



CORPORATE GOVERNANCE REPORT

A WORD FROM OUR CHAIRMAN

I am pleased to present our Corporate Governance Report for 2020, which sets out the role of the Board and its Committees, along with their key activities.

As Chairman, I am responsible for leading our Board and ensuring it continues to be effective. Our approach to corporate governance is key to this and never more so than in these extraordinary times which have brought with them unprecedented challenges for all of us. Above all, the Board remain committed to protecting the wellbeing of our colleagues and continuing to provide the very best service we can to our members and customers.

Our approach to Corporate Governance

Corporate governance is about the rules and policies we use to manage the Society and our approach is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council, which we aim to comply with where it applies to a building society as we believe this is in the best interests of all of our stakeholders. This report sets out how we have done this during 2020.

For the 2020 financial year we have applied the Principles and complied with the Provisions of the Code published in July 2018 (available on the Financial Reporting Council's website frc.org.uk) as far as they apply to building societies (as set out in the Building Societies Association (BSA) Guidance available at bsa.org.uk). As a mutual organisation we do not have shares or shareholders therefore references to long term shareholders in relation to remuneration (Provision 36) do not apply. We do, however, seek to apply the provisions of the Code that reference shareholders as appropriate to our members and in accordance with the BSA's guidance.

Our commitment to operate to this standard helps to ensure the long-term success and a sustainable future for the Society and for the benefit of our current and future members, customers, colleagues and all other stakeholders.

Our Strategy and the Board

As a Board one of our key areas of focus during 2020 has been the development of our new Strategic Blueprint to support our purpose of providing Real Help with Real Life. We aim to build on the foundations of our purpose by helping people into a place to call home, to build greater financial wellbeing and to provide better value to our members.

The Board is committed to ensuring that Environmental, Social and Governance (ESG) factors form a part of its decision making. During 2020 this has included time spent developing the 'societal' aspect of our agenda, particularly in the context of the impact of the COVID-19 pandemic and how we can have a material impact in the areas linked to our purpose in the current challenging economic climate.

More information on our strategy and

ESG commitments is included in the Strategic Report.

Impact of the COVID-19 pandemic on our governance in 2020 and beyond

As with so many issues in 2020, the COVID-19 pandemic meant that we had to adapt our governance to ensure we were able to continue to operate effectively and support the Society in meeting the operational challenges it created. Additional Board meetings were held to ensure the Board had sufficient oversight as the pandemic developed and we moved to using video conferencing to ensure that the Board could continue to meet whilst complying with government guidelines and protecting the health and safety of all those involved.

Our purpose of providing Real Help with Real Life has never been more important than during this time and in support of this the Board agreed that our priority during this period would be to support our customers, colleagues and communities whilst ensuring the long term sustainability of the Society.

In 2020 we were unable to hold our Annual General Meeting (AGM) in our usual format and we are looking at the options for the AGM in 2021 to take into account the ongoing impact from the COVID-19 pandemic.

Changes to the Board in 2020

There has continued to be a significant focus on succession planning for our Board during 2020 to ensure it remains effective now and in the future. As a result of those succession plans, I would like to update you on the following changes to our Board during the year:

- Mark Pain stepped down from the Board and his roles as Vice Chair and Senior Independent Director on 30 September 2020. I would like to thank Mark for his outstanding contribution to the Society's success and wish him well for the future.
- Alison Hutchinson took on the role of Senior Independent Director and Vice Chair with effect from 1 October 2020 after Mark Pain stepped down, bringing her significant experience to these roles.
- Mark Parsons joined the Society on 20 October 2020 as a Non-Executive Director and member of our Audit and Group Risk Committees. Mark's

depth and breadth of experience in managing retail financial services at an executive level, alongside his broad ranging skillset, will further strengthen our Board.

We reported in last year's Annual Report and Accounts, that the Board Governance and Nominations Committee began a search in 2019 for a new Non-Executive Director as part of future succession planning. As a result of that search the Board was pleased to announce the appointment of Catharine French as a Non-Executive Director from 1 April 2020. Catharine brought significant skills and experience from a long and distinguished career in financial services. Sadly Catharine passed away in May 2020 but not before showing in that short time what an outstanding addition to our Board she would have been.

Non-Executive Director, Gordon Ireland, is due to retire from the Board at the conclusion of the 2021 AGM. I would like to take this opportunity to thank Gordon for his support and for his excellent contribution to the Board and also the Audit and Group Risk Committees of which he has been a member.

External Board Evaluation 2020

As part of our commitment to follow the Code, the Board agreed to undertake an external review of its effectiveness, together with that of its Committees, in 2020 and appointed Halex Consulting as the external facilitator. Further details on the process are provided in the *Board Governance and Nominations Committee Report*.

What are the Board's priorities for 2021?

Maintaining a robust approach to corporate governance to support the long term success and sustainability of the Society in these uncertain times will remain the priority of the Board in 2021 taking into account a range of issues including the ongoing situation with regard to the COVID-19 pandemic, the implications of Brexit and focusing on achieving the priorities in our Strategic Blueprint.

John Heaps
Chairman

Board Leadership and Company Purpose

OUR BOARD AND COMMITTEE STRUCTURE

BOARD

Chair - John Heaps

Collectively responsible for the long term success of the Society.

BOARD COMMITTEES

The Board delegates certain matters to Board Committees so that they can be considered in more detail by directors who have the most relevant skills and experience to do so:

CHAIRMAN'S COMMITTEE

Chair: John Heaps

Considers ad hoc matters specifically delegated to it by the Board.

Members are the Chair, Vice Chair and Chief Executive or any other Director appointed by the Board.

REMUNERATION COMMITTEE

Chair: Guy Parsons

Oversees the development and implementation of the Remuneration Policy for all colleagues.

[Read more: page 90](#)

AUDIT COMMITTEE

Chair: Guy Bainbridge

Reports to the Board on financial reporting, internal controls and risk management systems, Internal and External Audit.

[Read more: page 76](#)

GROUP RISK COMMITTEE

Chair: Neeta Atkar

Oversees Prudential Risk, Operational Risk and Conduct Risk Strategy, Appetite and Oversight.

[Read more: page 81](#)

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE

Chair: John Heaps

Oversees Board governance, including composition, succession and appointment processes for the Board.

[Read more: page 72](#)

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE (EXCO)

Chair: Mike Regnier,
Chief Executive

Oversees and directs the management of all aspects of the Society with delegated authority from the Board. All the Chief Officers are members.

EXECUTIVE RISK COMMITTEE (ERC)

Chair: Richard Wells,
Chief Risk Officer

Oversees day to day risk management activity with delegated authority from the Group Risk Committee.

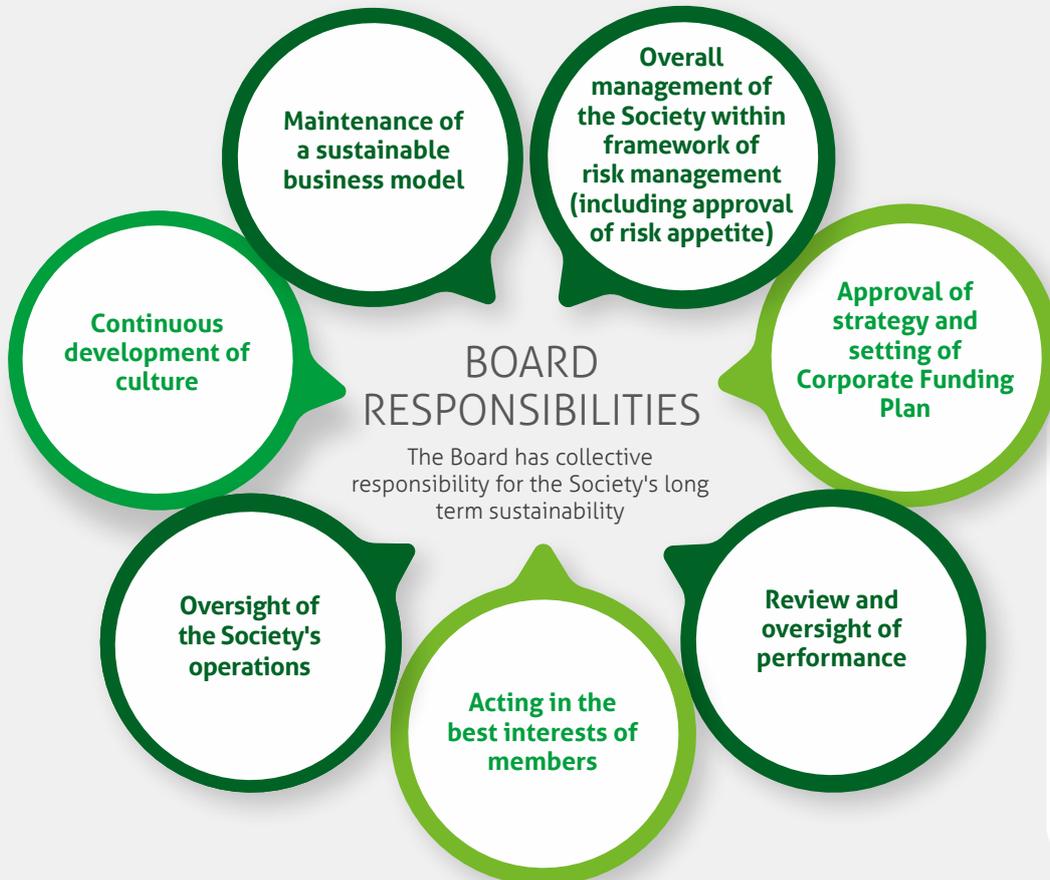
[Read more: page 84](#)

The Board and each of its Committees have terms of reference which set out their roles and responsibilities.

[You can find the terms of reference of our Board, Remuneration, Audit, Group Risk and Board Governance and Nominations Committees on our website at ybs.co.uk/board.](https://www.ybs.co.uk/board)

Board’s Responsibilities

The Board is accountable to our members and its role and responsibilities are set out in its Terms of Reference. These include:



The Board keeps certain key matters for its own approval which it does not delegate to any of its committees or any individual.

These are set out in a Schedule of Matters Reserved which can be found on our website at ybs.co.uk/board.

Setting our purpose and generating long term success

The Board is committed to delivering our purpose and creating long-term value for our stakeholders through good governance and keeps the Society’s purpose and long term success under review.

It does this through:

- **Dialogue with the senior leadership team** - ongoing discussions regarding industry trends and the external environment are key to the Board’s ability to ensuring the Society’s long term success.
- **Effective decision making** - a strong governance structure supports quicker and better decision making, in line with our strategy.
- **Ensuring good quality reporting** - the quality of the information provided to the Board, including details of any impact on its stakeholders, wider community and the environment, ensures it is able to make informed decisions which can improve value creation and reduce costs.
- **Compliance** - good corporate governance ensures that we meet legal and regulatory requirements and avoid any consequences of not doing so.
- **Brand and reputation** - a clear and effective framework of corporate governance provides confidence to our stakeholders, supporting a positive brand reputation.
- **Risk management** - continuous identification and review of principal business risks and how those risks could affect the Society’s purpose and long term success, taking into account the agreed risk appetite.

Board Activities in 2020

Our Board's activities during the year are based around an annual cycle to make sure it meets its responsibilities and oversees overall management of our operations.

The key matters considered by the Board are planned on a rolling 12 month basis with additional items included through the year as appropriate.

At each meeting the Board receives:

- Chairman's Report
- Chief Executive's Report including an update on key issues
- Comprehensive management information including financial and non-financial
- Scorecards to monitor progress against key performance indicators (KPIs)
- External environment and consumer update
- Updates from and minutes of Board Committee meetings and Executive Committee minutes

During 2020 Board agendas have also included the following key topics at scheduled meetings in the year:

- Strategy development
- Approval of the Annual Report and Accounts and Half-Yearly Financial Report
- Approval of key policies, including Conflicts of Interest Policy for Directors and Chief Officers
- Whistleblowing Annual Report (including Policy)
- Approval of Modern Slavery Act Statement
- Updates in relation to the management of cyber security and resilience
- Review of products and lending initiatives
- Approval of the 2020 Internal Liquidity Adequacy Assessment Process (ILAAP).
- Internal Capital Adequacy Assessment Process (ICAAP)
- Board Training Plan
- Corporate Insurance
- Operating Plan and Stress Tests
- People Plan including Engagement and Inclusion and Diversity
- Succession planning, including diversity of the pipeline
- Digital roadmap
- Minutes of Accord Board meetings and bi-annual governance updates
- Quarterly Chief Risk Officer updates, approval of Risk Appetite and ongoing monitoring of adherence
- Workforce engagement updates
- Transformation Roadmap
- Money Laundering Report Officers Annual Report
- Selection of the Society's Charity Partner
- Environmental, Social and Governance updates
- Regulatory updates, including Senior Managers and Certification Regime
- IT Strategy refresh and legacy review

In addition, during 2020 the Board received specific information in relation to the COVID-19 pandemic:

- Wider economic impact
- Regular updates including financial implications, service impacts and lasting impacts, including customer and colleague behaviour
- COVID-19 dashboard - including service updates in relation to key business areas covering people, technology, suppliers / fraud / cyber, property and social media / external
- Impact of COVID-19 on the Society's Annual General Meeting

The Board also holds two separate strategy sessions each year which have covered the following topics:

- External perspectives on the COVID-19 crisis
- New ways of working - COVID-19 reflections
- Strategy to 2024 including new behaviours to guide our culture
- Purpose and Environment, Social Governance strategy
- Mortgage trading - progress during COVID-19
- Mortgage trading strategy
- Corporate Plan

Our Board's Engagement With Stakeholders

A strong relationship between the Board and its stakeholders helps to drive the achievement of the Society's purpose and priorities. It is important that our Board understands the areas of interest or concern for our key stakeholders when it makes decisions and to support this each report to the Board includes details of the impact or potential impact of a decision on these stakeholders.

WHO ARE THE BOARD'S KEY STAKEHOLDERS



For more details about how we engage with the Society's key stakeholders see page 20.



Our Members

As a mutual we have no external shareholders – we are owned by our members. We encourage feedback from them on any aspect of our activities and use this to inform the Board's decisions.

We hold an AGM to present to our members details of how we performed during the previous year, our plans for the future and, where circumstances allow, to give them an opportunity to ask questions and provide feedback.

This year's AGM was due to be held at 2.30 pm on 28 April 2020 at the Met Hotel, Leeds, however, due to the outbreak of the COVID-19 pandemic and the subsequent restrictions on public gatherings we were unable to hold our AGM in the usual way. Throughout the outbreak, our priority has been to protect the wellbeing and safety of our members and colleagues, whilst providing our communities with the essential financial services they need and meeting our legal obligations. As with all building societies by law we still had to hold an AGM but we revised the arrangements to ensure we safely met our obligations within the context of the measures put in place by the Government and public health guidance at that time.

As such, the meeting was held at the Society's Head Office in Bradford at 4.00 pm on 28 April 2020. Due to the 'Stay at Home' measures in place at the time which prohibited public gatherings our members were not able to attend the AGM in person. For the AGM to be a valid meeting we asked Society colleagues who were already working at Head Office and were members of the Society, together with any directors in attendance, to help us comply with the meeting requirements in our Rules. In accordance with government guidance, banks and building societies are providers of essential services meaning that our colleagues are "key workers" and were permitted to continue working to support our members and the wider economy despite the restrictions in place. Those in attendance in person at the AGM observed the social distancing guidance in place at all times.

Despite the unexpected circumstances, it remained important that our members were able to have their say at the AGM even though they were unable to attend in person. As such, we strongly encouraged all our eligible members to exercise their voting rights either through voting online or returning their postal vote. In addition, as we were unable to hold a question and answer session for our members at the meeting, members called, emailed or wrote in with their questions and responses were issued in a timely manner.

The Code expects that if there is a vote of 20 per cent or more against any resolution put forward by our Board at the AGM, we should give details of how we will consult our members to understand the reason why. The Society has a process in place if this happens; however, there were no votes of 20 per cent or more against any of the resolutions our Board put forward at the 2020 AGM.

Our Colleagues

The Board is committed to ensuring that the views of our colleagues are considered in decision making and in 2019 appointed Alison Hutchinson as the Non-Executive Director for Workforce Engagement.

One of the fundamental elements in supporting this role was the implementation of a Colleague Forum in 2019 which the Non-Executive Director for Workforce Engagement attends. The Colleague Forum meets quarterly and is attended by a cross section of representatives from across the Society together with the Non-Executive Director for Workforce Engagement who feeds back to the Board after each meeting.

During 2020 the Colleague Forum has been successfully adapted to enable colleagues to engage in a virtual context, with colleagues still able to actively participate and share views.

The Forum has been aligned with Executive Committee and Board agendas where possible and this has ensured colleague feedback has been a part of developing key items including:

the behaviours recently launched;

- our Digital Strategy
- bringing our purpose to life and our broader opportunity to support the communities in which we operate
- our inclusion and diversity agenda
- and in particular for 2020, our COVID-19 response and how this evolved over the year.

In March 2020 four colleagues joined the Board meeting to share an example of the work they have been doing through the Colleague Forum. They set out for the Board how they had been involved in shaping Flexible Working practices which led to an approach and policy that suits the very different requirements across the business and was important in supporting our colleagues during the COVID-19 pandemic.

Board papers are structured to ensure they include how they have taken colleagues' views into account to inform decisions and recommendations. The Board also receives an annual assessment and update on the framework for colleague engagement.

In addition to the formal structure provided by the Non-Executive Director for Workforce Engagement and the Colleague Forum, the Board recognises the importance of colleagues having the opportunity to engage with other Board members where possible. As a result, Colleague Listening Groups were held at our Leeds office in February 2020, open to all colleagues they provided an opportunity for them to ask questions and share their thoughts on working for YBS. As outlined in the Colleague Section, we have also continued to engage with our colleagues through Reward Listening Groups, all People Leader calls and through the pulse survey tool with questions tailored to feedback to support during the COVID-19 pandemic and follow up measures.





Colleague feedback at the end of 2020 included:

I feel like there is space for the voice of my department in the process.

I can honestly say as an attendee that this feedback feels like it is gratefully received, listened to by our Board Representative.

I think the forum collectively is making an impact and whilst it is still to a degree in its infancy, it is a very valuable forum that I am sure has a big part to play in the 'people/colleague' agenda, going forward for YBS.

Our Culture

We have a strong and positive culture which supports our purpose and the delivery of our strategy. Whilst the revised Code published in 2018 made culture a key principle for the first time, work on refining our own culture had already started in early 2016 and continues to be overseen and led by our Board.

As part of the work that has been completed on the Society's Strategic Blueprint, we have developed a new set of behaviours which will be an important driver of our future culture.

 **For more information on the Society's new behaviours see page 29.**

Whistleblowing

We are committed to making sure that anyone, including our colleagues, can be confident that any concerns raised with us will be taken seriously and treated as confidential. Nobody will be the subject of victimisation, subsequent discrimination or disadvantage for reporting their concerns, whatever the outcome. We have clear processes in our Whistleblowing Policy which is approved by our Board annually. Our Board also oversees how the policy works.

The Society's Whistleblowing Champion is Alison Hutchinson, Senior Independent Director and Vice Chair, who took over when Mark Pain stepped down in September 2020.



Directors Duties

Section 172 of the Companies Act 2006 describes the duties of company directors in respect to promoting the business and considering other stakeholders. This does not apply to the Society's Directors as we are a building society not a company, but the Code expects boards to report on how they have considered the matters set out in Section 172 in decision making.

The table below summarises the Section 172 requirements and cross references to where this consideration is covered in other sections of this document.

Summary of Section 172 Requirements (as applied to a building society)	Yorkshire Building Society Board	Relevant Disclosure
A director must act in a way they consider, in good faith, would most likely promote the success of the business for the benefit of its members as a whole (i.e. the company's shareholders) and in doing so have regard (amongst other matters) to the:	<p>As a mutual the Society does not have external shareholders, we are owned by our members. The Board is committed to promoting the long term success of the Society for the benefit of our current and future members.</p> <p>Building on our purpose to provide Real Help with Real Life the Board agreed our new Strategic Blueprint in 2020 which underpins its commitment to the success of the business for our members both now and in the future.</p>	<p>Our Business Model: page 22</p> <p>Our Purpose: page 24</p> <p>The Blueprint: page 28</p>
• likely consequences of any decision in the long term	<p>Our Board recognises the importance of ensuring the likely consequences of decisions in the long term are considered which is reflected in our new Strategic Blueprint built around our purpose of providing Real Help with Real Life.</p>	<p>Our Business Model: page 22</p> <p>Our Purpose: page 24</p> <p>The Blueprint: page 28</p>
• interests of employees	<p>The Board understands that our people are the foundation of our business and recognises the importance of ensuring that their voice is heard in the board room. Each paper considered by the Board sets out the implications for our employees and, where relevant, how they have been consulted on the proposals.</p> <p>The Board has also put in place a framework to ensure colleague views inform its decisions. For more detail on our colleague engagement framework and how this links to Board decision making see page 64.</p>	<p>Our Stakeholders: page 20</p> <p>Customers, Colleagues and Communities: page 30</p>
• need to foster business relationships with suppliers, customers and others	<p>The Society's Board is committed to fostering and monitoring the effectiveness of our wider business relationships with all our key stakeholders. This was reflected in the shaping of our Strategic Blueprint which was supported through detailed stakeholder engagement exercises (for more detail on our engagement with our key stakeholders see page 21).</p>	<p>Our Stakeholders: page 20</p> <p>Customers, Colleagues and Communities: page 30</p>
• impact of the business's operations on the community and the environment	<p>The environment, social and governance impact of the Society has been a key consideration as part of the development of the new Strategic Blueprint and formed part of discussions at the Board's strategy days held in 2020. In addition, each paper considered by the Board sets out any social or environmental implications of a decision ensuring that the Board has regard to the impact of these as part of its overall approach to promoting the success of the Society.</p>	<p>Customers, Colleagues and Communities: page 30</p> <p>Environmental Impact: page 36</p>
• desirability of maintaining a reputation for high standards of business conduct	<p>The Board's commitment to maintaining high standards of business conduct helps to ensure the long term success of the Society for our current and future members, customers, colleagues and all other stakeholders. This was reflected in the development of the Society's new behaviours which will drive the culture that will support the delivery of our new Strategic Blueprint.</p>	<p>Awards: page 6</p> <p>Our Business Model: page 22</p> <p>Our Purpose: page 24</p> <p>Customers, Colleagues and Communities: page 30</p> <p>Whistleblowing: page 65</p> <p>Internal Controls: page 79</p>
• need to act fairly as between members (i.e. the company's shareholders)	<p>The Society does not have external shareholders, instead our members are our owners and at the heart of what we do. The Board understands the importance of engaging with our members and is committed to ensuring their views inform future decision making to ensure it is fair and in the interests of our membership as a whole.</p>	<p>Our Stakeholders: page 20</p> <p>Customer, Colleagues and Communities: page 30</p>

Section 172 in Practice - The COVID-19 Pandemic

In 2020 our purpose of providing Real Help with Real Life has never been more important with the COVID-19 pandemic impacting our daily life across all parts of the UK. This was, therefore, central to the Board's considerations in the management of the impact of the pandemic and it agreed that the priority during this period would be to support our customers, colleagues and communities whilst ensuring the long term stability and sustainability of the Society.

In its role overseeing the running of the Society it was important that the Board remained up to date with the fast moving changes which could affect the business, working with the Executive Team on the Society's response to the pandemic.

This has included:

- Additional Board calls held between March and June 2020 focused on the impact of the pandemic and any associated actions required by the Society.
- Review of the Society's COVID-19 dashboard providing critical service updates, including operational status and operating status reports.
- Regular updates from the Chief Operating Officer and Director of Operational Risk and Control on the management of operational resilience issues arising from the pandemic, including agreed standards of service for performance, management of payment deferrals, home working capability, safe use and management of office facilities and branch sites and the impact on ongoing programmes such as the telephone upgrade.
- Receiving updates on the short, medium and long term outlook from both internal and external sources.

As part of its decision making in relation to the pandemic, the Board also had regard to:

Consequences of a decision in the long term

Whilst it was recognised that forecasting the future social and economic effects of the pandemic and its impact on business was difficult, in addition to managing the immediate impact of the pandemic, it was recognised that the Board also continued to have a responsibility to consider the long term impact of decisions being taken, such as:

- Managing the risks arising from a changing external environment within Board Risk Appetite, including discussions at the Group Risk Committee on the impact on the risk profile which all Board members attended.
- Impact of trading conditions on longer term performance.
- Long term impact on branch and call centre opening times as a result of changing customer demand.

Interests of employees

As with most businesses, the pandemic brought unprecedented challenges for our colleagues in terms of their health, well-being and financial security. The Board agreed that one of the main business priorities during the COVID-19 pandemic was the welfare of our colleagues and

retained oversight of the steps being taken to ensure that their interests remained at the forefront of decision making, such as:

- Ensuring the segregation of teams across the business to support social distancing whilst accelerating the introduction of technology to support those colleagues working from home.
- Ensuring that appropriate support mechanisms were in place, including helping colleagues with physical and mental wellbeing challenges.
- Ensuring colleague engagement could be maintained during the pandemic to ensure that the progress made in building a strong employee engagement framework was not lost.
- Reviewing colleague policies to provide additional support for dependents and carers as well as for those colleagues required to self-isolate.

Need to foster business relationships

During the COVID-19 pandemic in particular it has had oversight of:

- Engagement with our members and customers, ensuring regular and appropriate communications.
- Regulatory relationships and the assurance provided in relation to our operational and financial resilience.
- Progress in ensuring the Society's investors receive appropriate assurance on the capital, liquidity and performance position of the Society as well answering questions on areas of potential impact such as payment deferrals.
- Engagement with other key stakeholders, including suppliers, to ensure that the best possible service continued to be delivered to our members and customers.

Impact of business operations on the community and the environment

The Board considered the development of the societal aspect of the Society's agenda and how this could be strengthened taking into account the impact of the COVID-19 pandemic. The Society's purpose of providing Real Help with Real Life through a 'place to call home' and 'financial wellbeing' was never more important than in 2020 when our members and the wider community were impacted by the challenging economic environment created by the pandemic.

As well as providing concerted support to the Society's new Charity Partner, Age UK, the Board agreed proposals to support the development of employability and digital skills in the community and develop a comprehensive programme to help people achieve financial wellbeing at a number of stages through life.

In 2020 our Board agreed a community investment strategy for the Society. This strategy is supported by two purposeful focus areas: financial resilience; and employability and digital skills in a changing world, which were selected due to the accelerated urgency created by the COVID-19 pandemic. The initial focus for work in relation to digital skills and employability will be our Bradford heartland, including the Bradford for Everyone Project.

Maintaining high standards of business conduct

The Board and the Society has remained committed to maintaining the highest standards of business conduct throughout the pandemic ensuring from an operational perspective the Society continued to provide a good service through our branches, online and the telephone despite the challenges brought about by the pandemic.

Operational performance in key customer facing areas has been monitored by the senior team and the Board throughout and action taken where required to address any issues arising. For example, the introduction of a new online form for payment deferral requests and colleague training to assist them in supporting customers in dealing with the circumstances they found themselves in as a result of the pandemic. In light of the impact of COVID-19 on the UK economy, our Executive and Non-Executive Directors requested that their salaries/fees should not be increased for 2020.

Need to act fairly as between members

Our members as our owners are at the heart of Board decision making and were one of the key priorities identified during the COVID-19 pandemic. The needs of our members and the service provided to them remained a key part of the Board's decision making process throughout this time and a driving force behind our operational priorities, including keeping members in their homes, protecting savings and providing essential financial services.

Conflicts of Interest

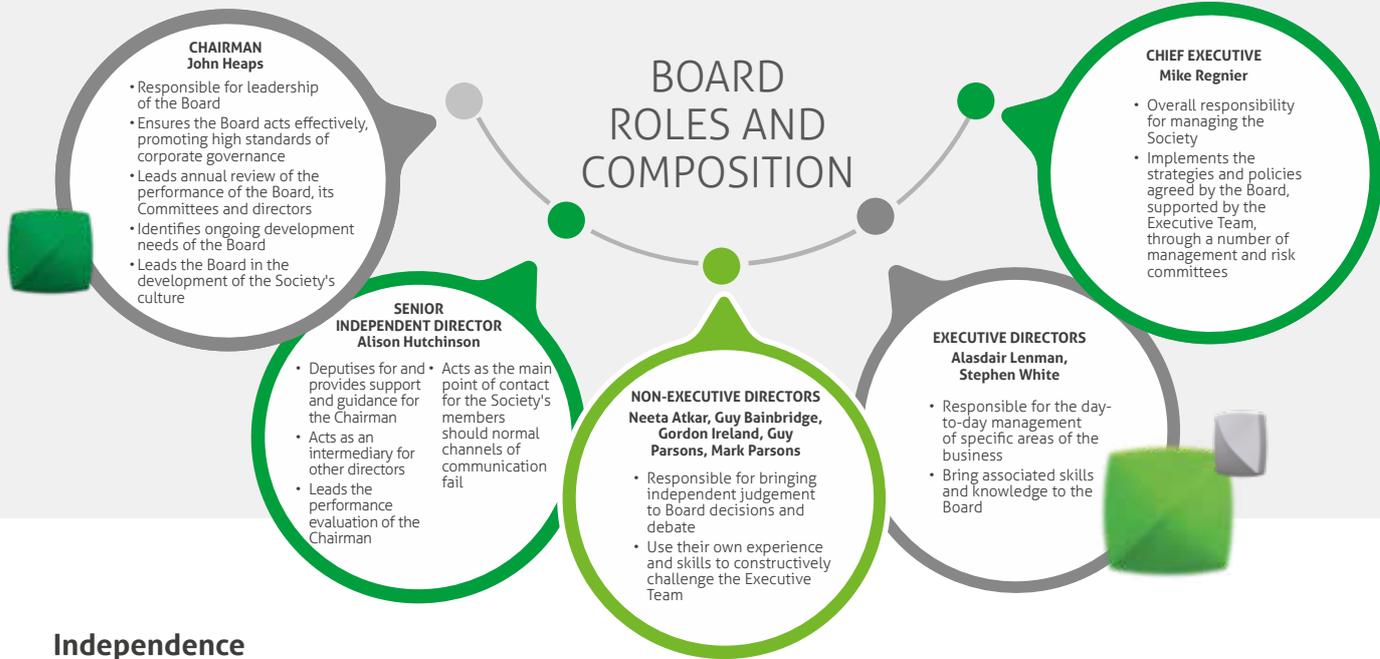
Our Board has a Conflicts of Interest Policy for Directors and Chief Officers which sets out how we will review and, where appropriate, approve any conflicts

or potential conflicts of interest. These are recorded in a Register of Interests which is reviewed and approved by our Board Governance and Nominations Committee at each meeting.

If any director wants to take on a new external position it must first be approved by our Board, which will consider whether there could be any conflicts of interest and / or an impact on the time they commit to their role with the Society.

Division of Responsibilities

The size and composition of our Board and its Committees are kept under constant review, including future succession planning and all aspects of inclusion and diversity.



Independence

The Board has confirmed that all the Non-Executive Directors continue to be independent based on the guidance set out in the Code, including the Chairman, who was independent on appointment.

Attendance at Board and Committee meetings

The table below shows our directors and the scheduled Board and Committee meetings they attended during 2020 (where they were a member during the year) followed by the number of meetings the director was eligible to attend.

Director	Board	Board Strategy	Board Committees				
			Chairman's	Audit	Board Governance and Nominations	Remuneration	Group Risk
Non-Executive Directors							
John Heaps	9/9	2/2	No meetings required in 2020	–	4/4	5/5	–
Mark Pain ¹	7/7	1/1	–	–	3/3	–	3/3
Alison Hutchinson ²	9/9	2/2	No meetings required in 2020	–	4/4	5/5	4/4
Neeta Atkar	9/9	2/2	–	4/4	–	–	4/4
Guy Bainbridge	9/9	2/2	–	4/4	–	–	4/4
Catharine French ³	1/1	–	–	–	–	–	–
Gordon Ireland	9/9	2/2	–	4/4	–	–	4/4
Guy Parsons ⁴	9/9	2/2	–	–	1/1	5/5	–
Mark Parsons ⁵	2/2	1/1	–	1/1	–	–	–
Executive Directors							
Mike Regnier	9/9	2/2	No meetings required in 2020	–	–	–	–
Alasdair Lenman	9/9	2/2	–	–	–	–	–
Stephen White	9/9	2/2	–	–	–	–	–

¹ Vice Chair and Senior Independent Director and member of the Group Risk and Board Governance and Nominations Committees until 30 September 2020.

² Vice Chair and Senior Independent Director from 1 October 2020.

³ Member of the Board and Remuneration Committee from 1 April 2020 to 10 May 2020.

⁴ Joined the Board Governance and Nominations Committee from 1 October 2020.

⁵ Joined the Board and the Audit and Group Risk Committees from 20 October 2020.

The following ad hoc meetings were also held at short notice during 2020:

- **Board:**
Five conference calls between March and June 2020 to specifically address the impact of and the Society's response to the COVID-19 pandemic.
- **Remuneration Committee:**
Two additional meetings in February and one additional meeting in each of March, April, November and December 2020.

If a director cannot attend a meeting they will receive the papers and provide any comments they have to the Chair of the meeting beforehand.

The Chairman and Chief Executive have attended all committee meetings, to which they were invited and the Chief Risk Officer is invited to attend all Board meetings.

If an urgent decision is needed when there is not a Board meeting a decision can be taken in writing (known as a written resolution)

if there is approval from all directors (or members in the case of a committee). Our Rules set out the procedure for written resolutions and it was used twice by the Board during the year.

Directors' time commitment and other directorships

All Non-Executive Directors have to make sure that they have enough time for the responsibilities of their role and to support this:

- Availability and other commitments are reviewed when recruiting new Non-Executive Directors.
- Each Non-Executive Director has a letter of appointment which sets out the expected time commitment for the role.
- If a Director is intending to take on an additional external appointment this is reviewed and, if appropriate, approved before it is taken up. Our Board will consider the impact any additional role

would have on the time they could commit to their role with the Society.

- A review of time commitment is also included as part of the one to one sessions held each year with individual directors.

There were no new significant external appointments for the Non-Executive Directors during the year to 31 December 2020.

None of the Executive Directors held a Non-Executive Directorship in a FTSE100 company or any other significant appointment during 2020. Mike Regnier, Chief Executive, is currently the Chair of the Building Societies Association.

Group Secretary

The Group Secretary, Simon Waite, provides advice on all governance matters and is available to advise all of the directors.

Composition, Succession and Evaluation

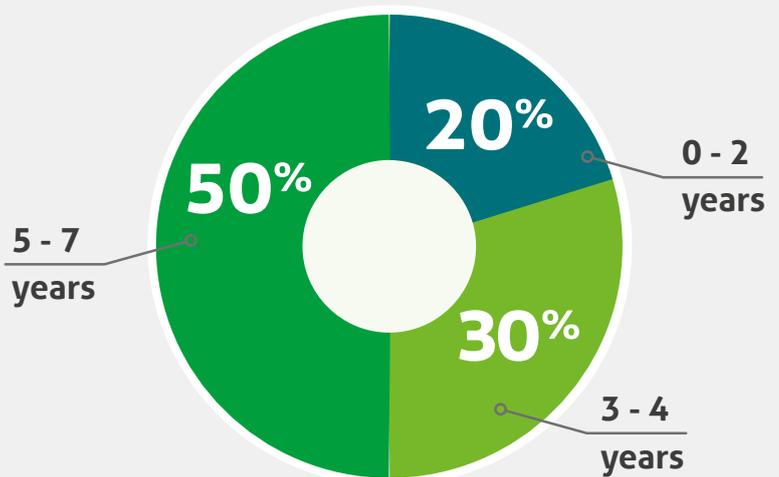
Election of Directors

All of our directors are subject to annual re-election by our members at the AGM based on the best practice set out in the Code (our Rules require the re-election of our directors to take place at least once every three years). Details of each individual director's contribution are set out in the booklet accompanying the Notice of AGM sent to all qualifying members.



Tenure of Directors

Length of time spent as a member of our Board, for our Non-Executive and Executive Directors, is set out in the diagram below:



Our Chairman, John Heaps, was appointed as Chairman Designate in 2014 and became Chairman in 2015. His current time on the Board does not exceed the provision in the Code that states that the Chair should not remain in post beyond nine years from their first date of appointment, and our succession plans will take this into account.

Progress Against 2019 Board Evaluation Outcomes

Each year our Board reviews its performance, as well as that of its principal committees and the individual directors.

In 2019 an internal evaluation was completed and the outcomes reported to and considered by the Board. Three main themes arose from the 2019 evaluation and good progress has been made on these during 2020 as set out in the table below:

Themes from 2019	What the Board did in 2020
Continue to seek ways of enhancing and developing the diversity of our Board.	<p>Ensuring the Board has a diverse composition with a wide range of different skills, experience and perspectives remained a focus of both the Board and Board Governance and Nominations Committee during 2020.</p> <p>Significant work was undertaken through Board Governance and Nominations Committee to ensure that diversity was embedded within our recruitment processes for Non-Executive Directors.</p>
Ensure succession plans meet both the medium and long term needs of our Board.	<p>Succession planning has been an ongoing focus for the Board and BGNC to ensure that the Board remains effective in the short, medium and long term. Plans are in place to ensure the replacement of directors as they reach the end of their terms of office and are reviewed at each BGNC meeting to ensure they remain fit for purpose.</p> <p>For more information about the Board's approach to succession planning see page 74.</p> <p>Changes to the Board during 2020 which reflect the succession planning work which has been undertaken are set out in the Chairman's introduction to the Corporate Governance Report on page 59.</p>
Ensure the Board is engaging with and encouraging participation from our colleagues.	<p>The Board appointed Alison Hutchinson as the new Non-Executive Director for Workforce Engagement in 2019 to support the Board's engagement with colleagues.</p> <p>The role and the supporting workforce engagement framework were embedded during 2020 with bi-annual updates provided to the Board.</p> <p>For more information about our approach to workforce engagement see page 64.</p>

Board Evaluation

The Board agreed to undertake an external evaluation of its performance and that of its Committees in 2020 and appointed Halex Consulting to facilitate the review.

The Board discussed the findings of the review in February 2021 and, following consideration of the final report, an action plan will be developed for completion during 2021. Further information on the outcomes and actions identified as a result of the external review will be presented in the Annual Report and Accounts for 2021.

For further details on the process followed for the external evaluation please see the Board Governance and Nominations Committee Report.

Board Development

The Board has an annual training plan which is developed in conjunction with members of the Board Governance and Nominations Committee to make sure that the skills and knowledge of its directors and the Board as a whole are kept up-to-date.

The Board Training Plan includes:

- Key topics in relation to areas where the Board would benefit from gaining an external perspective, such as climate change.
- Any training or development requirements arising from the annual Board Effectiveness Review.

- Any areas identified as a result of ongoing reviews of Board composition and future succession plans.
- Topics covered by internal specialists through standing agenda items which provide an ongoing refresh of knowledge in relation to key subject areas.

All new directors also have an induction when joining our Board, based on their skills and experience and role specific inductions are arranged where a director takes on a new role or committee membership.

INDUCTION OF A NON-EXECUTIVE DIRECTOR

Mark Parsons joined the Board in October 2020 and took part in a tailored induction programme which took into account his existing experience together with the need to introduce him to the key areas of the Society.

Due to the COVID-19 pandemic a revised approach was taken to ensure that the induction process was not delayed due to the inability to meet face to face as a result of health and safety requirements. The sessions were held through video conferencing to ensure the maximum possible interaction for Mark with the Society’s senior leadership and specialists. All directors undertake site visits to key operational areas, including branches and customer services, during their first

year on the Board. Where it is safe to do so, these will be undertaken in person in 2021 or otherwise technology will be used to provide an interactive session to introduce Mark to the operational areas of the business.

The induction took account of Mark’s extensive experience in financial services and was tailored to ensure he was provided with a strong understanding of how the Society operated across key business areas. This included specific induction sessions tailored to his roles on the Audit Committee and Group Risk Committee to ensure he was up to date on the current work including issues and opportunities being addressed by those committees.



The induction programme I’ve experienced has been thorough and valuable. Not only has it given me added knowledge in specific areas of the business but also enabled me to see how the various parts of the Society join up. I’ve been impressed with the consistent playback of the strategy, demonstrating how it is widely understood, together with the enthusiasm for it. I’ve also got a great sense of the strength and depth of management capabilities.

**Mark Parsons,
Non-Executive
Director**



More information about our Board is available in other sections of this document:

Subject	Where to find this information
Succession planning for the Board	See our <i>Board Governance and Nominations Committee Report</i> on page 74.
Skills and experience of our Board and Committees	See our <i>Leadership Team biographies</i> on pages 53 to 57.
Recruitment and appointment of Directors	See our <i>Board Governance and Nominations Committee Report</i> on page 73.
Board diversity and inclusion	See our <i>Board Governance and Nominations Committee Report</i> on pages 74 to 75.

Audit, Risk and Internal Control

Our Board has overall responsibility for audit, risk and internal control, and delegation oversight to its committees:

Subject	Where to find this information
Ensuring that both internal and external audit are effective	More information can be found in the <i>Audit Committee Report</i> on pages 78 to 80.
Setting our risk appetite	More information can be found in the <i>Risk Management Report</i> on page 83.
Our systems of internal controls	More information about the internal controls framework can be found in the <i>Audit Committee Report</i> on page 79.

Remuneration

Our Board has a Remuneration Committee which has delegated responsibility for setting the policy on the remuneration of Executive Directors as well as setting the remuneration for the Chairman, Executive Directors and other members of the Leadership Team.

 For further details please see the *Remuneration Committee Report* on page 90.

The remuneration of Non-Executive Directors is a decision reserved for our Board’s approval and is reviewed by the Executive Directors and the Chairman only.

On behalf of the Board,

John Heaps
Chairman

23 February 2021