

Yorkshire Building Society Remuneration Committee Terms of Reference

Role	<p>The Remuneration Committee ('the Committee') is a committee of the Board of Yorkshire Building Society, from which it derives its authority. Its role is to oversee the development and implementation of YBS Group-wide remuneration policy for all colleagues, ensuring alignment to business strategy, regulatory compliance and the long-term, sustainable success of YBS Group.</p> <p>The Committee has specific responsibility for:</p> <ol style="list-style-type: none"> 1. The principles, parameters and governance framework of the Group's remuneration policy as applicable to all Group colleagues. 2. Determining and overseeing the application of remuneration policy and determining individual remuneration arrangements in relation to senior management. For this purpose, the definition of 'senior management' is the executive committee or the first layer of management below board level. For YBS Group, this includes the Chairman of the Society, Executive Directors, Chief Officers, Material Risk Takers and such other senior managers as the Remuneration Committee may from time to time determine. 3. The review of workforce remuneration and related policies 4. The alignment of incentives and rewards with YBS Group's culture, taking these into account when setting the remuneration policy for all colleagues.
Membership	<p>The Committee will comprise of at least 3 members, which shall comprise a minimum of 3 independent Non Executive Directors.. Members of the Committee will collectively have appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities. In addition, the Chairman of the Society cannot chair the Committee.</p> <p>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).</p>
Chair	<p>The Board will appoint the Committee Chair who will be an independent Non Executive Director. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months.</p> <p>In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.</p>
Secretary	<p>The Secretary of the Committee will be the Group Secretary or his or her nominee.</p>
Attendees	<p>Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief People Officer, Director of People Performance and the Independent Committee Adviser may be invited to attend for all or part of any meeting, as and when appropriate. Individuals should not attend part of any meeting when their own remuneration is under discussion.</p>
Frequency	<p>The Committee will normally meet at least four times a year and at such other times and otherwise as required.</p> <p>Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.</p> <p>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.</p> <p>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</p>
Quorum	<p>The quorum necessary for the transaction of business shall be:</p> <ul style="list-style-type: none"> ▪ Two members if the number of members who constitute the Committee is three. ▪ Three members if the number of members who constitute the Committee is four or more. <p>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>In the event of equal votes the Chair of the Committee shall have a casting vote.</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"> ▪ the policy for the remuneration of the Chairman (paragraph 1.2 below); ▪ the level of the Chairman's fees (paragraph 1.7 below); ▪ the policy for authorising claims for expenses from the Chairman (paragraph 1.14 below). <p>And he/she shall not be counted towards the meeting quorum in respect of that item.</p>
Written Resolutions	<p>Written resolution procedure in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.</p>

Mandate	<p>The Committee is authorised to:</p> <ol style="list-style-type: none"> 1. Seek any information it requires from any employee of the Group in order to perform its duties. 2. Obtain, at the Group's expense, any outside legal or other professional advice on any matters within its terms of reference. 3. Call any employee to attend a meeting of the Committee as and when required. 4. Publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board. <p>The Committee is required to:</p> <p>Exercise independent judgement when evaluating the advice of external third parties and when receiving views from Executive Directors, Chief Officers and other senior managers.</p>
Responsibilities	<p>The Committee will carry out the duties below for the Society, major subsidiary undertakings and the Group as a whole, as appropriate.</p> <p>The Committee Chair's role requires:</p> <ol style="list-style-type: none"> 1. Fostering an open, inclusive and where appropriate challenging discussion; 2. Ensuring the Committee and its members have the information necessary to perform their tasks and devote sufficient time and attention to the matters within their remit; 3. Facilitating the running of the Committee to assist it in providing independent oversight of executive decisions; and 4. Reporting to the Board on the Committee's activities. <p>1. Duties</p> <ol style="list-style-type: none"> 1.1 Determine and agree overall remuneration and related policies for the organisation as a whole, ensuring remuneration, incentives and rewards are consistent with the Society's culture and risk appetite, encouraging appropriate risk taking and risk management behaviours, and are fully documented. 1.2 Determine and agree the detailed policy for the remuneration of the Chairman of the Society, 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 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. 1.3 In determining such policy, take into account all factors which it deems necessary, including workforce remuneration and related policies and the alignment of incentives and rewards with culture. The remuneration policy and practices shall also address the considerations of clarity, simplicity, predictability and proportionality. 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. 1.4 Ensure that the remuneration policy and structures implemented to achieve compliance with remuneration regulations are subject to both central and independent internal review at least annually. 1.5 Approve the design of, and determine targets for, any performance related pay schemes operated by the Society and any instruments for the delivery of variable pay and each year assess performance against such targets and approve the total payments to be made under such schemes and under such instruments. 1.6 Within the terms of the agreed policy and in consultation with the Chairman of the Board and/or the Chief Executive as appropriate, review and approve remuneration of senior management. Make recommendations to the Board, for approval by members, regarding the Directors' Remuneration Policy. For this purpose, the definition of 'senior management' is the executive committee or the first layer of management below board level. For YBS Group, this includes Executive Directors and other Chief Officers, Material Risk Takers and other senior managers as the Remuneration Committee may from time to time determine. 1.7 Within the terms of the agreed policy, determine the level of the fee to be paid to the Chairman of the Society, and approve any changes to such fees. The Chairman of the Society and non-executive directors shall not be entitled to any element of performance-related pay. 1.8 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. 1.9 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. 1.10 Ratify the annual objectives of the Chief Executive, Chief Officers and other Material Risk Takers. 1.11 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>1.12 Review and approve the methodology to be used for identifying Material Risk Takers.</p> <p>1.13 Ensure engagement with the workforce has taken place to explain how executive remuneration aligns with wider company remuneration policy.</p> <p>1.14 Review any major changes in employee benefit structures, including retirement benefits, throughout the Group.</p> <p>1.15 Review and consider annually key below-board remuneration information and trends across the Group and take this into account when setting the policy for Executive Directors.</p> <p>1.16 Agree the policy for authorising claims for expenses from the Chief Executive and Chairman.</p> <p>1.17 Ensure fulfilment of the requirements regarding disclosure of remuneration, including pensions, set out in the Capital Requirements Directive and any other regulatory guidance (so far as the provisions are applicable to building societies) and, subject to the Board's continued approval for voluntary compliance with such provisions, also with the provisions set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amended) Regulations 2008 (or any subsequent amendments) for listed companies and the UK Corporate Governance Code.</p> <p>1.18 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 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>2 Reporting Responsibilities</p> <p>The Committee shall:</p> <p>2.1 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>2.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>2.3 Report to the Board on how it has discharged responsibilities which will be included in the Group's Annual Report.</p> <p>2.4 The Committee shall produce a Directors' Remuneration Report which comprises a statement from the Chairman of the Committee, an annual report of the Society's implementation of its Directors' Remuneration Policy and either a summary of the Directors' Remuneration Policy or, in a year in which such policy is put to members for approval at the Society's Annual General Meeting (AGM), the full policy and which will form part of the Society's Annual Report.</p> <p>The Committee shall ensure that the Directors' Remuneration Report is put to members for approval at the AGM each year, and in addition will put its Directors' Remuneration Policy to members for approval at the AGM at least every three years.</p> <p>2.5 The Committee will produce and review on an annual basis a Remuneration Policy Statement, demonstrating compliance with the Financial Conduct Authority (FCA) / Prudential Regulation Authority (PRA) Remuneration Code.</p> <p>3 Senior Managers Regime Prescribed Responsibilities</p> <p>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> <p>3.1 Responsibility for overseeing the development of and implementation of the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code).</p> <p>4 Other Matters</p> <p>4.1 The Committee shall give due consideration to laws and regulations, the provisions of 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>4.2 The Committee shall annually arrange for reviews of its own effectiveness 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>4.3 The Chairman of the Committee shall attend the Annual General Meeting to answer member questions on the Committee's activities.</p> <p>4.4 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	30 January 2019