

Directors' Remuneration Report

Letter from the Chairman of the Remuneration Committee

Dear Member,

I am pleased to share the Directors' Remuneration Report, including details of the directors' pay, for the year ended 31 December 2017.

Our approach to remuneration

In 2017 the Group reconfirmed its purpose: to provide real help with real life by being simply brilliant at mortgages and savings. Furthermore, as a mutual, we strive to operate a transparent remuneration policy that reflects the values of our organisation and extends to all colleagues. Our approach to remuneration focusses on more than just base pay. Rather, it ensures reward and benefit arrangements are fully integrated in what we do every day.

We review our reward policy and principles annually and they are published online for all colleagues and members ybs.co.uk/pdf/financial/reward-policy.pdf

To attract and retain talent required in the Group, the Committee seeks to balance the need for total remuneration to be competitive in the wider financial services sector, whilst remaining commensurate with our mutual status. We make a conscious decision to operate a lower level of performance related pay (bonus) than many of our competitors, capping our bonus potential at 50% of base salary (more than 50% lower of the regulatory maximum). When setting targets for the scheme, we always seek to drive performance that benefits the Group and its members, ensuring a sustainable business over the long-term, which is true to our heritage and values, for the coming years.

Our remuneration policy

We recognise that the way colleagues are rewarded and motivated is a cornerstone of a leading people experience. Our remuneration policy is in place to support our colleagues in working together for the benefit of the Group and our members. At the 2016 AGM, our Directors' Remuneration Policy was approved by our members (through an advisory vote), and it continues to set the framework for our directors' remuneration. A summary of the policy is set out in this report. In line with good governance, our remuneration policy for executive directors will next be shared with members for approval (through an advisory vote) at the 2019 AGM.

Executive Director changes

Our Chief Finance Officer, Robin Churchouse, left the Group in September 2017 after 13 years' service. Robin has made a huge contribution to the Group, playing a key role in the mergers with Chelsea, Barnsley and Norwich & Peterborough Building Societies.

In December 2017 we welcomed Alasdair Lenman as the new Chief Finance Officer for the Group. At the 2018 AGM, Alasdair will be subject to the election process as an Executive Director.

Details regarding the remuneration implications of these changes are in line with the Directors' Remuneration Policy and are set out in full in this report.

How the Group has performed

Throughout 2017 the industry experienced the pressures of a competitive trading environment coupled with economic uncertainty. We have managed this in a sustainable and balanced way. As set out earlier in the Annual Report, 2017 was a strong year for the Group. We remain committed to putting the needs of our members at the heart of everything we do; a performance measure of this commitment is the Group's Net Promoter Score (NPS). During 2017 we achieved a score of +41 versus a target of +35, recognising the developments we have made across all our product and service lines. [The Group has also delivered a strong financial performance, outperforming its plan performance in a number of areas detailed on page 17.](#)

The impact of performance on directors' pay

The Group's results have been reflected in the directors' remuneration awarded for 2017. The remuneration of our executive directors reflects their contribution to, and is aligned with, the success of the Group. As with previous years, the Committee has carried out a comprehensive review of the remuneration outcomes of the executive team, considering these in the context of wider colleague pay in the Group, both in relation to financial performance and delivery to our members and customers. In 2017, (on average) an eligible Executive Director achieved 80.0% of their maximum bonus opportunity, with all eligible colleagues receiving an average of 66.4% of their maximum opportunity. The Group's bonus is awarded on successful achievement of financial and customer performance measures combined with individual performance. [An 'at a glance' summary is provided on page 72 and further details of how payments have been calculated for executive directors are outlined in this report.](#)

Base salary increase for employees in 2017

Across the Group (including all Executive Directors), the average base salary increase was 2.5%.

Base salary increases for executive directors in 2017

Our Executive Directors are subject to a review of their base salary each year in line with all colleagues. As detailed in last year's report, Mike Regnier became Chief Executive Officer on 1 January 2017 and his remuneration was adjusted at that time to reflect this. His base salary will next be reviewed in 2018. Stephen White (Chief Operating Officer) received an increase to base salary of 2.75% during 2017. This was in line with policy applied to all colleagues.

Looking ahead to 2018

Our focus continues to be on providing value to our members by delivery of high levels of customer service and building a sustainable business for the future. The committee is focused on incorporating colleague and member views into its remuneration policy and practice. Throughout 2017 the Committee has increased colleague engagement in reward policy through focus groups, colleague surveys and 'Let's Talk' sessions (colleague listening groups hosted and attended by Executive Directors and Non Executive Directors). We also published our reward policy and principles internally for the first time. The Committee plans to continue and develop this work in 2018, exploring how we can better engage colleagues and members to contribute to the shaping of a remuneration policy that supports the delivery of the Group's purpose, ensuring it is aligned to our values.

Gender pay gap

In November 2017 the Group reported its gender pay gap, the difference between the average pay of men and women regardless of seniority. The Group's mean gender pay gap at April 2017 was 31.0%. Analysis shows that the key driver for the gap is the imbalance in the numbers of women and men at different levels in the organisation. In simple terms there are more females occupying less senior roles in the organisation, with fewer in the most senior roles. It is this imbalance that results in the gender pay gap. If YBS Group had an equal (50:50) split of males and females at each level, the gap would be much lower at 3.5%. The full gender pay gap report is available at ybs.co.uk/assets/pdfs/your-society/comitees/gender-pay-gap-report.pdf. The Group strives to create an environment where diversity in all forms is encouraged and barriers in the way of colleagues fulfilling their potential are removed. As the Remuneration Committee we contribute to this by ensuring that the Group's remuneration policy is inclusive in both its design and practice.

Director remuneration reporting requirements

This report discloses information in line with the Building Societies (Accounts and Related Provisions) Regulations 1998; and the Pillar 3 disclosure requirements under CRD IV relevant to a Proportionality Level 2 firm. The Group also voluntarily complies, where possible, with the disclosure requirements of the Large and Medium-sized Companies (Accounts and Reports) Regulations 2008.

I trust that members will agree that the performance of the Group and its leaders in 2017 warrants your continued approval of the Annual Report on Remuneration. On behalf of the Remuneration Committee, I recommend that you endorse the report.

Guy Parsons
Chairman of the Remuneration Committee
28 February 2018

Directors' Remuneration Report continued...

At a glance summary of 2017

The summary below outlines the structure of the Group's bonus scheme, 'Your Bonus' and the performance measures taken into account to calculate the Executive Directors' bonus awards.

The Group's performance used for bonus calculations



*The PBT figure for 'achieved' is different to the figure stated on page 30 of the Annual Report and Accounts. This figure is adjusted to reflect underlying profit and is in line with agreed principles which are outlined on page 78 of this report. The NPS measures how likely customers are to recommend us and is a combination of customer and broker NPS, resulting in an achieved NPS of +41.

The scheme design is the same for all colleagues, with varying on-target award levels for colleagues and senior managers. Bonus is awarded on successful achievement of financial and customer performance measures, combined with individual performance. 'On-target' achievement of Group performance and individual performance criteria in line with expectations results in a bonus of 30% of base salary for the Executive Directors. The maximum bonus available to Executive Directors is 50% of base salary.

The Remuneration Committee retains the discretion to make adjustments to the profit figure to ensure that it reflects a true view of the underlying performance of the Group prior to the payment of any bonus. In line with our directors' remuneration Policy, the Committee undertakes a risk overlay process (part of the sustainability review) on bonus based on a series of agreed criteria. These are detailed in the report.

How much have our directors earned in 2017?

The summary below illustrates executive director total earnings for the 2017 performance year.

		Base Salary £000	Other Fixed Pay ³ £000	Bonus £000	Total Earnings £000
Mike Regnier	CEO	550	105	275	930
Robin Churchouse ¹	Former CFO	275	54	56	385
Alasdair Lenman ²	New CFO	27	7	–	34
Stephen White	COO	407	96	204	707

¹ Robin Churchouse left the Group on 30 September 2017. His payments reflect his service in 2017.

² Alasdair Lenman joined the Group on 4 December 2017 and his payments reflect his length of service with the Group. He will not receive a bonus as he did not have two months' consecutive service in 2017. This is in line with the bonus scheme rules.

³ Fixed pay includes pension allowance, taxable benefits and any location allowance.

In 2018 base salary, fixed pay and bonus earning opportunity will continue to operate in the same way.

Remuneration policy in practice

The Group's Directors' Remuneration Policy is aligned to our current strategic priorities. The policy supports the Group in delivering its strategy by enabling the Group to recruit and retain talent, to focus on our members and customers, to manage a sustainable business and by complying with the appropriate regulations. The remuneration policy is reviewed regularly to ensure it continues to support the delivery of business strategy.

The Group's approach to remuneration recognises the contribution that Executive Directors make to the success of the organisation. A key principle in developing the Group's remuneration policy is to focus the executive directors on the delivery of key business and customer outcomes. Executive Directors are not involved in deciding their own remuneration.

The remuneration policy was approved by members at the 2016 AGM and remains in force for 2018. A summary of the remuneration policy is set out below. The approved directors' remuneration policy is in the 2015 Annual Report and Accounts, available at ybs.co.uk. A summary of the Group's wider remuneration principles and policy is available at ybs.co.uk/pdf/financial/reward-policy.pdf

Executive Director remuneration

	Purpose and link to strategy	Operation	Opportunity
Base pay	<p>Reflects the contribution of executive directors in their role as defined by the combination of:</p> <ul style="list-style-type: none"> Skills, knowledge and experience; Performance; Demonstrating the Group's behaviours and values. 	<p>Base pay is typically reviewed annually in line with the range of increases for all colleagues, and determined with reference to:</p> <ul style="list-style-type: none"> Role, experience and individual performance; Affordability – the economic environment and overall financial state of the Group; Comparison to the external market, supported by reference to the Group's grading structure, the Career Framework. 	n/a
Bonus ('Your Bonus')	<p>Rewards annual performance against financial and customer measures as well as key individual objectives.</p>	<ul style="list-style-type: none"> Key measures within the Corporate Plan have to be achieved for 'on target' pay-out, and considerably exceeded for maximum pay out. The profit figures utilised for pay out may be adjusted at the discretion of the Remuneration Committee in line with approved principles to ensure a true and fair view of performance is applied. Bonuses for Executive Directors will be subject to the relevant disclosures. The Committee reserve the right to apply a malus adjustment (reduce bonus or lapse deferred elements) and to apply clawback (recover bonus payments already made) as applicable. Awards are subject to clawback for up to a maximum of 10 years. 	<p>All colleagues participate in the same scheme.</p> <ul style="list-style-type: none"> 'On-target' achievement of Group performance criteria results in a bonus of 30% of base salary for the Executive Directors. The maximum bonus available to Executive Directors is 50% of base salary.

Directors' Remuneration Report continued...

	Purpose and link to strategy	Operation	Opportunity
Benefits	Executive Directors receive benefits to ensure their total package is in line with market practice to enable the attraction and retention of executive directors of the required calibre.	Benefits include car benefits, healthcare, private medical insurance, life cover and insured sick pay.	All benefits are provided in line with the Group's grading structure, the Career Framework.
Pension	The Group's pension arrangements support the recruitment and retention of executive directors through the provision of competitive retirement benefits.	Executive Directors are eligible to participate in the Group's defined contribution pension scheme. Where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to the plan.	Executive Directors receive a contribution (or cash allowance) equal to a maximum of 16% of base salary.

Approach to new hires and leavers

Provision	Policy
New hires	<p>When agreeing a remuneration package for the appointment of Executive Directors, the Committee will apply the following principles:</p> <ul style="list-style-type: none"> ■ The packages will be sufficient to recruit individuals of the required calibre to lead the business and effectively execute the strategy for members. ■ The Committee will look to align the remuneration package offered with the Group's broader remuneration policy. ■ The Committee will ensure that the level of pay is necessary but not excessive. ■ The Committee has discretion within the policy to make remuneration decisions where it considers it appropriate to do so. <p>This ensures that arrangements are in the best interests of both the Group and its members without paying in excess of what is necessary to recruit an executive director of the required calibre.</p>
Notice period	The standard notice period is 12 months from the Group and 12 months from the Executive Directors. In normal circumstances, executive directors will be required to work their notice period. In the event executive directors are not required to fulfil their notice period, they will receive a payment in lieu of notice (PILON) based on fixed elements of pay, or they may be placed on garden leave.
Termination payment	Typically, termination payments will consist of basic salary and other contractual benefits for the notice period, the emphasis being to not reward failure.

Provision	Policy
Bonus – leaver provision	<p>On termination of office, the leaver provisions as set out below will apply. These are also outlined in the Group's bonus plan rules:</p> <ul style="list-style-type: none"> ■ In the event of retirement or redundancy, ill-health or disability, any bonus will be pro-rated to reflect the time served during the performance period. Any deferred payments due remain subject to future performance conditions and are payable at the end of the corresponding performance periods. They are also subject to the Group's risk overlay process, and therefore subject to the Group's malus and clawback provisions. ■ In the case of death, any bonus payments will be pro-rated to reflect the time served during the performance period. Payment of any deferred amounts, including deferred amounts from previous years, is accelerated and payable at the next payment date. ■ Subject to committee discretion, in the event of resignation, any eligibility to participate in the current year's bonus scheme will cease. Leavers under these circumstances will be eligible to receive deferred bonus payments earned in previous years, subject to the Group's risk overlay process. ■ Where deferred awards continue, they remain subject to the Group's risk overlay process, malus and clawback provisions. Under resignation circumstances, the Share Equivalent Instrument (SEI) value will remain at the original allocated amount.

Chairman and Non Executive Director remuneration

	Operation	Opportunity
Chairman fees	Normally reviewed and approved by the Remuneration Committee on an annual basis (the Chairman does not participate in discussing this item, if a member of the Remuneration Committee).	Fee levels take into account time commitment for the role and practice at other organisations of a similar size and complexity.
Non Executive Director fees	<p>Normally reviewed and approved by the Executive Committee and the Chairman on an annual basis.</p> <ul style="list-style-type: none"> ■ Non executive directors receive a basic fee. ■ An additional supplement is paid for serving on or chairing a Board Committee. ■ Non Executive Directors do not participate in any performance pay or pension arrangement. 	

Directors' Remuneration Report continued...

Annual Report on remuneration

Executive Directors' remuneration

The table below shows the remuneration of the Executive Directors of the Group for the years ended 31 December 2017 and 2016. This table is audited information.

	Fixed Remuneration			Total Bonus ⁴	Remuneration
	Base Salary	Pension/ Taxable Benefits	Pension Allowance		
	£000	£000	£000		

Executive Director

Year ended 31 December 2017

Mike Regnier	CEO	550	15	90	275	930
Robin Churchouse ¹	Former CFO	275	8	46	56	385
Alasdair Lenman ²	New CFO	27	3	4	–	34
Stephen White	COO	407	31	65	204	707

Year ended 31 December 2016

Mike Regnier	CCO ³	376	11	61	177	625
Robin Churchouse	CFO	338	12	55	85	490
Stephen White	COO	340	26	53	144	563

¹ Robin Churchouse left the Group on 30 September 2017. His payments reflect his service in 2017.

² Alasdair Lenman joined the Group on 4 December 2017 with a salary of £350,000. His salary will be reviewed in line with all colleagues, including Executive Directors, in May 2018. His payments in 2017 reflect his length of service with the Group. He will not receive a bonus as he did not have two months' consecutive service in 2017; this is in line with the bonus scheme rules.

³ Mike Regnier's role was Chief Customer Officer in 2016. He became CEO on 1 January 2017.

⁴ The bonus figures illustrated represent the full amount of bonus awarded in respect of 2017 performance year. Mike and Stephen will only receive 20% of this in 2018, with the remainder deferred over seven years. Full details regarding how bonuses are paid are available on pages 79 to 80.

Base salary

Executive Directors' salaries are reviewed each May at the annual pay review. The 2017 awards were in line with those received by the wider colleague group which, for all colleagues, ranged from 0.3% to over 10.0%. Individual increases are based on performance, relative position to market and affordability, with the aim of retaining talent in a challenging environment. Additional pay awards were also made for the wider colleague group to recognise high performance and respond to market movements; this resulted in some awards at circa 10%. As a result, in 2017, the average pay award for all colleagues was 2.5%, including all Executive Directors.

The table below sets out the increases in base pay levels for Executive Directors following the annual pay review in May 2017. The increase from 2016 to 2017 that Mike Regnier received is reflective of his promotion to CEO on 1 January 2017 and he did not receive an increase in the annual pay review in May 2017. The increase for Robin Churchouse includes additional responsibilities he assumed on 1 January 2017 and his salary was not reviewed again in May.

Executive Director	Base Salary at 1 May 2016 £000	Base Salary at 1 May 2017 £000	Increase %
Mike Regnier	387	550	42.12%
Robin Churchouse	341	376	10.26%
Stephen White	400	407	2.75%

Alasdair Lenman joined the Group on 4 December 2017 with a salary of £350,000.

Bonus

The Group's bonus scheme, 'Your Bonus' is anchored to the core business objectives of financial performance, customer experience and risk management. The scheme design is the same for all colleagues, with varying on-target awards for all colleagues and senior managers. Bonus is awarded on successful achievement of financial and customer performance measures, combined with individual performance. A risk overlay process is also carried out to ensure the Group hasn't been exposed to unnecessary risk; this forms part of our 'sustainability review'. 'On-target' achievement of Group performance criteria results in a bonus of 30% of base salary for the Executive Directors. The maximum bonus available to Executive Directors is 50% of base salary. The payment of bonus is subject to the discretion of the Remuneration Committee, and all executive director bonuses are subject to the relevant deferral periods.



Directors' Remuneration Report continued...

1. Financial performance

Under the terms of the Your Bonus scheme, scope is given to make adjustments to the calculation of profit underpinning payment of the scheme. The following principles are applied when identifying potential adjustments:

- Where an unexpected or unplanned item arises that is not part of the core, business-as-usual running of the Group; for example one-off investments or projects that were not included in the plan profit number against which actual performance is judged.
- Adjustments also include removing both positive and negative impacts from non-core actions that do not reflect management of the underlying Group, for example any unplanned profits (or losses) on the sale of property are not included in the profit before tax (PBT) figure used to calculate bonus outturn.

In line with the above, the overall profit before tax figure was adjusted to produce an achieved position of £154m against a reported figure of £166m. This has performed above target and set the bonus earning potential for the financial element.

2. Customer experience

The second performance measure is the customer 'Net Promoter Score' (NPS), which unlocks the bonus award. The NPS measures how likely our members and customers are to recommend us and we obtain this through customer and broker surveys. The results are combined, at a ratio of 50% mortgages and 50% savings, to create the 'combined NPS' for Your Bonus. To pay an 'on-target' bonus, the target NPS for the year was +35. On average in 2017 the NPS was at +41.

Contribution from different NPS surveys to the overall combined Group NPS score for Your Bonus			
Mortgages – 50%		Savings – 50%	
Broker feedback: 25%	Mortgage customer feedback: 25%	Savings customer feedback: 45%	Feedback from Shareplans customers: 5%

3. Sustainability review

Payments will be reduced or forfeited if the sustainable level of capital required to support the Group's growth rate is not generated each year. This is done via a scale adjustment measured against a minimum level of Return on Mean Assets (ROMA) for each year based upon the growth achieved. The 2017 ROMA target for the Group was 0.31%. The 2017 performance year ended with a ROMA position of 0.31%, which was within the desired parameters.

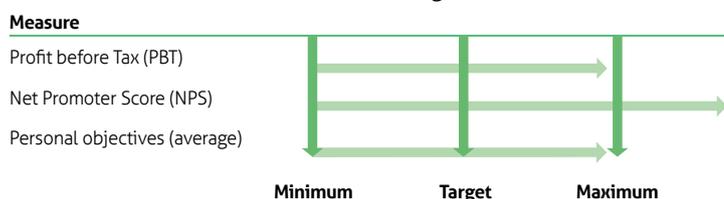
As part of this review, the risk overlay process considers the management of specific business risk appetite measures and payment can be amended where material breaches are identified. Following a rigorous review where business controls processes were assessed, it was deemed that no action was required to adjust the bonus outturn for the 2017 performance year.

4. Individual performance

The Group's performance determines the core bonus award; all three above elements need to be achieved before any bonus will be awarded. Individual performance concludes the percentage of bonus to be awarded.

How bonus is calculated for Executive Directors

The table below summarises the outcome against the various measures for 'Your Bonus'.



How bonus is awarded for our Executive Directors

Executive Director	Role	% of salary	Award £000
Mike Regnier	Chief Executive Officer	50	275
Robin Churchouse	Chief Finance Officer	20	56
Stephen White	Chief Operating Officer	50	204

For 2017 performance year, 97.6% of eligible colleagues will receive a bonus. On average an eligible Executive Director achieved 80.0% of their maximum opportunity, with all eligible colleagues on average receiving 66.4% of their maximum opportunity.

Bonuses for Executive Directors remain subject to malus and clawback, with bonus subject to clawback for up to 10 years.

Bonus deferral and Share Equivalent Instrument (SEI)

In line with the PRA and FCA remuneration regulation and the Senior Managers and Certification Regime, all bonuses payable to executive directors designated as 'Senior Managers' are subject to deferral. In addition to regulatory requirements, the Group's remuneration policy requires bonuses for all members of the senior management team are subject to an element of deferral. Bonus deferral ensures that the Group delivers variable pay in a manner that prevents undue risk taking whilst achieving a level of sustainable performance.

For Executive Directors whose remuneration is over the 'de-minimis'* limit, bonus awards are required to have a longer deferral period and/or a larger percentage deferred in line with regulations. Where also required by regulation, 50% of each bonus payment will be delivered via a share equivalent instrument (SEI) and is subject to a retention period. For 2017 performance year, an Executive Director whose remuneration exceeds the de-minimis limit will receive 40% in 2018 with the remaining 60% deferred over seven years, with a one year retention period applying to the SEIs received.

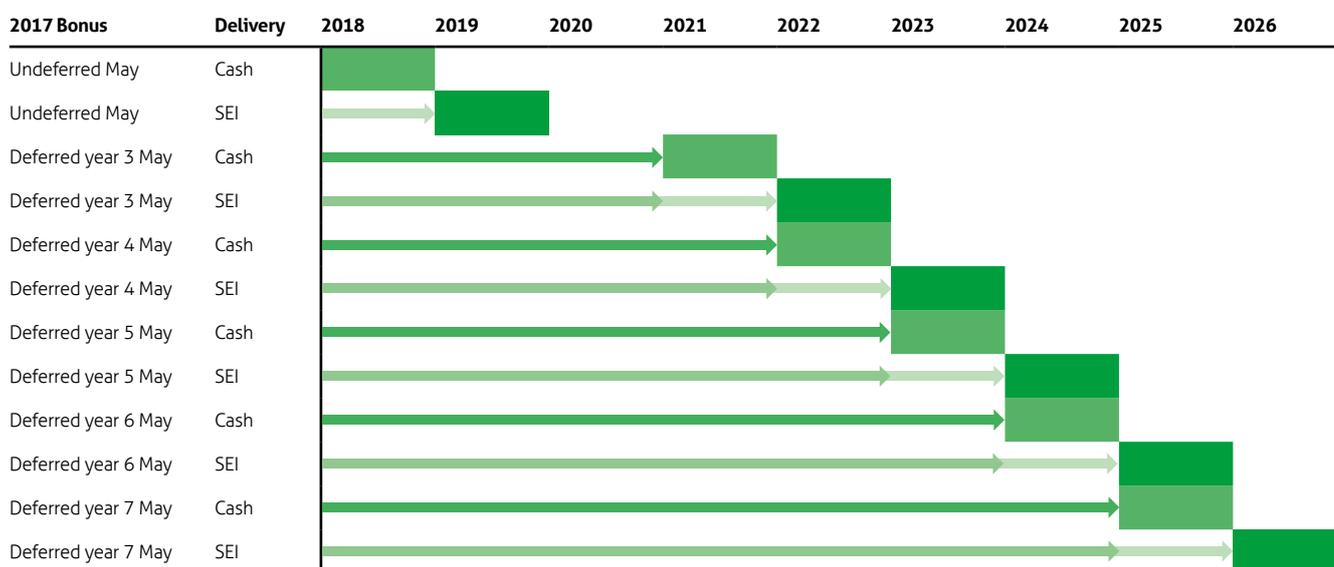
(*A de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied, and impacts colleagues whose total remuneration is greater than £500,000 per annum and/or where variable remuneration is more than 33% of their total remuneration.)

For example:

- Year 1 – 40% of any bonus earned is paid out in the year following the performance year. Half of this amount is paid in cash and the other half is delivered in a SEI and subject to an additional retention period prior to revaluation and payment.
- Deferral years – the remaining 60% is deferred for seven years and paid equally each year from three years after the award. Each year, the award is split in two, with half the amount paid in cash and the second half held in a SEI and subject to an additional retention period prior to revaluation and payment. SEI valuations continue every 12 months until the bonus schedule is complete.

Directors' Remuneration Report continued...

Length of time variable pay is at risk



Key:

→ Cash bonus deferral
 → SEI deferral
 → SEI holding period

For Executive Directors whose total remuneration is below the de-minimis limit, annual bonus awards will be delivered as cash and paid over three years: 50% of any bonus is paid out in the year following the performance year; the remaining 50% is deferred with 25% released after one year and 25% released after two years.

How did bonus deferral work for our Executive Directors?

	Total bonus £000	% Deferred	Deferral period	SEI
Mike Regnier	275	60	7 years	Y
Robin Churhouse	56	50	2 years	N
Alasdair Lenman	–	n/a	n/a	n/a
Stephen White	204	60	7 years	Y

Taxable benefits

The taxable benefits awarded to executive directors are in line with the wider colleague offering, comprising a company car (or equivalent allowance), private medical insurance, permanent health insurance and any location allowances. Executive Directors, like all colleagues, can also participate in a concessionary mortgage scheme which is subject to a maximum concessionary amount of £160,000; no executive directors have taken up this mortgage scheme. No significant changes to the construct of the Executive Directors' benefits entitlement are planned for 2018.

Pensions

From 1 January 2017 all executive directors are members of the Group's defined contribution scheme; a core contribution of up to 16% of base salary is paid for this population. Where prevailing tax restrictions limit pension contributions, the remainder is paid as a cash allowance.

The pension scheme also provides a lump sum of six times pensionable salary on death in service.

Movement in CEO remuneration relative to the wider colleague population

As noted earlier in the report, Mike Regnier received a pay increase on 1 January 2017 when he assumed the role of CEO. His pay was not reviewed in line with the wider colleague population in May. He received no further increase to pay in 2017. The average pay increase for all colleagues (including executive directors) was 2.5%.

Due to the out-going CEO's leaving arrangements, there was no bonus paid to the former CEO in 2016 therefore no comparison can be made to 2017. In 2017, the average bonus awarded to colleagues was 13.4% higher than in 2016.

Payment for loss of office

Robin Churchouse stepped down from the Board on 30 September 2017. All payments made to him in respect of his service during 2017 are reported in the single figure of remuneration table above. Robin is contracted to a 12 month notice period but will not work the remainder of his notice. He will receive the payment of his total notice period as payment in lieu of notice (PILON) in monthly instalments, ending in September 2018. PILON payments are made up of base salary and benefits only. This payment is subject to mitigating provisions. The Committee, at its discretion, has awarded Robin a bonus of 20% of salary under the 2017 Your Bonus scheme in relation to the period worked in 2017. This is an exercise of the Committee's discretion under the 'bonus – leaver provisions' section of the remuneration policy.

In line with the remuneration policy and the bonus scheme rules, the Committee considered it appropriate to allow the deferred portions of Robin's outstanding variable pay awards to continue in full. These payments will be subject to continued performance adjustment requirements and payments will be made on the normal due dates. Regulatory requirements relating to risk adjustments, malus and clawback will continue to apply to all deferred bonus awards in the same way as if Robin had remained in employment.

The Group paid £1,080 to Robin towards the cost of independent legal advice regarding the cessation of his employment.

All payments made in respect of Robin's leaving arrangements are in line with the Executive Directors' Remuneration Policy.

Chairman and Non Executive Directors

In line with the annual review of Chairman and Non Executive Director fees, the fee levels were reviewed in June 2017 and came into effect on 1 July 2017. Non Executive Directors' basic fees were increased by 2.1% in July 2017. This change took into account external market data, the skills and the time commitment required for the role as well as wider colleague salary increases. This change was recommended to reflect comparable market data and nearest peer comparators.

Non Executive Director fees (annual equivalents)	Fees at 1st July 2016 £000	Fees at 1st July 2017 £000	Uplift %
Chairman's basic fees	184.7	188.6	2.1
Vice Chairman basic fees	69.0	70.5	2.1
Non Executive Director basic fees	48.5	49.5	2.1
Additional fee for:			
Audit Committee – Chair	20.1	20.5	2.1
Audit Committee – Member	8.3	8.5	2.1
Remuneration Committee – Chair	16.4	16.7	2.1
Remuneration Committee – Member	6.0	6.1	2.1
Group Risk Committee – Chair	20.1	20.5	2.1
Group Risk Committee – Member	8.3	8.5	2.1

Directors' Remuneration Report continued...

Single total figure of remuneration for each Non Executive Director

The Non Executive Directors' basic and committee fees earned in 2017 are outlined below. Note that the Group's Non Executive Directors do not receive any benefits. Non Executive Directors are reimbursed for any expenses incurred, such as travel and subsistence. Any tax due is the responsibility of individual non executive directors.

Non Executive Director	2016 Basic Fees £000	2016 Committee Fees £000	Total £000	2017 Basic Fees £000	2017 Committee Fees £000	Total £000
John Heaps (Chairman)	182	–	182	187	–	187
Neeta Atkar ¹	–	–	–	33	20	53
Dame Kate Barker ²	48	14	62	15	5	20
Alison Hutchinson	48	14	62	49	14	63
Gordon Ireland	48	8	56	49	14	63
David Paige ²	48	29	77	15	9	24
Mark Pain (Vice Chairman)	69	28	97	70	28	98
Guy Parsons	48	16	64	49	17	66

¹ Neeta Atkar became a Non Executive Director on 25 April 2017.

² Dame Kate Barker and David Paige stepped down from the Board on 25 April 2017.

Remuneration Committee terms of reference

The Remuneration Committee has specific responsibility for ensuring we have the right policies in place for our most senior roles and setting the tone for the wider organisation. Its purpose is to oversee the remuneration policy in place for YBS Group, making sure it aligns to the Group's business strategy and any regulatory compliance requirements, with a specific focus on the risks posed by remuneration policies and practices. This includes approving the design of, and determining the performance targets for, any discretionary performance pay plans operated by the Group.

The Committee's terms of reference were reviewed and updated in November 2017. The full terms of reference are available on the Group's website ybs.co.uk/committees

The members of the Remuneration Committee consist of independent Non Executive Directors and include a member of the Group's Risk Committee. During the year the Committee members were Guy Parsons (Chair of the Remuneration Committee), John Heaps and Alison Hutchinson.

The Committee met seven times during the year and covered the following activities:

- A strategic review of the Group's reward strategy
- Agreeing the Group's bonus scheme 'Your Bonus' structure and targets
- Ongoing work in relation to the Prudential Regulatory Authority's (PRA) Remuneration Code and how it applies to the Group
- Agreeing the approach for executive base salary increases in 2017
- Agreeing the remuneration package for the new Chief Officers
- Agreeing the compensation arrangements for the out-going Chief Finance Officer.

The Committee is supported by the Chief People Officer, the Director of People Performance and, where appropriate, the Chief Executive Officer is invited to attend to provide further background and context to assist the Committee in discharging its duties.

The Remuneration Committee draws on the advice of independent external consultants to support in performing its duties. During the year, the Committee sought advice on executive director salaries, variable pay structures and regulatory matters from PwC. The committee is satisfied that the advice received is objective and independent. PwC's fees for advice provided to the Committee in 2017 were £113,400 (including irrecoverable VAT); £99,900 in 2016 (including irrecoverable VAT). During 2017, PwC also provided business consulting services across the Group on matters including IT risk assurance, data assurance, project assurance, operational risk assurance, regulatory compliance monitoring services, internal audit, risk treasury (hedge accounting) support, accounting advisory support and tax advisory support.

Statement of member voting

The Group remains committed to ongoing member dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the 2017 Directors' Remuneration Report at the Group's Annual General Meeting (AGM) in 2017.

Resolution	Votes for	Votes against	% in favour	Votes withheld
To approve the Directors' Remuneration Report	128,159	14,760	89.67	3,240

As noted in the Committee Chairman's letter, there will be an advisory vote on the Annual Report on Remuneration at the 2018 AGM.

On behalf of the Board

Guy Parsons
Chairman of the Remuneration Committee
 28 February 2018

Directors' Remuneration Report continued...

Aggregate remuneration data

In accordance with the Capital Requirements Regulation as part of CRD IV, which requires the disclosure of the aggregate remuneration data for senior managers and MRTs, the Group's data is set out as follows:

	Senior Management ¹ £000	Other MRTs £000	Total £000
Aggregate remuneration data			
Fixed Pay	8,370	896	9,266
2017 Variable pay (undeferrred)	1,370	77	1,447
2017 Variable pay (deferred)	1,497	–	1,497
2017 Variable pay due via SEI	318	–	318
Deferred variable pay to be paid 2018	1,106	–	1,106
Outstanding deferred variable pay from previous years	892	–	892
Total	13,235	973	14,208

Aggregate bonus buyout and severance payments

Bonus buyout payments – 2017	134	–	134
Severance payments – 2017	415	–	415
Total	549	–	549

	Senior Management	Other MRT	Total
Number of MRT colleagues at 1.1.17	44	9	53
Number of MRT colleagues at 31.12.17	27	8	35

¹ Senior managers and colleagues whose actions have a material impact on the risk profile (including Executive and Non Executive Directors). Non Executive Directors' fees are included under fixed pay. No variable pay was awarded to Non Executive Directors.

Ratios between fixed and variable pay

YBS Group's fixed:variable pay ratio is not affected by the CRD IV cap on variable pay as the variable component of total remuneration to the fixed component does not exceed 1:1. The maximum annual bonus award for any colleague is 50% of base salary and therefore variable pay will not exceed the CRD IV cap.