



Building Society

Nationwide Building Society
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Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS
via email: codereview@frc.org.uk

Dear Sirs

UK Corporate Governance Code- Nationwide Building Society Response to Consultation by the Financial Reporting Council

As Chief Financial Officer I am pleased to respond on behalf of Nationwide Building Society to the consultation on changes to the UK Governance Code (the Code). We have reviewed the Code proposals alongside the draft legislative changes that together implement the wider Restoring Trust in Audit and Corporate Governance (Restoring Trust) agenda. We also took the opportunity to respond to the wider consultation in 2018 on Restoring Trust and are pleased to see many of the points we raised at that time addressed.


Nationwide is the UK's largest building society with some 16 million customers who are members of the Society. As a mutual we are focused on outcomes for our members and on ensuring that the Society is financially strong for the long term. Strong corporate governance, the integrity of financial reporting and audit, and the confidence of our members and investors in the Society are critical to these priorities. We therefore fully support the Government's objective of ensuring that the UK has a robust audit and corporate governance framework. Our board has extensive experience of corporate governance, financial reporting and auditing and is pleased to contribute this experience to the consultation. While as a mutual we are not within the direct scope of the Code, in common with other building societies we choose to adopt the code, and demonstrating we meet the standards it sets is important to our customers, investors and our regulators.

Overall we support the proposed changes to the Code. We have commented below by exception where we have specific observations. We have also provided input to the UK Finance industry response and confirm our support for that response.

- We do not support the timeline for overall implementation. Whilst reporting on the control framework for financial reporting may be achievable, the broader scope and approach proposed would require significant additional effort, and a longer timescale for this would be required.
- We are also conscious of the timescale between completion of the consultation, production of guidance and standards, and subsequent implementation, as well as the extent to which there is interaction between the Code and legislative changes which also needs to be coordinated when implementing.

The guidance will be important to assess the implementation effort required, particularly in relation to the reporting on control effectiveness for areas beyond financial reporting. If there were to be delays in producing final guidance, this will further impact the timeline to implement. Whilst we, and financial services firms in general, are well progressed in meeting the requirements of the Code, the scope of the changes as currently drafted will require significant effort for Nationwide and will be potentially more onerous for other sectors/smaller organisations.

- We would welcome clarification and alignment of the scope of reporting between the proposed changes and the scope set by legislation, to make preparation for both simpler to achieve. Specifically, we would like confirmation that the scope of reporting for the Audit and Assurance Policy is the annual report and accounts as per the legislation, and not wider reporting.
- We note the clarification of the period of review of the Directors Declaration on risk management and internal control being the whole of the financial year, not just point in time at the end of the year. However, we do not support further expanding the scope of assessment to the period between the balance sheet date and the signing of the Annual Report and Accounts given the time and cost to meet that additional requirement. By aligning to the financial reporting cycle, this would support a smoother and more practical implementation of requirements.
- The FRC and the Department for Business and Trade have been explicit in their statements that the changes are not expected to amount to a UK SOX regime. However, there remains a concern that in the interpretation of what is required to meet an auditable standard may still result in an unintended, costly control framework expectation. It would be helpful if this could also be addressed when setting the final guidance and supporting standards.
- We support the goal to increase confidence of investors and customers by strengthening the resilience statement in both the Code and legislative proposals. However, given the stress testing regime we operate under, we believe it would be more practical and complete to refer to that regime and its conclusion in terms of financial strength rather than include the details of an actual reverse stress test in the Annual Report and Accounts. We welcome the clarification that the Resilience statement disclosures should be proportionate. We consider it sensible for the banking industry to disclose existing stress and reverse stress testing regime broadly rather than publishing information on a “break the bank” reverse stress test.

We are grateful for the opportunity to respond to the consultation, and we would be happy to discuss any questions you may have. If you would like to discuss our response in fuller detail, please contact 

Yours faithfully

