

Yorkshire Building Society Board - Terms of Reference ('ToR')
1 May 2017

Role	The Board of Directors is the overall governing body of the YBS Group.
Members	All Directors of Yorkshire Building Society – Executive and Non-Executive
Secretary	The Group Secretary of the Society Name (for information only): Robert Boothroyd (Interim)
Attendees	All Chief Officers who are not otherwise Directors. Other members of the Senior Leadership Team as appropriate to present papers. External advisers when necessary.
Frequency	At least nine times each year and otherwise as required.
Quorum	At least five Directors (Society Rule 16(1)) present in person or by telephone/video conference facility.
Walk Round Procedure	Written resolution procedure in accordance with the Society's Rules. Papers circulated by paper or electronically with all Directors' written consent (by paper or electronically) required for approval.
Mandate	No limits other than acting in accordance with applicable laws and regulations (including rules and guidance issued by the Group's Regulators) and the Society's constitutional documents (ie the Rules and Memorandum as approved by members). This includes referring specific matters to members for approval pursuant to relevant legislation and the Society's Rules. It has the power to delegate responsibilities under the provisions of the Rules in order to carry out activities and decision making but does not, by doing so, abrogate its overall responsibilities.
Responsibilities	The Board: <ol style="list-style-type: none"> 1. Is accountable to the members of the Society. 2. Is collectively responsible for the success, including the long term success, of the Group and for acting in the best interests of its members as a whole (both current and future) and having regard to the interests of other customers, colleagues, suppliers and the wider community. 3. Has responsibility for the overall management of the Group within a framework of risk management which supports and directs financial security, fair outcomes and a Group built on trust. 4. Establishes a sustainable business model and sets the strategy of the Group consistent with that model. 5. Develops the culture of the Group (including a culture of risk awareness, prudent management and openness with the regulators) and sets a 'tone from the top' to ensure that the desired values and behaviours is Board-led. 6. Has oversight of the Group's operations ensuring: <ul style="list-style-type: none"> - competent and prudent management - sound planning and risk management - adequate system of internal control - adequate accounting and other records - compliance with statutory and regulatory obligations - adequate financial resources - the fair treatment of all customers - appropriate risk aligned remuneration systems 7. Reviews the performance of the Group in the light of the strategy and Corporate Plan and ensures that any necessary corrective action is taken. An essential part of this is the review of the Board MI. 8. Delegates implementation of the strategy and the 'day to day' management of the Group to the

	<p>senior executive team which is led by the CEO.</p> <p>9. Delegates certain other responsibilities to Board committees (as set out below) which are documented in the committees' terms of reference</p> <p>10. Retains specific matters for its approval which are set out in the Schedule of Board Reserved Matters as set out in the appendix.</p>
Sub Committees	Audit Committee, Group Risk Committee, Remuneration Committee, Board Governance & Nominations Committee, Chairman's Committee.

MATTERS RESERVED TO THE BOARD
As approved by the Board on 21 December 2016

1.	Strategy and Management
1.1	Approval of the Group's Corporate Plan (including the Wholesale Plan) and any subsequent amendment.
1.2	Approval of the Group's following core strategies (including annual review): <ul style="list-style-type: none"> • IT strategy • Financial strategy (including the Capital strategy) • People strategy • Customer strategy • Operations strategy • Corporate Responsibility strategy ("Society Matters")
1.3	Approval of the following policies (including annual review) and interim material changes: <ul style="list-style-type: none"> • Ethical • Health & Safety • Anti-bribery & Corruption • Vulnerable customers • Capital Management • Tax • Information Security • Commercial & Retail Lending Policy • Sales Policy
1.4	Approval of the Purpose, Values and Vision Statement.
1.5	Authority to enter into specific merger/acquisition negotiations and approval of the final terms (subject to any delegation by the Board to a specific Committee).
1.6	Approval to change the Society's mutual status and propose appropriate conversion resolutions to members.
1.7	Approval to enter into any material extension of the Group's activities into new business or geographic areas.
1.8	Approval to significantly modify or cease to operate all or any material part of the Group's business.
1.9	Subsidiaries - Approval: <ul style="list-style-type: none"> (i) to set up or acquire a subsidiary (other than where the subsidiary will be a dormant company in which case an Executive Director will have authority to approve the setting up or acquisition) or enter into a joint venture including the initial board structure and share capital; (ii) of loans/other finance above management expenditure limit or, in the case of inter group loans, loans above any Board approved loan cap (if higher); and (iii) of guarantees/letters of support.
1.10	Branch and Agency Network - approval of branch closures (except due to relocations).
1.11	Approval to enter into arrangements with third parties for the supply of financial products/services to members and customers of the Group and any subsequent material change to any such product/service.
1.12	To agree the desired culture of the Group.

1.13	On the recommendation of the Group Risk Committee: (i) Approval of the Group's Risk Appetite Statements. (ii) Approval of Adherence to Group Risk Appetite.
2.	Financial Management and Reporting
2.1	All Expenditure (i.e. "planned" and "unplanned", ManEx and CapEx, FTEs and other) above the management mandate levels which have to be approved by the Board. This is expenditure: (i) within Plan of £5m and above; (ii) outside Plan of £2.5m and above; (iii) within Plan for multiple year contract with total expenditure of: - £10m or above for up to and including 3 years contract period - £15m or above for up to and including 5 years contract period including an overspend above Plan of £1m pa for each contract year. Approval required for amendments to existing management mandate levels.
2.2	Appointment of main authorised banks and operation of the bank accounts (where bank requires a Board resolution).
2.3	Capital and Funding - approval of: (i) common equity and additional tier 1 capital; (ii) the first time investment or issuance of any other new form of treasury instrument; and (iii) the granting of a floating charge. (iv) 'Go/No Go' decision prior to all wholesale funding and capital issuance (subject to Audit Committee review of any Prospectus).
2.4	Lending Approval of recommendations from the Group Risk Committee for: (i) borrowing or lending propositions which, in the opinion of the Group Risk Committee, falls outside the Society's normal business or risk appetite; and (ii) acquisition of external loan portfolios.
2.5	On the recommendation of the Audit Committee: (i) approval of preliminary announcements of interim and final results; (ii) approval of interim financial results*; (iii) approval of any significant changes in accounting policies or practices; (iv) appointment, reappointment or removal of the external auditors; (v) approval of the Annual Report & Accounts and Summary Financial Statement, Corporate Governance Statement, Directors' Remuneration Report, Risk Report, Strategic Review for inclusion in the Annual Report & Accounts.* (vi) approval of the Pillar 3 disclosure. * Final approval of these documents may be delegated to a committee (set up solely for this purpose) to allow time for any changes requested at the Board meeting or for any other necessary changes to be incorporated into the final document before publication.
2.6	On the recommendation of the Financial Management Committee - approval of changes to profit targets and lending and retail inflow objectives (against Plan) prior to their formal implementation.
2.7	On the recommendation of Group Risk Committee approval of: (i) regulatory capital (ICAAP); and (ii) regulatory liquidity (ILAA).

3.	Board Membership and other senior management/HR Issues
3.1	<p>On the recommendation of the Board Governance & Nominations Committee ('BG&NC') approval of:</p> <ul style="list-style-type: none"> (i) the appointment of executive directors and non-executive directors, including the Chairman, Vice Chairman/Senior Independent Director and any Board Oversight role; (ii) the membership of the Audit, Risk, Remuneration committees and other relevant committees, in consultation with the chairmen of those committees; (iii) (Unless considered by the full Board) the re-appointment of any non-executive director at the conclusion of their specified term of office and prior to the re-election by members of any director under the annual re-election provisions of the UK Corporate Governance Code or the 'retirement by rotation' provisions in the Society's Rules having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years); (iv) any matters relating to the continuation in office of any director at any time including the entering into a Settlement Agreement, suspension or termination of service of an executive director as an employee of the Society subject to the provisions of the law, regulations (including the Senior Managers Regime (Our Trust Code), the Society Rules and their service contract; (v) the appointment of any director to executive or other office; (vi) the annual Board/Committee Evaluation and Peer Review process; (vii) the adoption of the annual re-election of all directors at the AGM in accordance with the provisions of the UK Corporate Governance Code; (viii) adequate succession planning for the Board and the Executive Management team; and (ix) role responsibilities of the Chairman, the Vice Chairman & Senior Independent Director, NEDs and other non-executive directors.
3.2	<ul style="list-style-type: none"> (i) Approval of the remuneration of non-executive directors (excluding the fees payable to the Chairman which are approved by the RemCo), and (ii) Approval of any share incentive plan on the recommendation of RemCo.
3.3	Approval of the appointment of Chief Officers and any matter relating to the continuation in office at any time including entering into a Settlement Agreement, the suspension or termination of service (subject to the provisions of the law, regulations (including the Senior Managers Regime), the Society's Rules and service contract).
3.4	Removal of a non-executive director.
3.5	Approval of major changes to the structure of the Group's senior management structure (i.e. the Executive Team and the Senior Leadership Team).
3.6	Approval of external non-executive director appointments to UK subsidiary Boards.
3.7	Approval of and removal of the Society's Secretary.
3.8	Approval of any major changes to the People policies including major changes to the staff pension benefits and staff mortgage scheme.
3.9	Approval of any redundancy programme which would involve a total number of redundancies of 20 or more in any 90 day period (other than any redundancy programme which was already approved by the Board as part of the approval of a merger or other transfer of the business).
3.10	Power to recognise a Staff Association or other representative body.

3.11	Pension Scheme (i) Consent to the Pension Scheme Trustees to amend the Pension Schemes' Trust Deed and Rules. (ii) Approval of the appointment/removal of Society nominated Trustees. (iii) Approval of the fees of the pension Scheme Trustees.
3.11	Approval of any loan to a director or connected person of a director (in accordance with the Building Societies Act) unless approved by the Chairman's Committee.
4.	Constitution/Corporate Governance Matters
4.1	Approval of any document or any resolution that is referred to members to vote upon at General Meetings of the Society including changes to the Society's Rules and Memorandum.
4.2	Approval of any other document stated to be made on behalf of the Board.
4.3	Approval of the number of directors on the Board.
4.4	Board Committees - approval of: (i) a new committee; (ii) terms of reference including subsequent substantial changes; (iii) Members; and (iv) appointment of the Chairman of the Committee.
4.5	Approval of policy on signing and sealing of documents.
4.6	Appointment of authorised representatives of the Society at shareholder meetings of relevant companies/subsidiaries.
4.7	Undertake an annual review of its own performance, that of its committees and individual directors.
4.8	Determine the independence of Directors.
4.9	Consideration of voluntary compliance (and, where appropriate, on a 'comply or explain' basis) of the UK Corporate Governance Code and remuneration regulations for listed companies.
5.	Insurance
5.1	Approval of the overall levels of corporate insurance for the Group including Directors & Officers Liability insurance.
6.	Other Matters
6.1	Approval of any other matter that the Senior Executive team or non-executive directors consider appropriate to be referred to the Board for debate and decision.
6.2	Approval of the approach to be taken in respect of any regulatory actions.
6.3	Charitable Foundation - recommendation of: (i) the formation and dissolution of a Charitable Foundation linked to the Group; and (ii) the appointment and removal of Trustees of the Yorkshire Building Society Charitable Foundation.
6.4	Approval of the initiation of proceedings by/against the Society or subsidiary or litigation/compensation payments outside the delegated limits.

6.5	Amendments to this Schedule of Powers retained by the Board.
6.6	To receive: (i) reports from time to time for consideration or information on matters the Board or the Senior Executive Team consider appropriate to be referred to the Board; (ii) minutes of the Meetings of Board Committees; (iii) minutes of the meetings of Accord Mortgages Ltd and Senior Executive meetings.

Note: Matters delegated by the Board to Board Committees are contained in the terms of reference of Board Committees.