

## Yorkshire Building Society Board Terms of Reference

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
Attendees	All Chief Officers who are not otherwise Directors as appropriate. Members of the Operating Committee or other Senior Leaders 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)), the majority of whom shall be independent directors, present in person or by telephone/video conference facility.
Written Resolution 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"> <li>1. Is accountable to the members of the Society.</li> <li>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.</li> <li>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.</li> <li>4. Establishes a sustainable business model and sets the strategy of the Group consistent with that model.</li> <li>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.</li> <li>6. Has oversight of the Group's operations ensuring: <ul style="list-style-type: none"> <li>▪ competent and prudent management</li> <li>▪ sound planning and risk management</li> <li>▪ adequate system of internal control</li> <li>▪ adequate accounting and other records</li> <li>▪ compliance with statutory and regulatory obligations</li> <li>▪ adequate financial resources</li> <li>▪ the fair treatment of all customers</li> <li>▪ appropriate risk aligned remuneration systems</li> </ul> </li> <li>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.</li> <li>8. Delegates implementation of the strategy and the 'day to day' management of the Group to the senior executive team which is led by the Chief Executive Officer.</li> </ol>
	9. The Board may delegate any of its powers, duties, discretions or authorities relating to the business of the Society to one or more Directors or a committee consisting of one or more Directors in accordance with the Society's Rules. In particular, certain responsibilities are

	<p>delegated to the Board committees set out below as 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>
Committees	<p>Audit Committee, Group Risk Committee, Remuneration Committee, Board Governance and Nominations Committee, Chairman's Committee.</p>

**Date of Approval:** 19 December 2017 (Board)

## MATTERS RESERVED TO THE BOARD

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"> <li>• IT Strategy</li> <li>• Financial Strategy (including the Capital Strategy)</li> <li>• People Strategy</li> <li>• Customer Strategy</li> <li>• Operations Strategy</li> <li>• Corporate Responsibility Strategy ("Society Matters")</li> </ul>
1.3	Approval of the following policies (including annual review) and interim material changes: <ul style="list-style-type: none"> <li>• Ethical</li> <li>• Health and Safety Management</li> <li>• Anti-bribery and Corruption</li> <li>• Vulnerable customers</li> <li>• Capital Strategy</li> <li>• Tax</li> <li>• Information Security</li> <li>• Commercial and Retail Lending Policy (on the recommendation of the Group Risk Committee)</li> <li>• Sales</li> <li>• Liquidity and Funding Risk Policy</li> <li>• Market Risk Policy</li> <li>• Treasury Risk Policy</li> </ul>
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 and joint venture companies - approval: <ol style="list-style-type: none"> <li>(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;</li> <li>(ii) to dispose all or part of a regulated and / or trading subsidiary;</li> <li>(iii) of loans/other finance above management expenditure limit;</li> <li>(iv) of inter group loans above any Board approved loan cap (if higher) except where the Board has delegated the authority to set the loan cap;</li> <li>(v) of the waiver of any inter group loans above the management expenses limit; and</li> <li>(vi) of any new or revised guarantees or letters of support.</li> </ol>
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	Approval of 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.
<b>2.</b>	<b>Financial Management and Reporting</b>
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 greater than £5m; (ii) outside Plan of greater than £2.5m; (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.
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 to be put to members for approval at the AGM. (v) approval of the Corporate Governance Report, Directors' Remuneration Report, Risk Report and Strategic Review for inclusion in the Annual Report and Accounts.* (vi) approval of the Annual Report and Accounts and Summary Financial Statement.* (vii) 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 Assets and Liability Committee or Executive Committee - approval of changes to profit targets, pricing, lending and retail inflow objectives and wholesale funding objectives (against Plan) above the mandate levels set by the Board. This is any impact which impacts income by more than £10m or 2% of NIM in a rolling 12 month period.

2.7	On the recommendation of Group Risk Committee approval of: (i) regulatory capital (ICAAP); and (ii) regulatory liquidity (ILAA).
<b>3.</b>	<b>Board Membership and other senior management/HR Issues</b>
3.1	On the recommendation of the Board Governance and Nominations Committee (BGNC) approval of: (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 Board Committees, in consultation with the Chairmen of those Committees; (iii) the re-appointment of any Non-Executive Director at the conclusion of their term of office and prior to the 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; (iv) In relation to the re-election of Non-Executive Directors (particularly for a term beyond six years) consider 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; (v) the ongoing independence of the current independent Non-Executive Directors. (vi) 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; (vii) the appointment of any director to executive or other office; (viii) 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; (ix) the adoption of the annual re-election of all Executive and Non-Executive Directors at the Annual General Meeting in accordance with the provisions of the UK Corporate Governance Code; (x) adequate succession planning for the Board and the Executive Management team; and (xi) role responsibilities of the Chairman, the Vice Chairman, Senior Independent Director, Committee Chairmen, and other Non-Executive Directors.
3.2	(i) Approval of the remuneration of non-executive directors - Executive Directors and Chairman only (excluding the fees payable to the Chairman which are approved by the Remuneration Committee), and (ii) Approval of any share incentive plan on the recommendation of the Remuneration Committee.
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, in accordance with the Society's Rules.
3.5	Approval of major changes to the structure of the Group's senior management structure (i.e. the Executive Team and the 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.
3.12	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 in accordance with its delegated authority.
<b>4.</b>	<b>Constitution/Corporate Governance Matters</b>
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 (in accordance with the Society's Rules).
4.4	Board Committees - approval of: (i) a new committee; (ii) terms of reference including subsequent substantial changes; (iii) members on the recommendation of BGNC; 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 Executive and Non-Executive Directors.
4.8	Consideration of voluntary compliance (and, where appropriate, on a 'comply or explain' basis) of the Code and remuneration regulations for listed companies.
<b>5.</b>	<b>Insurance</b>
5.1	Approval of the overall levels of corporate insurance for the Group including Directors and Officers Liability insurance.
<b>6.</b>	<b>Other Matters</b>
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 the Society or subsidiary or litigation/compensation payments outside the delegated authority levels approved by the Board, that is greater than £5m (unless referred to the Chairman's Committee where an urgent decision is required).
6.5	Amendments to this Schedule of Matters Reserved to the Board.
6.6	<p>To receive:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(ii) minutes of the Meetings of Board Committees;</li> <li>(iii) minutes of the meetings of Accord Mortgages Ltd and Executive Committee meetings.</li> </ul>

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