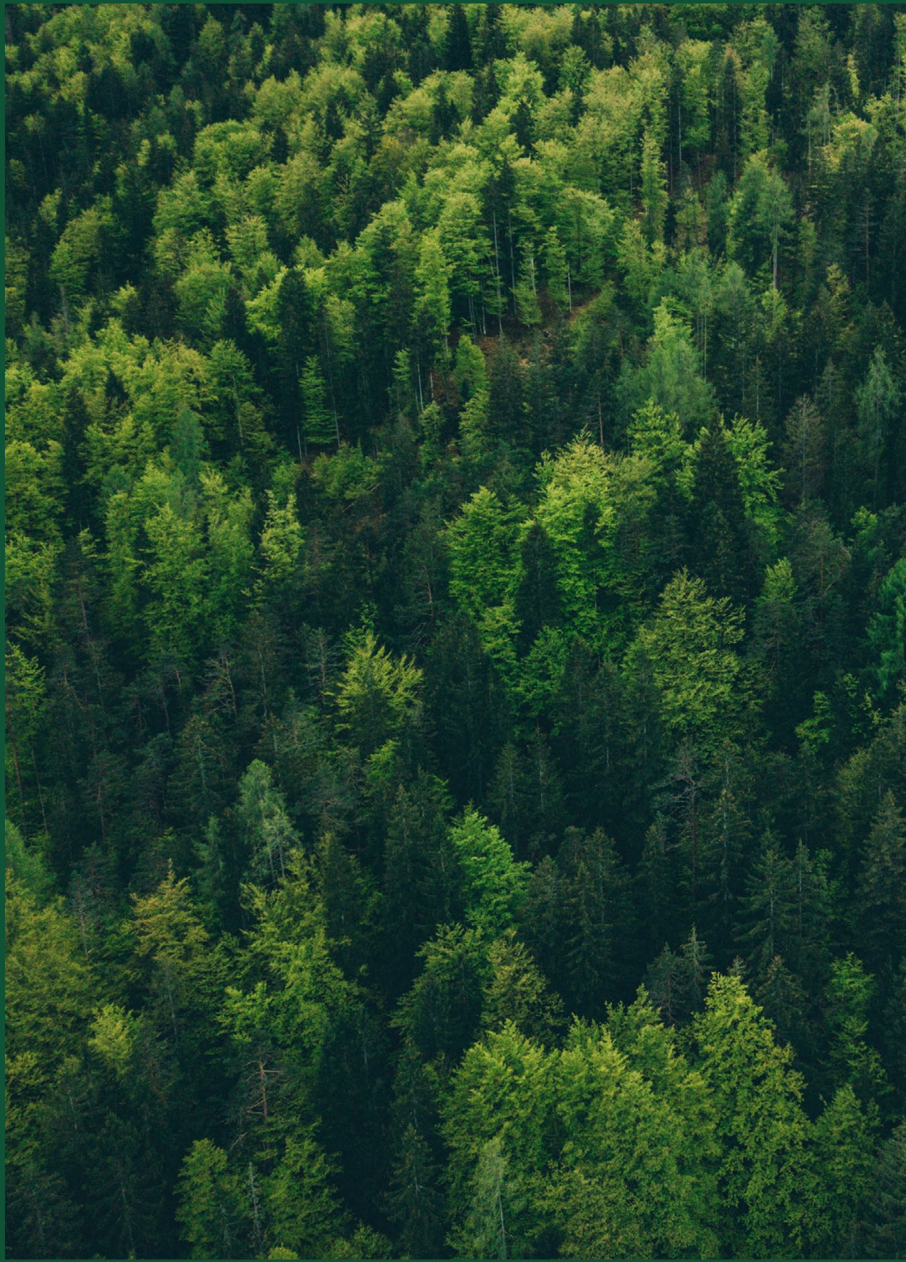
## Supporting our colleagues with disabilities

It is the Society's policy to afford access to training, career development and promotion opportunities equally to all colleagues regardless of their ethnicity, faith and belief, gender, marital status, age, physical or mental disability, or socio-economic background. For colleagues with disabilities and long-term health conditions, the Society supports them with workplace adjustments. Should colleagues become disabled while employed, the Society will, wherever possible, make adjustments to support them in their existing role or re-deploy them to a more suitable alternative role. We have made a Board commitment to disability inclusion and are Valuable500 supporters. We are also members of the Business Disability Forum and PurpleSpace, as well as signatories to the Disability Confident Scheme.

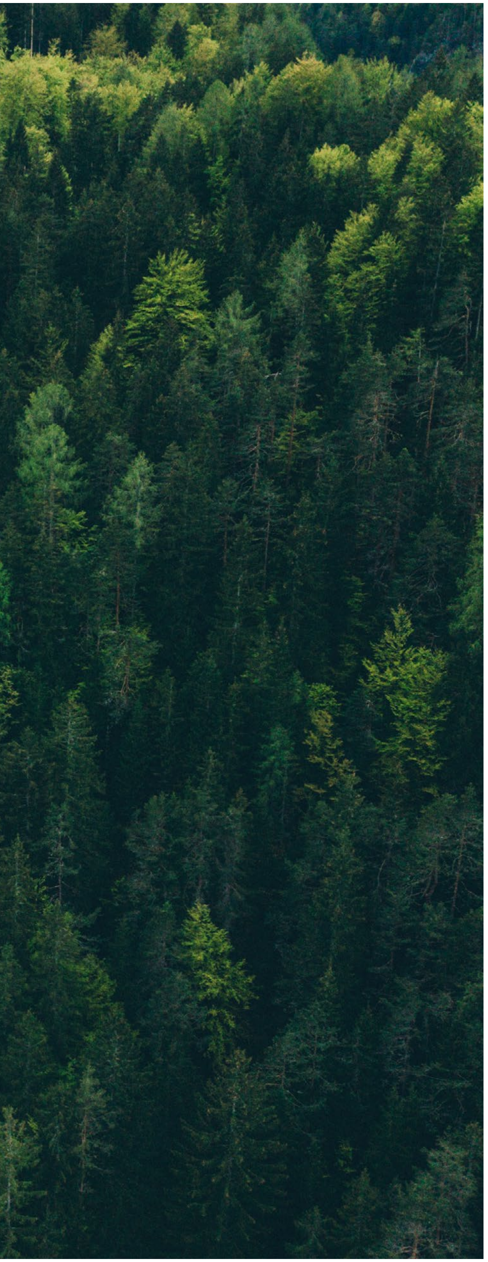
| Reporting requirements | Section of Annual Report and Accounts | Page |
|---|---|---|
| Business model | Our difference is our mutual ownership model<br>Our Blueprint for a modern mutual | 6<br>26 |
| Key performance indicators | How we performed in 2022/23 against our strategic key performance indicators | 23 |
| Governance | Governance | 77 |
| Stakeholders | Engaging with our stakeholders | 29 |
| Social matters | Committed to doing the right thing | 42 |
| Key risks and their management | Risk overview<br>Managing risk | 65<br>139 |
| Colleagues<br>Environmental matters<br>Human rights<br>Economic crime and anti-corruption | Our key policies and statements of intent are set out on page 44 and are in place to ensure consistent governance in respect of our colleagues, environmental matters, human rights and economic crime and anti-corruption. These policies and statements are also available on nationwide.co.uk | |

**For more information on how we support our colleagues more generally, see page 32.**

# Climate-related financial disclosures



**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**



# Ambition and overview

**Climate change presents a risk to Nationwide and its customers, and so managing the risk from climate change and supporting progress towards a greener society is core to Nationwide being a responsible business.**

We continue to focus on further embedding and improving our climate-related risk management capabilities, whilst enhancing our understanding of climate change and the impacts it has on the Society and its customers.

Environmental and climate consciousness are aligned to our mutual purpose of *Banking – but fairer, more rewarding, and for the good of society*. Being a beacon for mutual good is a core part of our strategy, which is centred around our purpose. It compels us to take meaningful action to limit the environmental impact of our business operations, help our customers green their homes (so that they are warmer, more comfortable places to live, and more cost effective to heat in the long term), and manage better the impacts of a more unpredictable climate. In doing so, we can demonstrate our mutual difference, that extends beyond our customer base, and positively impacts our communities and wider society too.

Since 2020, Nationwide has produced its disclosures in line with the Task Force on Climate-related Financial Disclosures' (TCFD's) recommendations. Nationwide's Climate-related Financial Disclosures 2023 are published alongside its Preliminary results on nationwide.co.uk as a standalone document. This enables Nationwide to provide comprehensive climate-related disclosures, in an easily accessible format, for all interested stakeholders.

The table on the next page outlines how we have aligned to the four categories of the TCFD's recommendations[1] (Strategy, Governance, Risk management, and Metrics and targets) and recommended disclosures, and aligns with the Financial Conduct Authority's Listing Rules (9.8.6R(8)). Across these categories are 11 sub-category headings which we have used to present our activities for this year, along with ongoing and future activity. Page number references have been provided to indicate where additional detail can be found in Nationwide's full Climate-related Financial Disclosures 2023.

1. Nationwide follows the TCFD's Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021).

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

## Strategy

The actual and potential impacts of climate-related risks and opportunities on Nationwide, its strategy, and financial planning

Disclosures: pages 7-16

### The climate-related risks and opportunities Nationwide has identified over the short, medium, and long term

Disclosures: pages 8-13

**Activity in 2022/23**

- Recognised a number of risks and opportunities across the short, medium and long term to support the UK's ambition to achieve net-zero by 2050, and explored these as part of our climate strategy and green finance proposition development to progress towards a greener society.
- Developed and disclosed our intermediate (by 2030) science-based targets for scope 1, 2, and 3 emissions, aligned to a net-zero pathway. Our disclosure details the potential actions across the short to medium term, and the level of control and challenges faced.

**Ongoing and future activity**

- Continue to embed climate change considerations into Nationwide's strategy and proposition development processes, including the identification of additional climate-related risks and opportunities.
- Develop a net-zero aligned transition plan to help track against Nationwide's net-zero ambition and intermediate (by 2030) science-based targets over the short to medium term.
- Continue to engage with Environmental, Social, and Governance (ESG) rating agencies to ensure Nationwide's credentials are fully understood and appropriately reflected in our ratings.
- Continue to invite third-party suppliers to join the EcoVadis platform and to disclose their carbon emissions and emissions reduction targets.

### The impact of climate-related risks and opportunities on Nationwide's businesses, strategy, and financial planning

Disclosures: pages 9, 10, 14-16

**Activity in 2022/23**

- Further embedded climate change into our strategic planning and financial planning processes, including defining a framework for the inclusion of the effects of climate change in our expected credit losses.
- Continued to explore climate-related opportunities through 2022, launching the first phase of EPC A rated homes in our Oakfield development and completing our solar panel pilot with MakeMyHouseGreen.
- Continued to participate in cross-industry forums, to understand new and emerging risks and opportunities across the financial sector, including continuing to campaign for a National Retrofit Strategy to support the greening of UK homes as part of our Green Homes Action Group.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

## Strategy

The actual and potential impacts of climate-related risks and opportunities on Nationwide, its strategy, and financial planning

Disclosures: pages 7-16

The impact of climate-related risks and opportunities on Nationwide's businesses, strategy, and financial planning

Disclosures: pages 9, 10, 14-16

**Ongoing and future activity**

- Continue to explore further green finance opportunities and propositions to support our customers in the greening of their homes and progress towards our intermediate (by 2030) science-based targets.
- Continue to convene and participate in cross-industry working groups to drive real change, including raising awareness of the challenges of greening UK homes and encouraging further government action that supports greener homes.

The resilience of Nationwide's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Disclosures: page 15

**Activity in 2022/23**

- Planned enhancements to our climate change scenario analysis approach in readiness for our next scenario analysis exercise, in order to understand better the risks, and potential opportunities, of climate change. This follows our scenario analysis in 2021 which indicated that the effects of climate change posed a limited threat to our business model.
- Climate change was considered as part of this year's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

**Ongoing and future activity**

- Execute an internal scenario analysis exercise in 2023, with enhancement to previous capabilities, including the use of a dynamic balance sheet, to quantify better the financial risks arising from the physical and transitional impacts of climate change. The analysis will include assessing different climate change scenarios, including a 2°C or lower scenario.
- Implement learnings from scenario analysis to develop our approach further and build on our capabilities.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

| **Governance**<br>Nationwide's governance over climate-related risks and opportunities | Disclosures:<br>pages 17-22 |
|---|---|
| The Board's oversight of climate-related risks and opportunities | Disclosures:<br>pages 18, 19 |

**Activity in 2022/23**

- The Board continues to have ultimate accountability for all climate-related risk matters at Nationwide.
- Directors' engagement on climate-related risk management was increased through 2022, with a particular focus on the setting of the Society's intermediate (by 2030) science-based targets.
- Directors approved the Society's intermediate (by 2030) science-based targets disclosure which included targets aiming to reduce emissions across scope 1, 2, and 3.
- Further embedded our climate risk governance model, so that it continues to support the Board's oversight of climate-related risk.

**Ongoing and future activity**

- Continue to evolve and optimise the climate risk governance model to ensure even greater focus at Board level.
- Engage the Board throughout the development of our net-zero aligned transition plan.

| Management's role in assessing and managing climate-related risks and opportunities | Disclosures:<br>pages 20-22 |
|---|---|

**Activity in 2022/23**

- Ownership for responding to climate change sits with Nationwide's Director of Strategy, Performance and Sustainability, whilst Senior Managers Regime accountabilities sit with the Chief Executive Officer (CEO).
- For 2023/24, aligned our directors' long term incentive arrangement with the Society's scope 1 and scope 2 carbon emission targets, which will be captured within a wider ESG measure, with a defined weighting of 10%.
- The Executive Committee (ExCo) supported the approval of the Society's intermediate (by 2030) science-based targets.

**Ongoing and future activity**

- Assess progress against measures included in the directors' long term incentive arrangement, which is aligned to the Society's scope 1 and scope 2 carbon emission targets.
- Engage management on the development and delivery of our net-zero aligned transition plan.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

## Risk Management

How Nationwide identifies, assesses, and manages climate-related risks

Disclosures: pages 23-26

### Nationwide's processes for identifying and assessing climate-related risks

Disclosures: pages 24, 25

**Activity in 2022/23**

- Assessed the impacts of climate change against Nationwide's principal risks in line with our Enterprise Risk Management Framework (ERMF) and identified potential impacts over the short, medium and long term.
- Enhanced the Society's climate change risk standard, to improve it as a key control of climate-related risk.
- Continued to leverage physical risk assessment capabilities, through the Property Risk Hub[2], and internal capabilities continue to be enhanced to assess transition risk across the Society's residential and commercial mortgage lending portfolios.
- Updated our Housing Finance Credit Standards, which applies to our Registered Social Landlord (RSL) borrowers, to include clear recommendations for borrowers to have an ESG strategy aligned to net-zero. Also encouraged RSL borrowers to improve the Energy Performance Certificate (EPC) composition of their portfolio.

**Ongoing and future activity**

- Consider the inclusion of transition risk factors into borrower affordability credit assessments.
- Incorporate climate factors into Nationwide's business as usual financial forecasting activity.

### Nationwide's processes for managing climate-related risks

Disclosures: pages 24, 25

**Activity in 2022/23**

- Enhanced our internal climate change management information (MI) dashboard, resulting in around 50 climate-related metrics from principal risk areas to support the management of climate-related risks, with key measures shared with the Board Risk Committee every six months.
- Delivered a refreshed climate-related risk implementation plan based on the Basel Committee on Banking Supervision (BCBS) recommendations.
- Submitted a report to the PRA detailing how we have embedded the requirements of SS3/19, and further evolved the embeddedness of our climate-related risk management based on feedback received from the PRA.
- Actioned feedback from the Society's participation in the Bank of England's Climate Biennial Exploratory Scenario (CBES).

**Ongoing and future activity**

- Expand and enhance the management of non-financial climate-related risks, including within operational risk where it is considered a potential cause of operational loss events.
- Continue to review lending policy to ensure new and existing customers are not unduly exposed to physical and transition risk.

2. Nationwide's Property Risk Hub assesses all mortgage applications for several physical risks at the decision in principle stage of a mortgage application.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

| **Risk Management**<br>How Nationwide identifies, assesses, and manages climate-related risks | Disclosures:<br>pages 23-26 |
|---|---|
| How Nationwide's processes for identifying, assessing, and managing climate-related risks are integrated into the Society's overall risk management | Disclosures:<br>page 26 |

**Activity in 2022/23**

- Climate change continues to be embedded as a cause within our existing ERMF.
- Enhanced our climate change risk standard which aids the embedding, monitoring, and management of climate-related risk as a cause to the Society's most significant risks.

**Ongoing and future activity**

- Further broaden understanding of climate-related risk through continued development of Nationwide's scenario analysis approach.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

## Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Disclosures: pages 27-43

The metrics used by Nationwide to assess climate-related risks and opportunities in line with our strategy and risk management process

Disclosures: pages 40-43

**Activity in 2022/23**

- Continued to develop a robust set of metrics to assess climate-related risks and opportunities. These include:
  - Physical risk data, such as flood exposure of our mortgage book
  - Transition risk data, such as EPC exposure of our mortgage book
  - Waste and water usage data
  - Data that shows the take-up of our green finance propositions
- Enhanced internal climate change MI which supports better decision making by management and the Board.

**Ongoing and future activity**

- Continue to enhance our climate change metrics and data that support our climate-related risk management.
- Continue to review climate ambitions and targets, in line with future changes to strategy, propositions, scenario analysis and climate science.

Nationwide's scope 1, 2, and 3 greenhouse gas (GHG) emissions and targets, and the related risks

Disclosures: pages 28-39

**Activity in 2022/23**

- Developed and disclosed the Society's intermediate (by 2030) science-based targets, for our scope 1, 2, and 3 emissions.
- Enhanced our approach to calculating scope 3 downstream emissions for mortgages, by integrating address matching processes into our mortgage EPC model.
- Enhanced our approach to calculating scope 3 downstream emissions for our RSL portfolio, by leveraging our mortgage EPC model to match EPCs better for those properties that have one, and to estimate where an EPC is not matched.

**Ongoing and future activity**

- Continue to calculate our scope 1, 2, and 3 emissions aligned to the GHG protocol and industry best practice, disclosing annually within our Climate-related Financial Disclosures, and measuring progress against our science-based targets.
- Continue to refine and enhance Nationwide's approach to calculating scope 3 emissions, reflecting improvements in data availability, coverage, and industry understanding.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

## Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Disclosures: pages 27-43

The targets used by Nationwide to manage climate-related risks and opportunities, and performance against these targets

Disclosures: pages 31, 33, 37, 38, 40-43

**Activity in 2022/23**

- Evolved Nationwide's internal climate change MI to track better our climate change ambitions and support management decision making.
- Calculated, and disclosed within our Climate-related Financial Disclosures, our scope 1, 2, and 3 emissions aligned to the GHG protocol and industry best practice, and measured our progress against our science-based targets.
- Continued to track physical risk data, such as flood exposure, and transition risk data, such as EPC composition, of our mortgage book.
- Continued to track the take-up of our green finance propositions.

**Ongoing and future activity**

- Continue to enhance climate metrics and targets, in line with changes to strategy, propositions, scenario analysis and climate science.
- Enhance our climate metrics and data that support us in measuring our progress towards our updated climate-related Mutual Good Commitment, and our intermediate (by 2030) science-based targets, including developing supporting metrics and leading indicators for inclusion in our net-zero aligned transition plan.
- Continue to monitor performance against Nationwide's climate-related targets and ambition to support progress towards a greener society, and update our Climate-related Financial Disclosures accordingly.

# Nationwide's carbon emissions

## Supporting progress towards a greener society

As a building society, Nationwide's focus is on providing banking products and services for our customers. We only have very limited corporate lending through small, closed commercial real estate and private finance initiative portfolios, and lending to registered social landlords.

Our business model means that our strategy does not involve lending to, or investing in, the fossil fuel industry.

Nationwide aspires to be a beacon for mutual good, famous for having a meaningful impact across society that extends beyond our own customer base. Helping address the impact of climate change aligns with this, and we aim to support the UK Government's ambition to achieve net-zero by 2050.

Our Mutual Good Commitments support our strategy and the UN Sustainable Development Goals (SDGs). Over the year we have updated the targets underlying our Mutual Good Commitment to support progress towards a greener society, so that they align to our intermediate (by 2030) science-based targets.

Nationwide published its highly challenging intermediate (by 2030) science-based targets[3] in December 2022. This disclosure covers the sectors applicable to our business model, across scope 1, 2, and 3. Achieving our emissions, and emissions intensity, reduction targets will require customer, cross-industry, and government action.

## Nationwide's scope 1 and 2 carbon emissions

(See table on page 64)

We are pleased to have remained carbon neutral for scope 1 and 2 emissions since 2020. These emissions are tracked against a set of strategic ambitions that aim to improve the Society's sustainability. We continue to disclose in line with the Government's Streamlined Energy and Carbon Reporting regulation requirements.

Our scope 1 emissions have continued to decrease in comparison to previous years. This is due to our ongoing efforts to reduce our operational emissions. We will continue to reduce our scope 1 emissions to progress towards our science-based target ambitions.

100% of our scope 2 energy consumption is attributed to renewable sources, through a solar power purchase agreement (PPA), which produces emissions-free energy, and use of green tariff electricity. Our scope 2 emissions are associated with purchased electricity only, as Nationwide does not purchase any steam, heat or cooling. This market-based approach[4], coupled with purchasing carbon offsets for scope 1 emissions, ensures Nationwide remains carbon neutral for its business operations.

We also disclose our absolute (location-based[5]) scope 2 emissions which continue to reduce as we embed new hybrid ways of working. Our hybrid working means colleagues have the flexibility to choose where they work between home and the office, with an expectation that they come together when it is valuable and meaningful to do so, to maintain relationships, support our culture and collaborate.

**Further information on Nationwide's scope 1, 2 and 3 carbon emissions can be found in our full Climate-related Financial Disclosures 2023 at nationwide.co.uk**

3. Intermediate Net-Zero Ambitions 2022 – Basis of Preparation (nationwide.co.uk).
4. A market-based approach allows flexibility to utilise market-based measures such as renewable energy to achieve net-zero.
5. A location-based approach doesn't factor in market-based measures and considers operational absolute emissions only.

Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk

## Nationwide's scope 3 downstream category 15 (investments) carbon emissions – mortgages, registered social landlords, and commercial real estate

(See table on page 64)

Nationwide continues to disclose the emissions associated with its mortgage, commercial real estate (CRE) and registered social landlord (RSL) portfolios. We have calculated both the absolute and the financed emissions for our mortgage, CRE and RSL portfolios. The absolute emissions have been weighted by loan to value (LTV) in order to calculate the proportion of emissions financed by Nationwide. This is in line with Partnership for Carbon Accounting Financials (PCAF) methodology.

Our absolute scope 3 mortgage emissions have reduced in comparison to last year, due to a reduction in the total number of properties on the book. LTV weighted emissions, and LTV weighted carbon intensity, have increased slightly compared to last year due to an increase in average LTV. Our absolute and LTV weighted emissions, LTV weighted carbon intensity, and total floor area, for the RSL portfolio have reduced compared to last year. This is due to the enhancements made to our EPC model to include postcode matching capability. Our absolute scope 3 CRE emissions, and LTV weighted emissions, have reduced in comparison to last year, due to a decrease in overall lending.

Information on how scope 3 emissions for mortgages, CRE and RSL have been calculated is in our Climate-related Financial Disclosures 2023.

## Nationwide's scope 3 upstream (categories 1, 2, and 4) carbon emissions

(See table on page 64)

Through our partnership with Carbon Intelligence, we have calculated our scope 3 emissions for upstream activities across our supply chain. Purchased goods and services (category 1), capital goods (category 2) and upstream transportation and distribution (category 4) account for around 91% of our total emissions across categories 1-8.

Our upstream emissions have been calculated using publicly disclosed supplier emissions data (covering scopes 1-3) from CDP environmental disclosure responses, and revenue from the most recently published annual reports, where available. Data gaps were supplemented using industry average emissions contained within the GHG Protocol and Quantis's Scope 3 Evaluator tool. Emissions data excludes emissions from employees working at home.

## Scope 1, 2, and 3 emissions assurance

We appointed Ernst and Young LLP (EY) to provide limited independent assurance over our scope 1, 2, and 3 carbon emission disclosures for the year ended 4 April 2023. This includes scope 1 and 2 emissions for the year ended 4 April 2023 and scope 3 financed (investment and upstream) emissions for the 12-month period ended 31 December 2022. Assurance was also provided for the year ended 4 April 2022, as disclosed in our Climate-related Financial Disclosures 2022. Assured metrics and KPIs are indicated throughout Nationwide's Climate-related Financial Disclosures 2023. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) (UK) 3000 (July 2020), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance report was issued and is available on Nationwide's website[6]. This report includes details of the scope, respective responsibilities, work performed, limitations and conclusion.

6. EY emissions assurance report 2023.

**Nationwide's full Climate-related Financial Disclosures 2023 can be found at nationwide.co.uk**

# A summary of Nationwide's scope 1, 2, and 3 carbon emissions data[7]

The key movements in the carbon emissions data table opposite are explained on pages 62 and 63.

Nationwide continues to disclose in line with Streamlined Energy Carbon and Reporting regulation requirements[8].

We recognise certain limitations in climate data affecting climate metrics and targets, and their usefulness in strategic decision making. For more information on scope 1, 2, and 3 data scores and data limitations, see pages 44 and 45 in Nationwide's Climate-related Financial Disclosures 2023.

| Scope 1 and 2 emissions data | Year to 4 April 2023 | Year to 4 April 2022 |
|---|---|---|
| Scope 1 – Energy and travel ($tCO_2e/y$) | 2,361 | 3,002 |
| Scope 2 – Electricity ($tCO_2e/y$) | 12,774 | 14,972 |
| Total gross scope 1 and 2 emissions ($tCO_2e/y$) | 15,135 | 17,974 |
| Absolute carbon outturn (less PPA carbon reduction and green tariff electricity) ($tCO_2e/y$) | 2,361 | 3,002 |
| Total carbon dioxide in tonnes per full time employee (FTE) | 0.17 | 0.19 |
| Total net scope 1 and 2 emissions ($tCO_2e/y$) | 0 | 0 |
| Total energy usage – Electricity and gas (MWh) | 76,781 | 86,417 |
| **Scope 3 emissions data – upstream – purchased goods and services, capital goods, and transportation and distribution** | **Year to 31 Dec 2022** | **Year to 31 Dec 2021** |
| Total upstream scope 3 carbon dioxide emissions ($tCO_2e/y$) | 156,000 | 230,000 |
| **Scope 3 emissions data – mortgages** | **Year to 31 Dec 2022** | **Year to 31 Dec 2021** |
| Absolute carbon emissions on whole book using interpolated EPC data ($tCO_2e/y$) | 6,111,000 | 6,187,000 |
| LTV weighted carbon emissions using LTV weighted interpolated EPC data ($tCO_2e/y$) | 2,801,000 | 2,795,000 |
| LTV weighted carbon intensity using LTV weighted interpolated EPC data ($kgCO_2e/m^2/y$) | 19.24 | 19.03 |
| **Scope 3 emissions data – registered social landlords** | **Year to 31 Dec 2022** | **Year to 31 Dec 2021** |
| Absolute carbon emissions on whole book using interpolated EPC data ($tCO_2e/y$) | 466,000 | 747,000 |
| LTV weighted carbon emissions using LTV weighted interpolated EPC data ($tCO_2e/y$) | 222,000 | 346,000 |
| LTV weighted carbon intensity using LTV weighted interpolated EPC data ($kgCO_2e/m^2/y$) | 20.01 | 22.36 |
| **Scope 3 emissions data – commercial real estate** | **Year to 31 Dec 2022** | **Year to 31 Dec 2021** |
| Absolute carbon emissions on whole book using proxy EPC data ($tCO_2e/y$) | 138,000 | 259,000 |
| LTV weighted carbon emissions using LTV weighted proxy EPC data ($tCO_2e/y$) | 45,000 | 96,000 |
| LTV weighted carbon intensity using LTV weighted proxy EPC data ($kgCO_2e/m^2/y$) | 31.28 | 46.39 |

7. Notes for the carbon emissions data table are detailed in Nationwide's Climate-related Financial Disclosures 2023.
8. Detail of the Society's energy efficiency action can be found in the Strategy section in Nationwide's Climate-related Financial Disclosures 2023.

# Risk overview

The Board recognises that effective risk management is essential to Nationwide's ongoing strength and the delivery of our strategic objectives. As such, we adopt a prudent approach to risk management, keeping our customers' money safe and secure by ensuring that the risks we take in support of our strategy are controlled through a robust risk framework. We operate a relatively simple business model and operate in lower risk markets to serve our customers' interests and keep their money safe and secure by taking risks we understand and can manage well.

## How risk is managed at Nationwide

Nationwide operates a Board-approved Enterprise Risk Management Framework to ensure risks are managed in a consistent and rigorous way. This framework defines how risks are managed and sets out the risk management responsibilities of all colleagues within an industry standard three lines of defence model. This ensures that all risks are appropriately and consistently identified, assessed, managed, monitored, and reported within the first line of defence. Independent oversight and challenge of the Society's risk management practices are provided by the Society's independent Risk function, led by the Chief Risk Officer, whilst the Internal Audit function provides assurance of the effectiveness of our control environment for the Board.

Through the Enterprise Risk Management Framework, the Board formally sets its risk appetite, articulating how much risk it is prepared to take in the pursuit of its objectives. A robust suite of policies and standards translates this appetite into the localised risk management activities and controls that our colleagues operate on a day-to-day basis to protect our customers and their money. The Board and management committees receive regular reporting on the Society's risk profile and key risk metrics to support them in monitoring our position relative to risk appetite. Further information on the Enterprise Risk Management Framework and its key components is shown in the Managing risk section of the Risk report on page 139.

Nationwide continuously reviews the risks to which it is exposed and strengthens the controls it relies on to mitigate these risks. A programme has been completed to develop further the organisation's understanding of the most prominent risks and controls within key customer facing processes, which is driving continued improvements to customer experiences and increasing the efficiency and effectiveness of key processes and controls.

## Risks to Nationwide

The risks which Nationwide faces can be divided across two broad categories:

- Principal risks encompass all of the different types of risk to which Nationwide is exposed. These are defined in the Enterprise Risk Management Framework, ensuring the Society understands and manages all of its risks in a comprehensive and consistent way. Further information on these risks can be found on page 143 of the Risk report.
- Top and emerging risks are specific current or future risks which have the potential to impact materially Nationwide's financial results and delivery of its strategic objectives, and often impact across a number of principal risks. The most significant of these are described below, together with key developments, a summary of actions we are taking to reduce the risk, and the strategic objectives which are most likely to be impacted by each risk.

## Top and emerging risks

| Risk | How we mitigate this risk | Additional information in the following sections |
|---|---|---|
| **Climate change ➔**<br>The risks relating to climate change, including both physical risks to UK housing stock and property and the transitional risks as the country moves towards zero net emissions, continue to evolve as government policy develops and technologies mature. | • We limit the impact our activities have on climate change by investing in sustainable business practices and adjusting our lending criteria to minimise risk.<br>• We continue to develop our processes to reflect potential changes in macro-economic conditions and the housing market as we transition to a low carbon economy, and complete robust internal and external stress testing for climate change. | Beacon for mutual good – *Reducing our environmental impact* (page 20) |

| Risk | How we mitigate this risk | Additional information in the following sections |
|---|---|---|
| **Cyber*** ➔<br>The threat of cyber-attacks remains heightened with ongoing geopolitical tensions posing a threat to Nationwide, our staff and our customers. | • We continuously monitor the cyber threat level and invest in our cyber defenses to ensure we are able to respond appropriately. | Continuous improvement – *Modernising our technology* (page 21) |
| **Data** ➔<br>Our customers trust us with their data so that we can deliver the services and experience which they need and expect. Given that expectations, data technologies, and industry practices continue to evolve at pace, the risk of inappropriate data management remains elevated. | • We continue to prioritise investment in our data architecture, technology and capabilities to utilise and protect our customers' personal data within a constantly evolving operating environment.<br>• We work proactively with our third-party suppliers to ensure all data they are entrusted with is robustly controlled. | Continuous improvement – *Improving our operating and governance models* (page 22) |
| **Economic crime*** ➔<br>The risk environment remains challenging due to the economic environment and ongoing conflict in Ukraine. These increase the risk of economic crime, through greater sanctions imposed on individuals and institutions relating to the conflict, or risks of customers falling prey to fraud or scams. | • We continue to enhance our economic crime capabilities, with a structured programme underway to improve our operating model and economic crime control environment, including transaction monitoring. | Simply brilliant service – *Protecting our customers in challenging circumstances* (page 18) |
| **Macro-economic environment** ➔<br>The economic environment remains challenging with the UK narrowly avoiding technical recession, increasing living costs and rising interest rates impacting customer finances and the long-term impact of ongoing geopolitical tensions yet to emerge. Recent bank failures in the US and Europe have the potential to cause further economic deterioration or impact consumer confidence, in particular within the banking sector. | • We maintain strong capital and liquidity levels in excess of regulatory minima and regularly undertake robust internal and regulatory stress tests to ensure our financial resources are sufficient under a range of severe but plausible scenarios.<br>• We continuously review and adjust our credit policies to ensure they remain appropriate for the prevailing economic conditions and continue to support customers who may experience financial difficulty.<br>• Nationwide only has exposures to highly rated banking counterparties; these consist primarily of fully collateralised derivatives and covered bonds for liquidity management. | Simply brilliant service – *Supporting our customers through cost of living pressures* (page 17)<br><br>Credit risk – Treasury assets (page 177) |
| **People risk** ➔<br>With increasing industrial action being seen in the UK, cost of living pressures combined with competition for talent in a number of key areas continue to have the potential to impact recruitment and retention of colleagues with the skills and capabilities required to support the strategy and serve our customers. | • We continuously review and develop our employee proposition to ensure we remain competitive and attract the right talent to deliver for our customers.<br>• We pro-actively engage with the Nationwide Group Staff Union on our remuneration packages and employment policies to ensure our employees are represented and treated fairly. | Engaging with our stakeholders – *Our Colleagues* (pages 31 to 32) |
| **Regulatory change** ➚<br>The regulatory environment continues to evolve with numerous material regulatory developments expected over the next year, including the recently announced 'Edinburgh Reforms', changes to the regulatory capital framework and the implementation of Consumer Duty. | • We have structured initiatives in place to deliver relevant regulatory changes promptly and proportionately.<br>• We maintain continuous engagement with all our regulators to identify and appropriately respond to regulatory requirements. | Engaging with our stakeholders - *Regulators and policy makers* (page 35) |
| **Technology and resilience** ➚<br>Our customers rely upon our systems and services being available when they need them. The risk of outages and system failures is increased both by the age and complexity of the Society's technology estate, and the volume of system changes to improve it. | • We have prioritised strategic investment in our systems and technology capability.<br>• We continue to strengthen our internal control environment to improve resilience, proactively balancing continued service provision with the need to update and develop our systems to meet customers' current and future needs. | Continuous improvement – *Modernising our technology* (page 21) |

**Key** (change in underlying risk to Nationwide in year)
➚ Increased level of risk ➔ Stable level of risk ➘ Decreased level of risk * Not reported as a separate Top and emerging risk in the Annual Report and Accounts 2022.

# Viability statement

The directors have an obligation to confirm that they believe that both the Society and the Group will be able to continue in operation, and to meet their liabilities as they fall due. This viability statement considers the Group's current financial and strategic position and the potential impact of its principal risks, to explain the directors' assessment of the Group's prospects over an appropriate period.

### Assessment of viability

In addition to taking a 12-month view of whether the Group remains a going concern, the directors have considered the viability of the Group over a three-year period. Whilst it will always be difficult to predict the future path of the UK or the wider global economy with any degree of precision, this period strikes the right balance between assessing likely outcomes using the current information we have, whilst accepting a degree of uncertainty over a longer period. A three-year period is within the timeframe of the Group's profitability projections and stress tests which provide a reasonable expectation of continued operations and ability to meet liabilities as they fall due.

In making their assessment, the directors have considered the Group's key risks, and the stress testing activity which has been carried out to assess the potential impact of these risks. This assessment includes consideration of the Top and emerging risks outlined in Risk overview. While there is an increased level of risk associated with regulatory change, and technology and resilience, the impact of these risks to ongoing viability is low. When reviewed alongside the Group's strategic plan, and the strength of the Group's current financial position, the directors conclude that the Group remains viable over a three-year period.

### Consideration of key risks

The directors of Nationwide have considered for the purposes of viability over the past year the impact on Nationwide's risk profile of the prevailing macroeconomic and geopolitical environment, the changing needs of our customers and our work to ensure our processes and systems remain robust. While emerging risks on pages 65 to 66 were not directly modelled, our assessment concluded that the severity and impact of these risks fall within the scenarios used for this analysis. Throughout the year, the Board has considered the risks which are most relevant to Nationwide's strategy, which include:

- Geopolitical and macroeconomic environment – As a UK-focused business, the Group's performance is naturally aligned to the UK's economic conditions. The economic outlook remains uncertain, having been severely impacted by the conflict in Ukraine and ongoing cost of living pressures. Whilst there remains uncertainty regarding the future profile of interest rates and macroeconomic variables, the Society maintains strong capital and liquidity levels and regularly undertakes robust internal and regulatory stress tests to ensure these are sufficient under a range of severe scenarios.
- Competitive environment and consumer behaviours – The level of competition and brand relevance remains a key consideration. This could be driven by shifting customer behaviours, regulatory changes and continued innovation in the financial services sector, or new participants using price and service advantage to challenge our market share aspirations and profitability.
- Economic crime and cyber security – We continuously monitor the external landscape to identify potential cyber and fraud threats whilst operating and maturing our economic crime and cyber controls to protect our customers and services, and to meet our regulatory obligations.
- Operational resilience – Maintaining resilient systems, infrastructure and processes remains critical as changing consumer behaviours influence member needs in accessing our products and services and how they interact with us. We continue to monitor and strengthen our control environment whilst proactively monitoring the resilience of our services to reduce disruption to our customers.
- Climate change – Risks continue to evolve as government policies mature, including transition towards greater requirements on energy performance certificates (EPC) which is likely to play out across a number of other risks.

### Planning and stress testing activity during 2022/23

During 2022/23, the Group developed financial forecasts and a range of plausible stressed economic scenarios, which reflect the risks which are most material to our financial strength. The scenarios considered include:

- A base case economic scenario, reflecting weaker economic growth in the short term, a softening of momentum within the housing market and an increasing Bank rate. This scenario has been subject to revision during the year to reflect developments in the macroeconomic outlook, in particular with respect to Bank rate and inflationary expectations.
- A macroeconomic 'downside' sensitivity exploring the impacts of Bank rate falling rapidly back to 1% and greater deterioration in unemployment and house prices relative to the base case scenario.
- An internally generated stress scenario exploring a severe but plausible stress in which an escalation of the conflict in Ukraine causes an economic downturn, with rising unemployment, inflation and substantial falls in house prices.
- The Bank of England's 2022 Annual Cyclical Scenario (ACS), which considered a significant rise in inflation and the associated monetary policy impacts, causing Bank rate to rise. The scenario anticipated a severe path for the current macroeconomic outlook, including a fall in real household income and a severe UK recession.
- Our reverse stress test scenario, which explores the financial impact of Nationwide failing to deliver its strategic goals in a downside economic scenario, causing the loss of brand, propositional and digital relevance and a failure to maintain scale.
- A severe idiosyncratic liquidity stress scenario exploring the impact of a ransomware attack and resultant failure to maintain member confidence, in addition to the temporary loss of access to wholesale funding markets, within the context of a macroeconomic stress.

A selection of these scenarios has been used for expected credit loss modelling during 2022/23, and further detail can be found in note 10 to the financial statements.

### Conclusion on viability

In addition to the Group's current financial strength, demonstrated through strong capital ratios (CET1 ratio of 26.5% and leverage ratio of 6.0% at 4 April 2023) and liquidity position (12-month average LCR for the year ended 4 April 2023 of 180%), the directors have assessed the impact of the scenarios described above on the Group's key financial metrics over the three-year assessment period.

In our base case economic scenario, key financial performance metrics are projected to remain comfortably above Board Risk Appetite and regulatory buffers. In addition, our recent external and internal stress testing activity demonstrates how the Group can withstand severe economic and competitive stresses, including those linked to an escalation of the conflict in Ukraine, heightened inflation and changes to the expected path of Bank rate.

The directors have a reasonable expectation that the Society and Group will be able to continue its operations, and to meet its liabilities as they fall due, over the three-year assessment period.

# Financial review


Chris Rhodes, Chief Financial Officer, Nationwide Building Society, said:

"The sustained strength of our finances has allowed us to support our members through a highly uncertain period and significant cost of living increases. It has also enabled the Society to launch the Nationwide Fairer Share Payment in June 2023, returning £340 million directly to our eligible members, as well as a Fairer Share Bond.

"We have continued to support our members' borrowing and savings needs during the year, and as a result have delivered growth in our mortgage and deposit balances. We delivered £1,055 million of member financial benefit through better pricing and incentives than the market average during the year. We also provided £57 million of cashback to customers who hold a current account with us and £40 million of additional cost of living support to colleagues.

"Due to the highly uncertain economic outlook, it is important that we maintain our financial strength to continue to support our customers through the challenges ahead."

## Financial highlights

- Underlying profit for the year increased to £2,233 million (2022: £1,604 million) and statutory profit increased to £2,229 million (2022: £1,597 million). This reflects income growth, partially offset by higher costs and charges for credit impairments.
- Total income increased by £806 million due to rising interest rates, with net interest margin (NIM) increasing to 1.57% (2022: 1.26%).
- Member financial benefit increased to £1,055 million (2022: £325 million), supported by the strength of our mortgage and savings rates relative to the market average.
- Mortgage balances increased to £201.7 billion (2022: £198.1 billion), resulting in a stock market share of 12.2% (2022: 12.4%). Member deposit balances increased by £9.1 billion to £187.1 billion (2022: £178.0 billion) and our market share of deposits increased to 9.6% (2022: 9.4%).
- Total administrative expenses increased by £89 million to £2,323 million (2022: £2,234 million), reflecting higher inflation, including £40 million relating to cost of living support to colleagues.
- The credit impairment charge of £126 million for the year (2022: release of £27 million) reflects a deterioration in the economic outlook during the year, with expected future increases in arrears due to affordability pressures. However, the credit quality of our lending portfolios remains very strong with low levels of arrears.
- CET1 and leverage ratios increased to 26.5% and 6.0% (2022: 24.1% and 5.4%) respectively.

Underlying profit:
**£2,233m**
(2022: £1,604m)

Statutory profit:
**£2,229m**
(2022: £1,597m)

Leverage ratio:
**6.0%**
(2022: 5.4%)

The results are prepared in accordance with International Financial Reporting Standards (IFRSs) as set out in note 1 to the financial statements. Underlying results are shown below, together with a reconciliation to the statutory results.

## Income statement

| Underlying and statutory results | | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Net interest income | **4,498** | 3,562 |
| Net other income | **175** | 305 |
| **Total underlying income** | **4,673** | 3,867 |
| Administrative expenses | **(2,323)** | (2,234) |
| Impairment (charge)/release | **(126)** | 27 |
| Provisions for liabilities and charges | **9** | (56) |
| **Underlying profit before tax** (note i) | **2,233** | 1,604 |
| Losses from derivatives and hedge accounting (note ii) | **(4)** | (7) |
| **Statutory profit before tax** | **2,229** | 1,597 |
| Taxation | **(565)** | (345) |
| **Profit after tax** | **1,664** | 1,252 |

Net interest margin:
1.57%
(2022: 1.26%)

Underlying cost income ratio:
49.7%
(2022: 57.8%, note iii)

Statutory cost income ratio:
49.8%
(2022: 57.9%, note iii)

Return on assets
0.61%
(2022: 0.46%)

Notes:

i. Underlying profit represents management's view of underlying performance. Gains or losses from derivatives and hedge accounting (presented separately within total income) and FSCS costs or refunds from institutional failures (included within provisions for liabilities and charges) are excluded from statutory profit to arrive at underlying profit. There are no FSCS costs or refunds from institutional failures for the financial years ended 4 April 2023 and 4 April 2022.

ii. Although we only use derivatives to hedge market risks, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is either not applied or is not achievable. This volatility is largely attributable to accounting rules which do not fully reflect the economic reality of the hedging strategy.

iii. The underlying cost income ratio represents management's view of underlying performance. Gains or losses from derivatives and hedge accounting are excluded from the statutory cost income ratio to arrive at the underlying cost income ratio.

### Total income and net interest margin (NIM)

Net interest income increased by £936 million to £4,498 million (2022: £3,562 million) with the net interest margin increasing to 1.57% (2022: 1.26%). Increases in the Bank rate have led to an increase in net interest income, reflecting the timing and the level of pass through of interest rate changes to savings products, partially offset by a decline in mortgage net interest income. Member financial benefit has increased, as Nationwide has passed a greater proportion of interest rate rises to savers than the market average.

Net other income has reduced by £130 million to £175 million (2022: £305 million), with £57 million cashback provided to members with a personal current account as part of the Society's cost of living support. We have also observed higher costs of providing travel insurance to packaged current account holders in 2023.

## Member financial benefit

As a building society, we seek to maintain Nationwide's financial strength whilst providing value to our members through pricing, products and service. Through member financial benefit, we measure the additional financial value for members from the competitive mortgage, savings and banking products that we offer compared to the market average. Member financial benefit is calculated by comparing, in aggregate, Nationwide's average interest rates and incentives to the market, predominantly using market data provided by the Bank of England and CACI, alongside internal calculations. The value for individual members will depend on their circumstances and product choices.

We quantify member financial benefit as:

Our interest rate differential + incentives and lower fees

*Interest rate differential*

We measure how our average interest rates across our member balances in total compare against the market over the year.

For our two largest member segments, mortgages and retail deposits, we compare the average member interest rate for these portfolios against Bank of England and CACI industry data. A market benchmark based upon the data from CACI and internal Nationwide calculations is used for mortgages and a Bank of England benchmark is used for retail deposits, both adjusted to exclude Nationwide balances. The differentials derived in this way are then applied to member balances for mortgages and deposits.

For unsecured lending, a similar comparison is made. We calculate an interest rate differential based on available market data from the Bank of England and CACI and apply this to the total interest bearing balances of credit cards and personal loans.

*Member incentives and fees*

Our member financial benefit measure also includes amounts in relation to incentives and fees that Nationwide offers to members. The calculation includes annual amounts for the following:

- Mortgages: the differential on incentives for members compared to the market.
- FlexPlus account: this current account is considered market leading against major banking competitors, with a high level of benefits for a relatively smaller fee. The difference between the monthly account fee of £13 and the market average over the financial year of £20 is included in the member financial benefit measure.
- Member Prize Draw: eligible members were automatically entered into monthly prize draws with a total prize pot of £1 million. The prize draw was launched in September 2021 and ran until August 2022.

For the year ended 4 April 2023, this measure shows we provided our members with a financial benefit of £1,055 million (2022: £325 million). The increase is due to our strong mortgage and savings products which seek to provide good value to members. As interest rates have risen, we have passed through a higher proportion of the increase to savers than the market average. The member financial benefit of £1,055 million does not include the Nationwide Fairer Share Payment to be made in June 2023.

## Administrative expenses

Administrative expenses have increased by £89 million to £2,323 million (2022: £2,234 million) largely due to inflation. The costs in the year include £40 million cost of living support to employees. Costs also include incremental investment in financial crime controls of £16 million and in technology resilience, particularly £26 million relating to payment systems. Redundancy and associated costs have increased by £32 million as we create efficiencies within our support functions. These amounts were offset by the non-recurrence of 2022 charges relating to accelerated amortisation of specific intangible assets of £53 million and historical fraud cases of £16 million.

## Impairment charge/(release) on loans and advances to customers

| Impairment charge/(release) (note i) | 2023 £m | 2022 £m |
|---|---|---|
| Residential lending | **94** | (128) |
| Consumer banking | **31** | 93 |
| **Retail lending** | **125** | (35) |
| Commercial | **1** | 8 |
| **Impairment charge/(release) on loans and advances** | **126** | (27) |

Note:
i. Impairment charge/(release) represents the net amount charged/(credited) through the income statement, rather than amounts written off during the year.

The net impairment charge for the year of £126 million (2022: release of £27 million) includes the impact of higher expected interest rates on mortgage provisions. The prior year impairment release reflected a decrease in provisions during a year where the economic outlook had improved. The underlying arrears performance of our residential mortgage portfolio has improved slightly, with consumer lending arrears marginally deteriorating. An increase in arrears from current levels is expected due to affordability pressures. More information regarding critical accounting judgements, and the forward-looking economic information used in impairment calculations, is included in note 10 to the financial statements.

## Provisions for liabilities and charges

Provisions are held to cover the costs of remediation and redress in relation to historical quality control procedures, past sales and administration of customer accounts, and other regulatory matters. The release of £9 million (2022: £56 million charge) is due to updates to judgements and estimates used in determining provisions relating to historical quality control procedures. More information is included in note 27 to the financial statements.

## Taxation

The tax charge for the year of £565 million (2022: £345 million) represents an effective tax rate of 25.4% (2022: 21.6%) which is higher than the statutory UK corporation tax rate of 19% (2022: 19%). The effective tax rate is higher primarily due to the banking surcharge of £145 million (2022: £72 million). The effective tax rate in 2022 was also reduced by the impact of £23 million of non-recurring tax adjustments in respect of prior years. Further information is provided in note 11 to the financial statements.

## Balance sheet

Total assets have decreased to £271.9 billion at 4 April 2023 (2022: £272.4 billion). This is predominantly due to reduced holdings of cash and liquid assets.

Mortgage lending has been robust, with residential mortgage balances increasing to £201.7 billion (2022: £198.1 billion). Member deposit balances have increased by £9.1 billion to £187.1 billion (2022: £178.0 billion) as a result of increases in savings balances following the launch of competitive new products.

| Assets | 2023 | | 2022 | |
|---|---|---|---|---|
| | **£m** | *%* | £m | *%* |
| Cash | **25,635** | | 30,221 | |
| Residential mortgages (note i) | **201,662** | ***95*** | 198,120 | *95* |
| Commercial | **5,477** | ***3*** | 6,054 | *3* |
| Consumer banking | **4,408** | ***2*** | 4,638 | *2* |
| | **211,547** | ***100*** | 208,812 | *100* |
| Impairment provisions | **(765)** | | (746) | |
| Loans and advances to customers | **210,782** | | 208,066 | |
| Other financial assets | **32,387** | | 30,816 | |
| Other non-financial assets (note iii) | **3,089** | | 3,251 | |
| **Total assets** | **271,893** | | 272,354 | |

| **Asset quality** | *%* | | *%* | |
|---|---|---|---|---|
| Residential mortgages (note i): | | | | |
| Proportion of residential mortgage accounts more than 3 months in arrears | **0.32** | | 0.34 | |
| Average indexed loan to value (by value) | **55** | | 52 | |
| | | | | |
| Consumer banking: | | | | |
| Proportion of customer balances with amounts past due more than 3 months (excluding charged off balances) | **1.21** | | 1.13 | |

12-month average Liquidity Coverage Ratio (note ii):
**180%**
(2022: 183%)

Notes:
i. Residential mortgages include prime, buy to let and legacy lending.
ii. This represents a simple average of the Liquidity Coverage Ratio (LCR) for the last 12 month ends. The LCR ensures that sufficient high-quality liquid assets are held to survive a short-term severe but plausible liquidity stress.
iii. Included within other non-financial assets at 4 April 2023 is £24 million (2022: £18 million) of inventory in relation to the construction of houses at the Oakfield development in Swindon.

### Cash

Cash is liquidity held by our Treasury function, with the £4.6 billion decrease predominantly due to a £4.5 billion repayment of the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME).

The average Liquidity Coverage Ratio over the 12 months ended 4 April 2023 was 180% (12 months ended 4 April 2022: 183%). Liquidity continues to be managed against internal risk appetite, which is more prudent than regulatory requirements and, under the most severe internal 30 calendar day stress test, the average liquid asset buffer remains robust.

Nationwide's liquidity and funding risk framework also ensures that a stable and diverse funding base is maintained. Further details are included in the Liquidity and funding risk section of the Risk report.

### Residential mortgages

Total gross mortgage lending was lower than in the prior year at £33.6 billion (2022: £36.5 billion) and our market share of gross advances decreased to 10.8% (2022: 11.8%). Net lending in the year was supported by our continued focus on retention through highly competitive products provided to existing members, whilst also continuing to focus on first time buyers. Prime mortgage balances increased to £157.6 billion (2022: £154.4 billion) and buy to let and legacy mortgage balances increased to £44.1 billion (2022: £43.7 billion).

Arrears remain low and have improved slightly during the year, with cases more than three months in arrears representing 0.32% (2022: 0.34%) of the total portfolio. However, an increase in arrears from current levels is expected, due to rising inflation and increasing interest rates negatively impacting household finances. Impairment provision balances have increased to £280 million (2022: £187 million) primarily due to higher interest rate expectations. This has resulted in an increase in the provisions held to reflect mortgage affordability risks, as well as increased expected credit losses in the severe downside economic scenario.

### Consumer banking

Consumer banking balances have decreased to £4.4 billion (2022: £4.6 billion). Consumer banking comprises personal loan balances of £2.6 billion (2022: £2.9 billion), credit card balances of £1.5 billion (2022: £1.5 billion) and overdrawn current account balances of £0.3 billion (2022: £0.3 billion).

Arrears performance has deteriorated slightly during the year, with balances more than three months in arrears (excluding charged off accounts) representing 1.21% (2022: 1.13%) of the total portfolio. Provision balances were £469 million (2022: £529 million), primarily due to revised impacts of affordability pressures on future credit performance.

### Commercial lending

During the year, commercial lending balances decreased to £5.5 billion (2022: £6.1 billion). The overall portfolio includes registered social landlords with balances of £4.1 billion (2022: £4.3 billion), project finance with balances of £0.5 billion (2022: £0.6 billion) and commercial real estate balances of £0.4 billion (2022: £0.6 billion). Both project finance and commercial real estate books are closed to new lending.

Impairment provision balances decreased to £16 million (2022: £30 million) due to updates to a small number of individual loans.

### Other financial assets

Other financial assets of £32.4 billion (2022: £30.8 billion) comprise investment assets held by Nationwide's Treasury function of £27.6 billion (2022: £25.5 billion), loans and advances to banks and similar institutions of £2.9 billion (2022: £3.0 billion), derivatives with positive fair values of £6.9 billion (2022: £4.7 billion) and fair value adjustments for portfolio hedged risk of £(5.0) billion (2022: £(2.4) billion). Derivatives largely comprise interest rate and foreign exchange contracts which economically hedge financial risks inherent in Nationwide's lending and funding activities.

**Members' interests, equity and liabilities**

| | **2023** | 2022 |
|---|---|---|
| | **£m** | £m |
| Member deposits | **187,143** | 177,967 |
| Debt securities in issue | **27,626** | 25,629 |
| Other financial liabilities | **38,701** | 51,509 |
| Other liabilities | **1,517** | 1,550 |
| **Total liabilities** | **254,987** | 256,655 |
| Members' interests and equity | **16,906** | 15,699 |
| **Total members' interests, equity and liabilities** | **271,893** | 272,354 |

Wholesale funding ratio:
25.0%
(2022: 28.8%)

### Member deposits

Member deposit balances grew by £9.1 billion (2022: £7.7 billion) to £187.1 billion (2022: £178.0 billion). Nationwide's market share of deposit balances increased to 9.6% (4 April 2022: 9.4%). This increase is due to growth in savings balances of £11.1 billion (2022: £4.7 billion) supported by competitive fixed rate online bond products. Our market share of accounts increased to 10.4% (2022: 10.3%)[1]. Credit balances on current accounts reduced by £2.0 billion (2022: £3.0 billion growth).

### Debt securities in issue and other financial liabilities

Debt securities in issue relate to wholesale funding, excluding subordinated debt which is included within other financial liabilities. Balances increased to £27.6 billion (2022: £25.6 billion) reflecting secured and unsecured wholesale funding issuances. Other financial liabilities decreased to £38.7 billion (2022: £51.5 billion) primarily due to a reduction in funding from sale and repurchase agreements and a repayment of some of our drawings from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). Nationwide's wholesale funding ratio decreased to 25.0% (2022: 28.8%). Further details are included in the Liquidity and funding risk section of the Risk report.

### Members' interests and equity

Members' interests and equity have increased to £16.9 billion (2022: £15.7 billion) largely as a result of retained profits.

## Statement of comprehensive income

| **Statement of comprehensive income** (note i) | | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Profit after tax | **1,664** | 1,252 |
| Net remeasurement of pension obligations | **(56)** | 543 |
| Net movement in cash flow hedge reserve | **(8)** | (11) |
| Net movement in other hedging reserve | **(4)** | 3 |
| Net movement in fair value through other comprehensive income reserve | **(103)** | (20) |
| Net movement in revaluation reserve | **1** | 5 |
| **Total comprehensive income** | **1,494** | 1,772 |

Note:
i. Movements are shown net of related taxation. Gross movements are set out in the financial statements on page 235.

[1] CACI's Current Account and Savings Database, Stock (February 2023 and February 2022).

## Capital structure

Nationwide's capital position remains strong, with both the Common Equity Tier 1 (CET1) ratio and leverage ratio comfortably above regulatory capital requirements of 11.5% and 4.0% respectively. The CET1 ratio increased to 26.5% (2022: 24.1%) and the leverage ratio increased to 6.0% (2022: 5.4%). The capital disclosures included in this report are in line with UK Capital Requirements Directive V (UK CRD V) with IFRS 9 transitional arrangements included.

| Capital structure | | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| **Capital resources** | | |
| CET1 capital | **13,733** | 12,471 |
| Total Tier 1 capital | **15,069** | 13,807 |
| Total regulatory capital | **16,908** | 16,466 |
| | | |
| **Capital requirements** | | |
| Risk weighted assets (RWAs) | **51,731** | 51,823 |
| Leverage exposure | **249,299** | 255,407 |
| | | |
| **UK CRD V capital ratios** | **%** | % |
| CET1 ratio | **26.5** | 24.1 |
| Leverage ratio | **6.0** | 5.4 |

The CET1 ratio increased to 26.5% (2022: 24.1%) as a result of an increase in CET1 capital of £1.3 billion, in conjunction with a reduction in RWAs of £0.1 billion. The CET1 capital resources increase was driven by £1.7 billion profit after tax, partially offset by £0.2 billion of capital distributions, a £0.1 billion CET1 deduction following the repurchase of Core Capital Deferred Shares (CCDS) in February 2023, and a £0.1 billion reduction in the fair value through other comprehensive income reserve. RWAs reduced, with an increase in residential mortgage lending being more than offset by a reduction in off-balance sheet commitments.

The leverage ratio increased to 6.0% (2022: 5.4%), with Tier 1 capital increasing by £1.3 billion as a result of the CET1 capital movements referenced above. In addition, there was a decrease in leverage exposure of £6.1 billion, driven by the same movements as described above for RWAs. Leverage requirements continue to be Nationwide's binding Tier 1 capital constraint, as the combination of minimum and regulatory buffer requirements are in excess of the risk-based equivalent.

Further details of the capital position and future regulatory developments are described in the Capital risk section of the Risk report.

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