

**Yorkshire Building Society**  
**Board Governance and Nominations Terms of Reference**

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| Role                | The Board Governance and Nominations Committee is a Committee of the Board of Yorkshire Building Society, from which it derives its authority. Its role is to oversee Board governance, including the composition, succession and appointment processes for the Board.   |
| Membership          | The Committee will comprise at least three Non Executive Directors and include the Chairman of the Board and the Vice Chairman.<br>If a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another Non Executive Director to serve as an alternate member.<br>Appointments to the Committee are made by the Board and will be for a period of up to three years, which may be extended for a maximum of two additional three year periods provided the Director still meets the criteria for membership of the Committee (and subject to their overall term of office on the Board).  |
| Chair               | The Board will appoint the Committee Chair who will be the Chairman of the Board. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.<br>The Chairman of the Board shall not normally chair the Committee when it is dealing with the succession to the role of the Chair of the Society.   |
| Secretary           | The Secretary of the Committee will be the Group Secretary or their nominee.   |
| Attendees           | Only members of the Committee have the right to attend Committee meetings, however, other individuals, such as the Chief Executive Officer and Chief People Officer may be invited to attend for all or part of the meeting, as and when appropriate.  |
| Frequency           | The Committee will normally meet three times a year at appropriate times and otherwise as required. Meetings of the Committee will be called by the Secretary of the Committee at the request of any of its members.   |
| Quorum              | The quorum necessary for the transaction of business shall be: <ul style="list-style-type: none"> <li>• Two members if the number of members who constitute the Committee is three.</li> <li>• Three Members if the number of members who constitute the Committee is four or more.</li> </ul> A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all of or any of the authorities, powers and discretions vested in or exercisable by the Committee.<br>In the event of equal votes the Chair of the Committee shall have a casting vote.   |
| Written Resolutions | Written Resolutions must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.   |
| Mandate             | The Committee is authorised to: <ol style="list-style-type: none"> <li>1. Seek any information it requires from any employee of the Group in order to perform its duties.</li> <li>2. Obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference.</li> <li>3. Call any employee to attend a meeting of the Committee as and when required.</li> <li>4. Have the right to publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board.</li> </ol>  |
| Responsibilities    | The Committee will carry out the duties below for the Society, major subsidiary undertakings and the Group as a whole, as appropriate. <ol style="list-style-type: none"> <li>1. <b>Duties.</b><br/>             The Committee shall:<br/> <b>Composition and Succession</b> <ol style="list-style-type: none"> <li>1.1 Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes, taking into account any agreed succession plans.</li> <li>1.2 Ensure that effective succession plans are maintained for the Board and other senior management (unless already considered by the Board in relation Executive Directors and other senior managers) and oversee the development of diverse pipelines, taking into account the challenges and opportunities facing the Society, and the skills and expertise needed on the Board in the future.</li> <li>1.3 Keep under review the leadership needs of the organisation, both Executive and Non Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the market place and, where a vacancy is identified, if appropriate make a recommendation to the Board.</li> </ol> <b>Appointments</b> <ol style="list-style-type: none"> <li>1.4 Before any new appointment is made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.</li> </ol> </li> </ol> |

- 1.5 Identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise, ensuring a formal, rigorous and transparent procedure, including:
- (a) conduct initial meeting(s) with a candidate with follow-up meetings by other directors as recommended.
  - (b) at its discretion and where it considers it appropriate (taking into account the expertise required of those conducting the initial meetings with candidates) appoint a Selection Panel made up of at least three Non Executive Directors (at least one of whom must be a member of the Committee). The Committee may delegate to the Selection Panel any of the duties of the Committee in respect of that vacancy and on such terms as to its operation, including the reporting requirements, as determined by the Committee.
- 1.6 In identifying suitable candidates:
- (a) use open advertising or the services of external advisers to facilitate the search;
  - (b) consider candidates from a wide range of backgrounds;
  - (c) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths, taking care that appointees have enough time available to devote to the position.
  - (d) consider candidates by reference to any 'fit and proper' test and competency and capability criteria as published from time to time by the Society's Regulator(s).
- 1.7 Ensure that prior to the appointment of a director, the proposed appointee should be required to:
- (a) disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
  - (b) disclose any significant commitments with an indication of the time involved.
- 1.8 Ensure that on appointment to the Board, Non Executive Directors receive a tailored induction plan the completion of which shall be monitored by the Committee.
- 1.9 For the appointment of Chairman:
- (a) prepare a job specification, including the time commitment expected;
  - (b) confirm that the Chair is independent on appointment in accordance with the UK Corporate Governance Code;
  - (c) ensure a proposed Chairman's other significant commitments are disclosed to the Board before appointment and that the Chairman's is required to report any changes to their commitments to the Board in accordance with the Conflicts of Interest Policy.
- Other**
- 1.10 In considering diversity on the Board the Committee shall:
- (a) be responsible for putting in place a statement promoting diversity on the Board; and
  - (b) where appropriate, agree targets for underrepresented group on the Board;
  - (c) monitor progress against the diversity statement.
- 1.11 Review the results of the Board performance evaluation process that relate to the composition of the Board.
- 1.12 Review the programme of training for the Board on at least an annual basis.
- 1.13 Monitor the interests of Directors and Chief Officers, including any conflicts arising in accordance with the Conflicts of Interest Policy. Keep under review the Register of Interests, including external directorships and, if appropriate will recommend to the Board the authorisation of interests shown in the Register.
- 1.14 Monitor developments in relation to corporate governance issues and, where appropriate, review the potential impact on the company and make recommendations to the Board on any changes to be implemented.  
Senior Managers Regime and Conduct Rules
- 1.15 Consider and (if considered appropriate) approve recommendations made by the Society's 'Our Trust Code' panel pursuant to the 'Our Trust Code' investigation panel process in respect of:
- (a) a potential failure of the fitness and propriety review by a Senior Manager (under the Senior Managers and Certification Regime(SMCR)) or Notified NED; and/or
  - (b) an alleged breach of a Conduct Rule by a Senior Manager or Notified NED.
- 1.16 Determine, or where appropriate make recommendations to the Board on the next steps in relation to 1.15, including consideration of the outcome for the individual in question (which may include but would not be limited to performance management, disciplinary action, dismissal, summary dismissal or termination of appointment), reporting to the regulators and any wider communication, and identification of those individuals tasked to undertake any actions considered to be necessary or desirable.
- 1.17 Approve a nominated delegate for any Non Executive Director who is the holder of a Senior Management Function (SMF) in accordance with the SMCR.
- 1.18 Review and maintain ongoing oversight of specific issues relating to the Group's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing, where delegated by the Board.

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|                  | <p><b>2. Recommendations to the Board</b></p> <p>The Committee shall consider and make recommendations to the Board for approval in relation to the following matters:</p> <p>2.1 The annual review of the Board’s Statement of Diversity, including any diversity targets.</p> <p>2.2 The Conflicts of Interest Policy for Directors and Chief Officers, including the process for identifying and managing conflicts.</p> <p>2.3 Proposed membership of BGNC, the Audit, Group Risk and Remuneration Committees and any other Board Committees, in consultation with the chair of those committees.</p> <p>2.4 Appointments to any Non-Executive Director oversight role.</p> <p>2.5 The adoption of the annual re election of all Executive and Non Executive Directors at the Annual General Meeting (AGM) in accordance with the provisions of the UK Corporate Governance Code.</p> <p>2.6 Re-appointment of any Non Executive Director at the conclusion of their term of office and prior to re-election by members under the annual re-election provisions of the UK Corporate Governance Code or the ‘retirement by rotation’ provisions in the Society’s Rules.</p> <p>2.7 In relation to re-election of Non Executive Directors (particularly for a term beyond six years), consider the performance and ability of each Non Executive Directors 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.</p> <p>2.8 The ongoing independence of the current independent Non Executive Directors, including a clear explanation where any circumstances have been considered that may have, but the Committee has concluded do not, effect ongoing independence.</p> <p>2.9 Any matters relating to the continuation in office of any Executive or Non Executive Director at any time including the suspension or termination of service of an Executive Director as an employee of the Society subject to the provisions of the law and their service contract.</p> <p>2.10 The appointment of any Director to executive or other office.</p> <p>2.11 The process to be undertaken for the annual Board, Committee and individual evaluations, including any recommendation to undertake an external evaluation in accordance with the provisions of the UK Corporate Governance Code.</p> <p><b>3. Reporting Responsibilities</b></p> <p>The Committee shall:</p> <p>3.1 Report formally to the Board through the Committee Chair on its proceedings after each meeting on all matters within its duties and responsibilities.</p> <p>3.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>3.3 Report to the Board on how its has discharged its responsibilities which will be included in the Group’s Annual Report.</p> <p><b>4. Senior Managers Regime Prescribed Responsibilities</b></p> <p>4.1 The Committee shall assist the Senior Management Function (SMF) role holder in the escalation of their Prescribed Responsibilities to the Committee in relation to:</p> <ul style="list-style-type: none"> <li>▪ Prescribed Responsibility f - SMF Holder: Chairman of the Board<br/>Responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firms governing body.</li> <li>▪ Prescribed Responsibility u - SMF Holder: Chairman of the Board<br/>Responsibility for the firm’s performance of its obligations under Fitness and Propriety in respect of its Notified Non Executive Directors.</li> </ul> <p><b>5. Other Matters</b></p> <p>5.1 The Committee shall give due consideration to laws and regulations, the provisions in the UK Corporate Governance Code and the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.</p> <p>5.2 The Committee shall annually arrange for reviews of its own performance and, at least annually, review its 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>5.3 The Committee Chair will attend the Annual General Meeting to answer member questions on the Committees activities.</p> <p>5.4 The Committee shall make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.</p> |
| Sub Committees   | None   |
| Date of Approval | 19 December 2018   |