

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

### Group Audit Committee Terms of Reference

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

#### 1. PURPOSE AND AUTHORITY

- 1.1 The Board of Nationwide Building Society (the “Society”), and the Board of Virgin Money UK PLC (“VMUK”) and its subsidiaries including Clydesdale Bank PLC (together the “VM Sub Group”) (collectively known as “the Boards”) have delegated authority to the Audit Committee (the “Committee”) to provide oversight and advice in respect of financial and non-financial reporting, internal and external audit, and the adequacy and effectiveness of internal controls and risk management systems.
- 1.2 The “Group Committee” means the Audit Committee of the Society. Any section which applies only to the Group Committee is entitled “***Group Audit Committee Only***”.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues and to report back to the Committee.
- 1.4 The Committee has authority to oversee any investigation of activities relating to the Group or its specific entity which are within these Terms of Reference.
- 1.5 The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties or call any employee to be questioned at a meeting of the Committee as and when required.
- 1.6 The Committee may obtain, at its entity’s expense, external legal or other professional advice on any matter within these Terms of Reference.
- 1.7 The Committee Chair and the Group Society Secretary are authorised by the Board to review and approve any non-material change required to be made to the Committee’s Terms of Reference. Any such change should be reported to the Board.

#### 2. BOARD MODEL

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

#### 3. APPLICATION OF BOARD MODEL

- 3.1 These Terms of Reference apply to each Audit Committee of the Society, VMUK and CB (each a “Committee”).

#### 4. MEMBERSHIP

- 4.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chair of the Committee.
- 4.2 The Committee shall be made up of at least three independent non-executive directors, including a member of the Board Risk Committee. The Committee as a whole shall have competence relevant to the banking sector and at least one of the Committee members shall have recent and relevant financial experience.
- 4.3 The Group Chair shall not be a member of the Committee.
- 4.4 The Chair of the Committee shall be appointed by the Board and shall be an independent non-executive director.
- 4.5 In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 4.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three year period (or, in exceptional circumstances, two such periods), provided the director still meets the criteria for membership of the Committee.
- 4.7 Only the members of the Committee have the right to attend Committee meetings.

- 4.8 The Group Chair, Group CEO, Group CFO, Group CRO and Group Chief Internal Auditor will normally attend meetings.
- 4.9 Other individuals such as, external audit partners, external adviser(s), and representatives from relevant business functions of the Group may be invited to attend all or part of any meeting as and when appropriate.

## **5. SECRETARY**

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

## **6. QUORUM AND MODE OF MEETINGS**

- 6.1 The quorum for the transaction of business shall be two members, one of whom must be the Chair of the Committee or their appointed deputy.
- 6.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 6.3 In the event of difficulty in forming a quorum, independent non-executive directors who are not members of the Committee may be co-opted as members for individual meetings.
- 6.4 Voting at meetings shall be valid if taken by a quorum as set out in 6.1 above.
- 6.5 A decision by written resolution shall be in accordance with either the Society's Memorandum and Rules or the relevant Company's Articles of Association, whichever is applicable.
- 6.6 The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone, video or other communication equipment. For the avoidance of doubt, a quorum in that event shall be as set out in 6.1 above. Such a meeting shall be deemed to take place where the largest group of members of the Committee participating is assembled or, if there is no such group, where the Chair is located.

## **7. FREQUENCY OF MEETINGS**

- 7.1 The Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle, and otherwise as required.
- 7.2 At least once a year, without the presence of executive management, the Committee shall meet with the external auditors to discuss matters relating to their remit and any issues from the audit. The Committee shall meet once a year with the Group CRO, and once a year with the Group Chief Internal Auditor, without other executive management present.

## **8. NOTICE OF MEETINGS**

- 8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of the Committee Chair; any member of the Committee, or at the request of external or internal auditors if they consider it necessary;
- 8.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda and papers will be sent to all members of the Committee and any other person required to attend no later than three working days before the date of the meeting.

## **9. MINUTES OF MEETINGS**

- 9.1 The Secretary to the Committee shall minute the proceedings and resolutions of all meetings of the Committee. The minutes will be produced as a composite document, but the Secretary will identify to which entity the issue relates and separate minutes may be provided as necessary.
- 9.2 The Secretary of the Committee shall record any conflicts of interest reported at the meeting.
- 9.3 Draft minutes of Committee meetings shall be circulated to the Chair for approval in principle and once that approval is given, will be circulated to all members of the Committee at the next meeting of that Committee. Once agreed, the minutes will be made available to all members of the Board (unless, in the opinion of the Committee Chair, it would be inappropriate to do so).

## **10. DUTIES AND RESPONSIBILITIES**

FINANCIAL REPORTING

The Committee shall:

- 10.1 monitor the integrity of its relevant entity's consolidated and solo financial statements, including annual and interim reports, preliminary results announcements, summary financial statements and any other formal announcements relating to financial performance (by reviewing significant financial reporting issues and judgements which they contain, and all material information presented with the financial statements). In particular, the Committee shall review and challenge where necessary, taking into account the external auditors' views:
  - 10.1.1 the appropriateness and application of significant accounting policies and any changes to them,
  - 10.1.2 the extent to which the financial statements are affected by any unusual transactions where different approaches are possible, and how such transactions are disclosed,
  - 10.1.3 whether applicable accounting standards have been adopted and appropriate estimates and judgements made,
  - 10.1.4 whether the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the entity's performance, business model and strategy,
  - 10.1.5 the appropriateness of preparing annual and interim reports on a going concern basis, and any identified material uncertainties to the respective entity's ability to continue to do so over a period of three years, and
  - 10.1.6 all material information presented with the financial statements;
- 10.2 review any financial information contained in other publicly disclosed documentation;
- 10.3 review and challenge where necessary management's assessment of the entity's Financial Position and Prospects and Directors' Risk Assessment;
- 10.4 where it is not satisfied with any aspect of the proposed financial reporting, report its views to the Board; and
- 10.5 in connection with Basel II Pillar 3, the Group Board has delegated approval of the Pillar 3 disclosure requirements to the Group CFO or their nominated deputy (as detailed in the Group's Matters Reserved to the Board).

NON-FINANCIAL REPORTING

- 10.6 The Committee shall review any relevant non-financial disclosures (including those related to climate and ESG matters), including, but not limited to, any such disclosures made within annual and interim reports.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Committee shall:

- 10.7 keep under review the adequacy and effectiveness of the systems of internal controls, including the internal financial controls system, that identify, assess, manage and monitor financial risks and other internal control and risk management systems. For the avoidance of doubt, the oversight of financial risks is the responsibility of the Group Board Risk Committee;
- 10.8 **Group Audit Committee only:** review and recommend to the Group Board for its approval the statements to be included in the Group's annual report and accounts concerning the maintenance of the internal control and risk management framework prior to their endorsement by the Group Board and the external auditors; and
- 10.9 review the procedures for detecting financial reporting fraud ensuring alignment with policies and procedures.

REMUNERATION

- 10.10 **Group Audit Committee only:** The Committee shall provide input to the Group Remuneration Committee to assist that committee in its assessment of possible impacts on variable remuneration. Such "input" may be provided in conjunction with the Group Board Risk Committee.

- 10.11 ***Group Audit Committee only:*** The Committee shall review any recommendations, including those made by the Group Investigations Oversight Committee, to the Group Remuneration Committee in respect of serious breaches of risk management or significant audit-related issues.

## INTERNAL AUDIT

***The Group Audit Committee only*** shall:

- 10.12 monitor, review and assess the effectiveness, performance, resourcing, independence and standing of the Group's Internal Audit function;
- 10.13 oversee the work of Group Internal Audit which reports functionally into the Chair of the Group Audit Committee;
- 10.14 approve the appointment and removal of the Group Chief Internal Auditor;
- 10.15 approve the Internal Audit Charter;
- 10.16 review and approve the Group's Annual Internal Audit Plan and budget, ensuring appropriate coverage of systems for ensuring compliance with the regulatory environment within which the Group operates, including assurance over the effectiveness of the Group Risk function;
- 10.17 ensure Group Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensuring that there is open communication between different functions and that the Group Internal Audit function evaluates the effectiveness of these functions as part of its Group/Bank Internal Audit Plan, and ensuring that the Group Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 10.18 consider findings of internal investigations and review and monitor management's responsiveness to the findings and recommendations of the Group Chief Internal Auditor to protect the Group's assets, reputation and sustainability and ensure the effectiveness of relevant risk management and governance processes;
- 10.19 ensure material issues arising from the work of Group Internal Audit relating to matters falling within the scope of other committees are communicated to those committees and that feedback is received from them. Accordingly, Group Internal Audit shall provide relevant reports to other committees;
- 10.20 obtain an internal effectiveness review on an annual basis and obtain an independent and objective external assessment of the Group Internal Audit function as a whole at least every five years in accordance with the Chartered Institute of Internal Auditors International Standards; and
- 10.21 recommend the annual remuneration of the Group Chief Internal Auditor for approval by the Group Remuneration Committee.

***The Group Audit Committee Chair*** shall:

- 10.22 set out the objectives of the Group Chief Internal Auditor and assess their performance with support from the Group CEO and oversee and approve the appointment process for the independent assessor to review the internal audit function at least every five years; and
- 10.23 ensure that the Group Chief Internal Auditor shall be given the right of direct access to the Chair of the Board and to the Audit Committee, providing independence from executive management and accountability to the Committee.

## EXTERNAL AUDIT

The Committees shall oversee the relationship with the external auditor including, but not limited to:

### Engagement Terms and Fees

- 10.24 considering and making recommendations to the Board, to be put to the relevant entity's Annual General Meeting (AGM), in relation to the appointment, re-appointment and removal of the external auditor, which may include consideration of the risk of auditor withdrawal from the market;
- 10.25 overseeing the selection process for the new external auditor and if an auditor resigns, investigating the issues leading to this and decide whether any action is required;
- 10.26 overseeing the tender of the external audit appointment at least every 10 years, and the rotation of the audit partner / firm in accordance with regulatory requirements;
- 10.27 approval of the auditor's remuneration, whether fees for audit or non-audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- 10.28 review and approval of the auditor's engagement letter;

## Independence and Quality Control

- 10.29 assessing annually the auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the audit firm as a whole, including the provision of any non-audit services;
- 10.30 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group, (other than in the ordinary course of business);
- 10.31 agreeing a policy on the employment of former employees of the external auditor, and monitoring the implementation of this policy;
- 10.32 developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- 10.33 assessing annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process including a consideration of the matters set out in "Audit Committees and the External Audit: Minimum Standards" published by The Financial Reporting Council ("FRC") in particular any report on the auditors published by the FRC in the period;
- 10.34 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and senior staff, the level of fees paid compared to the overall fee income of the firm, office and partner and other related requirements;
- 10.35 meeting regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

## Conduct and Results of Audit

- 10.36 reviewing the annual audit plans and ensuring that they are consistent with the scope of the audit engagement, including whether the volume and type of resource (in terms of seniority and where relevant specialism) envisaged in the audit plan has been deployed;
- 10.37 reviewing the findings of the audits with the external auditors. This shall include but not be limited to:
  - 10.37.1 a discussion of any major issues which arose during the audits,
  - 10.37.2 any significant or unresolved accounting and audit judgements, problems or reservations,
  - 10.37.3 major judgemental areas,
  - 10.37.4 alternative accounting treatments together with the potential ramifications,
  - 10.37.5 any significant adjustments,
  - 10.37.6 the going concern assumption and viability statement,
  - 10.37.7 compliance with accounting standards, stock exchange rules and legal requirements,
  - 10.37.8 reclassifications or proposed additional disclosures,
  - 10.37.9 any material changes in accounting policies and practices, any communications provided by the external auditor to management,
  - 10.37.10 levels of errors identified during the audit, and
  - 10.37.11 any other matters the external auditor wishes to discuss;
- 10.38 reviewing any representation letter(s) requested by the external auditor before they are signed by management; and
- 10.39 reviewing the management letter(s) and management's response to the auditor's findings and recommendations.

## **11. CONSOLIDATED OVERSIGHT**

- 11.1 ***Group Audit Committee only:*** The Committee has a responsibility to provide oversight of internal and external audit work conducted on its regulated subsidiaries and consider, and if appropriate, endorse material deviations by these regulated subsidiaries from the approach adopted for the audit of the Group.

## **12. REPORTING RESPONSIBILITIES**

- 12.1 The Committee Chair shall report formally to the Group Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 A report on the Committee's activities is to be included in each entity's Annual Report and Accounts.

- 12.4 With regard to the annual report and accounts for the years ended 31/3/2027 onwards, the Report to the Board shall include a description of how the Committee has monitored and assessed the effectiveness of internal controls, a review of the declaration of effectiveness of material controls as at the balance sheet date (taking into consideration the recommendations of the Group Board Risk Committee) and a description of any material financial controls which have not operated effectively as at the balance sheet date, the action taken or proposed, to improve them and any action taken to address previously reported issues.

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

- 13.1 All members of the Committee are responsible for and bound by the decisions taken by the Committee whether or not they actively supported or participated in the decisions although dissent can be recorded.
- 13.2 A member of the Committee who is a Senior Management Function (SMF) Holder under the Senior Manager and Certification Regime (SMCR) remains individually accountable for their contributions to collective decisions and their implementation insofar as those contributions are in scope of their Senior Manager responsibilities and therefore they also remain accountable for taking reasonable steps in respect of their function and allocated responsibilities.

### **14. ANNUAL GENERAL MEETING**

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

### **15. MISCELLANEOUS**

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

The Committee shall:

- 15.2 give due consideration to applicable laws and regulations and to the recommendations in the UK Corporate Governance Code 2024 and any other published guidelines, as appropriate;
- 15.3 be cognisant of any conduct risks arising (or increasing) as a result of their judgment and will take proactive steps to avoid or mitigate these risks where possible;
- 15.4 work and liaise as necessary with all other Board Committees as required;
- 15.5 have access to sufficient resources in order to carry out its duties, including access to Secretariat for assistance as required;
- 15.6 receive appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members; and
- 15.7 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and in line with PRA and FCA requirements, and report the results of this review and recommend any changes necessary to the Board for approval.