



Board Composition Statement

1. Purpose of Statement

- 1.1. The UK Corporate Governance Code ('the Code') states that the Board and its committees should have a combination of skills, experience and knowledge and that annual evaluation of the Board should include consideration of its composition and diversity.
- 1.2. The Prudential Regulation Authority expects building societies to 'have regard to' the Code in establishing or reviewing their corporate governance arrangements.
- 1.3. This Statement supports the Board with having regard to the Code by providing guidance on the size, structure and composition of the Board to ensure that Board members possess a balance of skills, knowledge and experience and have a range of diverse backgrounds and characteristics. This Statement supports the Board in building an inclusive culture in which everyone feels respected and valued.
- 1.4. Appointments to the Board shall be subject to a formal, rigorous and transparent procedure and this Statement supports the appointment process for the identification and selection of candidates.
- 1.5. The NomCo Terms of Reference sets out the responsibilities of the Nominations and Governance Committee ('NomCo') in relation to Board composition and this Statement supports the work of NomCo.

2. Appointments to the Group Board

2.1. Prior to any new appointments being made to the Board, NomCo shall conduct an evaluation of the balance of skills, knowledge, experience and diversity of the Board and the future needs across the Group.

2.2. As set out in the NomCo Terms of Reference, NomCo shall lead in the appointment process to the Board, the Group's Senior Management appointments and appointments to Group Subsidiary Company Boards ensuring that a formal and transparent procedure is undertaken. Nomco will then make recommendations to the Board or subsidiary Board before a decision is made to appoint.

2.3. NomCo are responsible for approving the recruitment process, to ensure that the process for identifying suitable candidates will:

2.3.1. Use open advertising and/or the services of external advisors to facilitate the search;

2.3.2. Consider candidates from a wide range of backgrounds

2.3.3. Consider candidates on merits against objective criteria but pay regard to other interests to avoid conflicts and to ensure that appointees are able to devote sufficient time to the role.

2.4. As part of considering the recruitment process, NomCo shall consider commissioning the services of external advisors offering specialist diversity expertise to facilitate the search.

2.5. Having regard to the Code all directors are subject to annual re-election at the Society's Annual General Meeting. Prior to standing for re-election NomCo shall assess the performance, skills, experience, development and independence of Non-Executive Directors.

2.6. The Society has adopted a Conflicts of Interest Policy which provides policy guidance to identify and handle conflicts of interests. In accordance with the Conflicts of Interest Policy, all directors must have sufficient time available to perform their duties as a director of the Society. All new appointments with any external organisation (including non-commercial organisations) must be with the prior approval of the Board, following recommendation from NomCo.

3. Composition of the Board

3.1. In accordance with Rule 12 (1) of the Society Rules, the Board will compromise of not more than 16 nor less than 7 members. Having regard to the Code, at least half of the members of the Board (excluding the Chair) should be independent Non-Executive Directors.

3.2. NomCo shall receive and review, at least on an annual basis, an assessment of the continued fitness and propriety of Senior Management Function (SMF) holders (including notified Non-Executive Directors).

3.3. All directors must meet the fitness and propriety test laid down by the Prudential Regulation Authority and the Financial Conduct Authority at all times.

3.4. NomCo shall keep under regular review the composition of the Board including the structure, size, diversity and composition of the Board taking into account the skills, knowledge and experience of the directors. The review shall also assess the composition of the Board's Committees and Group subsidiary company board of directors. The review shall take into account the current challenges and opportunities of the Group and also what skills and experience may be needed in the future to oversee the Society's strategy, purpose and culture.

3.5. When assessing the composition of the Board's Audit Committee, it is a requirement to have a membership of at least 3 Non-Executive Directors ,

and for at least one member of the Audit Committee to have recent and relevant financial experience and the succession planning shall take this into account.

3.6. When assessing the composition of the Board's Remuneration Committee, it is a requirement to have a membership of at least 3 Non-Executive Directors and that the Chair of Remuneration committee has served on the Committee for at least 12 months before becoming Chair.

3.7. When assessing the composition of the Board's Nominations and Governance Committee, it is a requirement to have a membership with a majority of Non-Executive Directors.

4. Board Diversity

4.1. The Board are committed to the aspirations as set out in paragraph 4.4 below, no candidate for Board membership shall be discriminated against on the basis of gender, race, ethnic origin, disability, sexual orientation, religion, age, socio-economic background or any other characteristic. All appointments to the Board shall be based on merit assessed against objective criteria.

4.2. The Society recognises and embraces the benefits of having a diverse Board which utilises a range of factors including skills, industry experience, background, race, gender and other characteristics, experience and qualities of its directors.

4.3. The Board is committed to achieving a diverse Board with a balance of skills, independence and experience taking into account the challenges and opportunities of the Group, and the commitment to communities and place. Representation within the Board of age, race, gender, socio-economic background, disability, cognitive diversity, and other characteristics shall be taken into account when considering and developing a diverse pipeline for succession.

4.4. The Society endeavours to promote Board diversity and inclusion and therefore the Society aspires to meet the targets and recommendations out in the UK Listing Rules for FTSE companies where possible:

4.4.1. a minimum of 40% female representation on the Board

4.4.2. no less than one female in the role of either Chair, Senior Independent Director, Chief Executive or Chief Financial Officer; and

4.4.3. a minimum of one Board Director drawn from an ethnic diverse background.

4.5. NomCo shall monitor and keep under review the progress against the measures set out in paragraph 4.4 above and shall be reported in the Society's Annual Report and Accounts.

5. Succession Planning

5.1. NomCo will keep under regular review and give full consideration to succession planning for the composition of the Board, its committees and the Group's subsidiary company boards. NomCo shall consider what skills and experience are needed in the future, taking into account the challenges and opportunities facing the Society. When considering succession and to develop a diverse pipeline for succession, NomCo shall also take into account representation within the Board of age, race, gender, disability and other characteristics.

5.2. NomCo will keep under review the leadership needs of the Society, including both Executive and Non-Executive Directors, to ensure that the Society has the continued ability to compete effectively in the market and to deliver the Society's strategy, purpose and culture.

5.3. At least annually, NomCo shall conduct a review of the Executive talent and succession and shall identify any development needs to develop talent and capability internally.

6. Board Effectiveness Reviews

6.1. Having regard to the UK Corporate Governance Code, a formal and rigorous annual internal review of the performance of the Board and its Committees shall be undertaken, ensuring that at least every 3 years an external review is facilitated to be undertaken by an independent evaluation of the performance of the Board.

6.2. In consultation with the Society Chair, NomCo shall set the criteria for the evaluation of the performance of the Board and its committees which shall include consideration of the diversity of the Board in the context of Board Composition. NomCo shall oversee the progress against action plans to address any outcomes of the review and shall report to the Board on the recommendations, actions plans and progress against the plans.

7. Director Induction and Development

7.1. The Chair of NomCo holds responsibility for overseeing the induction, training and professional development of all members of the Society's governing body.

7.2. The Chief Executive of the Society hold the responsibility for monitoring the induction, training and professional development of all persons performing designated senior management functions on behalf of the Society, other than members of the governing body.

7.3. NomCo shall, at least annually, assess the appointment process and induction programme for members of the Board and any person performing designated senior management functions.

7.4. Following appointment, all Directors shall take part in a comprehensive induction programme to ensure that they have a comprehensive understanding of the Society's business, strategy and culture.

7.5. As part of the annual review of the talent and succession undertaken by NomCo, development needs shall be identified to support future performance.

7.6. As part of the continuous development, all Non-Executive Directors shall attend member engagement sessions as required throughout the year to ensure they have an understanding of our members' issues, experiences and requirements from the Society.

8. Reporting

8.1. The NomCo will report annually in the Annual Report and Accounts on this Statement providing a summary of the Statement including reporting against the aspirations as set out in section 4(Board Diversity).

9. Review of the Statement

9.1. NomCo will review this Statement annually to consider its effectiveness and to consider whether the aspirations set out in section 4 (Board Diversity) remains appropriate. NomCo will recommend any necessary Statement revisions to the NBS Board for approval.

9.2. This Statement shall be published on the Society website.