

**Remuneration Committee ('RemCo') Terms of Reference ('ToR')**  
**25 April 2017**

Role	The Remuneration Committee is a committee of the Board of Directors of Yorkshire Building Society (the Board), from which it derives its authority. The purpose of the committee is to oversee the development and implementation of YBS Group remuneration policy, ensuring alignment to business strategy and regulatory compliance. The committee has specific responsibility for overseeing the application of remuneration policy in relation to the Chairman of the Board, executive directors, Chief Officers, Material Risk Takers and such other senior managers as the Remuneration Committee may from time to time determine.	
Membership	<p><b>1. Membership</b></p> <p>1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least 3 members, all of whom are independent non-executive directors. If the Chairman of the Society is a member of the Committee then he/she should be independent on appointment as Chairman.</p> <p>1.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman (if he/she is not a member of the Committee), Chief Executive, Chief People Officer and external advisers may be invited to attend for all or part of any meeting as and when appropriate.</p> <p>1.3. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.</p> <p>1.4. A matrix of the relevant skills and experience of RemCo Members will be maintained by the Board Governance and Nominations Committee, to ensure that there is an appropriate level of knowledge and understanding surrounding the areas of Remuneration and Risk Management.</p>	
Members	At least 3 NEDs (but not including Society Chairman): Guy Parsons (Chair) John Heaps Alison Hutchinson	Non-executive Director Chairman Non-executive Director
Secretary	Tracey Newton	Head of Reward & Benefits
Attendees	M Regnier, CEO; J Hanson, Chief People Officer; T Newton, Head of Reward & Benefits	
Frequency	<p>4 times a year.</p> <p><u>Frequency of Meetings</u> The Committee shall meet at least four times a year and at such other times as the Chairman of the Committee shall require.</p> <p><u>Notice of Meetings</u></p> <ul style="list-style-type: none"> <li>▪ Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.</li> <li>▪ Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, where possible no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members by the Secretary of the Committee and to other attendees, as appropriate, at the same time.</li> </ul> <p><u>Minutes of Meetings</u></p> <ul style="list-style-type: none"> <li>▪ Minutes of Committee meetings shall be circulated to all members of the Committee by the Secretary of the Committee and to all non-executive directors, unless a conflict of interest exists</li> </ul>	
Quorum	<p>The quorum necessary for the transaction of business shall be 2 members. 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.</p> <p>If the Chairman of the Society is a member of the Committee then he/she shall not take part in any discussion or decision relating to:</p> <ul style="list-style-type: none"> <li>- the policy for the remuneration of the Chairman (paragraph 3.2 below);</li> <li>- the level of his/her own fees (paragraph 3.17 below);</li> <li>- the policy for authorising claims for expenses from the Chairman (paragraph 3.14 below).</li> </ul>	

	And he/she shall not be counted towards the meeting quorum in respect of that item.
Walk Round Procedure	Written resolution procedure in accordance with the Society's rules. Papers circulated with all Committee members' written consent is required for approval.
Mandate	<p><b>2. Authority</b></p> <p>2.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Group in order to perform its duties.</p> <p>2.2. In connection with its duties the Committee is authorised by the Board to obtain, at the Society's expense, any outside legal or other professional advice</p>
Responsibilities	<p><b>3. Duties</b></p> <p>The Committee shall:</p> <p>3.1. Determine and agree the overall remuneration policy for the organisation as a whole, ensuring that it is consistent with the Society's risk appetite, encourages appropriate risk taking and risk management behaviours, and is fully documented.</p> <p>3.2. Determine and agree the detailed policy for the remuneration of the Chairman of the Board, executive directors, Chief Officers, Material Risk Takers and such other senior managers as the Remuneration Committee may from time to time determine. The remuneration of other non-executive directors shall be a matter for the Board following a recommendation put forward by Chief Officers / executive team. No director or manager shall be involved in any decisions as to their own remuneration.</p> <p>3.3. In determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that the executive directors and other Chief Officers (and, where relevant, other senior managers) are provided with appropriate reward and remuneration to encourage enhanced performance in keeping with the Society's risk appetite and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Society, and for the Society's overall performance.</p> <p>3.4. Review the ongoing appropriateness and relevance of the remuneration policy on an annual basis.</p> <p>3.5. Approve the design of, and determine targets for, any performance related pay schemes operated by the Society and each year approve the total incentive payments to be made under such schemes.</p> <p>3.6. Seek input from the Group Risk and Audit Committees as to whether any adjustment should be made to incentive payments either ex-ante or ex-post to reflect potential or actual failings related to risk or compliance. Assessments to be made on a firm wide and individual basis.</p> <p>3.7. Approve the design of any incentive arrangement including the instruments used for the delivery of variable pay.</p> <p>3.8. Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Society, that failure is not rewarded and that the duty to mitigate loss is fully recognised.</p> <p>3.9. Within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive as appropriate, determine the total individual remuneration package of each executive director and other Chief Officers, Material Risk Takers and other senior managers as the Remuneration Committee may from time to time determine.</p> <p>3.10. Ratify the annual objectives of the Chief Executive, Chief Officers and other Material Risk Takers.</p> <p>3.11. In determining remuneration policy, packages and arrangements, give due regard to any relevant legal requirements, the FCA / PRA Remuneration Code, the UK Corporate Governance Code and any associated guidance.</p> <p>3.12. Review any major changes in employee benefit structures throughout the Group.</p> <p>3.13. Review and note annually the remuneration trends across the Group.</p> <p>3.14. Agree the policy for authorising claims for expenses from the Chief Executive and Chairman.</p> <p>3.15. Subject to the Board approving voluntary compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amended) Regulations 2008 (or any subsequent amendments) for listed companies, the application of the Capital Requirements Directive and any other regulatory guidance (so far as the provisions are applicable to building societies), ensure that provisions regarding disclosure of remuneration, including pensions, as set out in the above mentioned, are fulfilled.</p> <p>3.16. Approve the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee (at the Society's expense) and to obtain reliable, up-to-date information about</p>

	<p>remuneration in other relevant organisations. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.</p> <p>3.17. Determine the level of the fee to be paid to the Chairman of the Board, and approve any changes to such fees. The Chairman and non-executive directors shall not be entitled to any element of performance-related pay.</p> <p><b>4. Reporting Responsibilities</b></p> <p>4.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.</p> <p>4.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>4.3. The Committee shall produce an annual report of the Society's implementation of its Directors' Remuneration Policy which will form part of the Society's annual report and ensure each year that it is put to members for approval at the AGM, and in addition will put its Directors' Remuneration Policy to members for approval at the AGM at least every three years.</p> <p>4.4. The Committee will produce and review on an annual basis a Remuneration Policy Statement, demonstrating compliance with the FCA / PRA Remuneration Code.</p> <p><b>5. Other</b></p> <p>5.1. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.</p> <p><b>6. Annual General Meeting</b></p> <p>6.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any members' questions on the Committee's activities.</p>
<b>Sub Committees</b>	None