

**Board Governance and Nominations Committee ('BG&NC') - Terms of Reference ('ToR')**  
**(Approved by the Board on 28 July 2017)**

Role	The BG&NC is a Committee of the Board of Directors of Yorkshire Building Society (the Board) from which it derives its authority.	
Membership	<p>The Committee shall comprise at least three Non-executive Directors and include the Chairman of the Board and the Vice Chairman.</p> <p>The Chairman of the Board shall be appointed as Chairman of the Committee. 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. The Chairman of the Board shall not normally chair the Committee when it is dealing with succession to the chairmanship of the Society.</p> <p>Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief People Officer and external advisers may be invited to attend for all or any part of the meeting, as appropriate.</p> <p>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.</p>	
Members	John Heaps (Chairman) Mark Pain (Vice Chairman) Alison Hutchinson	Non-executive Director Non-executive Director Non-executive Director
Secretary	The Group Secretary or their nominee shall act as the Secretary of the Committee.	
Attendees	Chief Executive Officer Chief People Officer	
Quorum	<p>The quorum necessary for the transaction of business shall be:</p> <ul style="list-style-type: none"> <li>• Two, if the number of members is three.</li> <li>• Three, if the number of members is more than three.</li> </ul> <p>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.</p> <p>In the event of equal votes, then the Chairman of the Committee shall have a casting vote.</p>	
Frequency	The Committee shall meet at least three times a year and otherwise as required.	
Minutes	Minutes of Committee meetings shall be circulated to all members of the Committee and, unless it would be inappropriate to do so, to all other members of the Board.	
Written Resolution Procedure	Written resolution procedure in accordance with the Society's rules. Papers circulated with a 100% of committee members' written consent, for approval.	
Mandate	See Section 5 below.	
Responsibilities	<ol style="list-style-type: none"> <li>1. <b>Annual General Meeting</b> <ol style="list-style-type: none"> <li>1.1 The Chairman of the Committee shall attend the Annual General Meeting to answer any members' questions on the Committee's activities.</li> </ol> </li> <li>2. <b>Duties.</b> The Committee shall: <ol style="list-style-type: none"> <li>2.1 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>2.2 Give full consideration to succession planning for directors and other senior executives in the course of its work (unless this has already been considered by all of the Non-executive Directors in relation to succession planning for executive directors and other senior executives), taking into account the challenges and opportunities facing the Society, and the skills and expertise needed on the Board in the future.</li> <li>2.3 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.</li> <li>2.4 Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise including conducting initial meeting(s) with a candidate with follow-up meetings by other directors as recommended.</li> </ol> </li> </ol>	

- 2.5 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.
- 2.6 In identifying suitable candidates the Committee shall:
- (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, taking care that appointees have enough time available to devote to the position.
- 2.7 Consider candidates by reference to any 'fit and proper' test and competency and capability criteria as published for time to time by the Society's Regulator(s).
- 2.8 For the appointment of Chairman, the Committee should prepare a job specification, including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise. This includes any affiliations where the Director is representing the Society at on any other organisation and continues after appointment as they arise.
- 2.9 Ensure that prior to the appointment of a director, the proposed appointee should be required to 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.
- 2.10 Ensure that on appointment to the Board, non-executive directors receive:
- (a) a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings; and
  - (b) a tailored induction plan the completion of which shall be monitored by the Committee.
- 2.11 If a Board vacancy has been identified by the Committee and approved by the Board, the Committee may 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 in respect of that vacancy to be 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 set out in 2.1 to 2.6 above in respect of that vacancy and on such terms as to its operation, including the reporting requirements, as determined by the Committee.
- 2.12 In considering diversity on the Board as referred to in 2.1, the Committee shall :
- (a) be responsible for putting in place a policy promoting diversity on the Board; and
  - (b) If considered appropriate, decide on a target for the representation of the underrepresented gender on the Board and prepare a policy on how to increase the number of the underrepresented gender in order to reach that target.
- 2.13 Review the results of the Board performance evaluation process that relate to the composition of the Board.
- 2.14 Review the programme of training for the Board on at least an annual basis.
- 2.15 Approve the Conflicts of Interest Policy in respect of Directors and be responsible for the monitoring of any such conflicts. The Committee will 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.
- 2.16 To 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 or Notified NED; and/or
  - (b) an alleged breach of a Conduct Rule by a Senior Manager or Notified NED.
- To then determine (or make appropriate recommendations to the Board in respect of any matter falling within 3.3 below) appropriate next steps 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.
- 2.17 Approve a nominated delegate for any Non-executive Director who is the holder of a Senior Management Function (SMF) in accordance with the Senior Managers Regime (SMR).
- 2.18 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.

	<p>3. <b>Recommendations to the Board</b> The Committee shall consider and make recommendations to the Board for approval in relation to the following matters:</p> <p>3.1 Proposed membership of the Audit, Risk and Remuneration Committees and any other Board Committees, in consultation with the chairmen of those committees.</p> <p>3.2 Appointments to any Non-Executive Director oversight role.</p> <p>3.3 The adoption of the annual re-election of all directors at the AGM in accordance with the provisions of the UK Corporate Governance Code.</p> <p>3.4 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>3.5 In relation to re-election of NEDs (particularly for a term beyond six years) consider the performance and ability of NEDs 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>3.6 The ongoing independence of the current independent Non-Executive Directors.</p> <p>3.7 Any matters relating to the continuation in office of any 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>3.8 The appointment of any director to executive or other office.</p> <p>3.9 The process to be undertaken for the annual Board / Committee Evaluation and Peer Review, including any recommendation to undertake an external evaluation in accordance with the provisions of the UK Corporate Governance Code.</p> <p>4. <b>Reporting Responsibilities</b></p> <p>4.1 Subject to the Board agreeing to comply with the relevant provisions of the UK Corporate Governance Code the Committee shall: <ul style="list-style-type: none"> <li>• make a statement in the Annual Reports and Accounts about its activities; the process used for appointments and explain if external advice or open advertising has not been used;</li> <li>• make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.</li> </ul> </p> <p>4.2 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>4.3 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>5. <b>Authority</b></p> <p>5.1 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>5.2 The Committee is authorised to obtain, at the Society's expense, external legal or other professional advice on any matters within its terms of reference.</p> <p>5.3 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Society's Secretariat for assistance as required.</p> <p>6. <b>Other Matters</b></p> <p>The Committee shall:</p> <p>6.1 Give due consideration to laws, regulations and rules, including the Regulators' Rules and Principles, and to the provisions in the UK Corporate Governance Code.</p> <p>6.2 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.</p>
Sub Committees	None.