

Yorkshire Building Society Board Terms of Reference

Role	The Board of Directors is the overall governing body of the Yorkshire Building Society Group.
Membership	All the Statutory Directors of Yorkshire Building Society - Executive and Non Executive.
Chair	In accordance with the Society's Rules, at the first meeting following each Annual General Meeting (AGM) the Board shall elect from the Non Executive Directors a Chairman to hold office until the first meeting of the Board held after the next AGM. In the absence, or any Vice Chair appointed in accordance with the Rules, the remaining members present shall elect one of their number to chair the meeting.
Secretary	The Secretary of the Board will be the Group Secretary of the Society.
Attendees	Only the Statutory Directors of the Society have the right to attend Board meetings. However, other individuals may be invited to attend for all or part of the meeting, as and when appropriate, such as but not limited to: <ul style="list-style-type: none"> ▪ Chief Officers, who are not otherwise Executive Directors, as appropriate. ▪ Members of the Operating Committee or other senior leaders as appropriate to present papers. ▪ External advisors where necessary.
Frequency	The Board will normally meeting at least nine times a year at appropriate times and otherwise as required. Meetings of the Board will be called by the Secretary of the Board at the request of any of its members.
Quorum	The quorum necessary for the transaction of business will be at least five Statutory Directors (Society Rule 16(1)), the majority of whom shall be independent Non Executive Directors, present in person or by telephone/video conference facility. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of its authorities, powers and discretions. In the event of equal votes the Chair shall have a second or casting vote (Rule 16(2)).
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 the Directors' of the Board for approval.
Mandate	There are no limits other than acting in accordance with: <ul style="list-style-type: none"> ▪ applicable laws and regulations (including rules and guidance issued by the Group's Regulators); and ▪ the Society's constitutional documents, 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 will carry out the duties below for the Society and the Group as a whole: <ol style="list-style-type: none"> 1. Is accountable to the members of the Society. 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 key stakeholders including customers, colleagues, suppliers and wider society. 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. 4. Has responsibility for establishing the purpose, values and strategy of the Society. 5. Establishes a sustainable business model and sets the strategy of the Group consistent with that model. 6. Develops the desired culture of 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 are Board led. 7. Has oversight of the Group's operations ensuring: <ul style="list-style-type: none"> ▪ Competent and prudent management. ▪ Sound planning and risk management. ▪ Adequate and effective system of internal control. ▪ Adequate accounting and other records. ▪ Compliance with statutory and regulatory obligations. ▪ Adequate financial resources. ▪ The fair treatment of customers. ▪ Appropriate risk aligned remuneration systems. 8. 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 Management Information. 9. 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. 10. The Board may delegate any of its powers, duties, discretions or authorities relating to the business of

	<p>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 delegated to the Board Committees set out below as documented in the Committee's Terms of Reference.</p> <p>11. Retains specific matters for its approval which are set out in the Schedule of Board Reserved Matters as set out in Appendix 1.</p> <p>Senior Managers Regime Prescribed Responsibilities</p> <p>12. The Board shall assist the Senior Management Function (SMF) holder in the escalation of their Prescribed Responsibilities.</p>
Sub Committees	Audit Committee; Group Risk Committee; Remuneration Committee; Board Governance and Nominations Committee and Chairman's Committee
Date of Approval	17 December 2019

Matters Reserved to the Board

1.	Strategy and Management
1.1	Approval of the Purpose, Values and Strategy.
1.2	Approval of the Group's Corporate Plan (including the Wholesale Plan) and any subsequent amendment.
1.3	Approval of the Group's following core strategies (including annual review): <ul style="list-style-type: none"> • Purpose Driven Strategy • Capital Strategy • Customer Strategy • Financial Strategy (including the Capital Strategy) • IT Strategy • Operations Strategy • People Strategy
1.4	Approval of the following policies (including annual review) and interim material changes: <ul style="list-style-type: none"> • Commercial and Retail Lending (on the recommendation of the Group Risk Committee) • Conflicts of Interest Policy - Statutory Directors and Chief Officers (on the recommendation of the Board Governance and Nominations Committee (BGNC)) • Ethics • Fire, Health and Safety • Funding and Liquidity Risk (on the recommendation of the Group Risk Committee) • Group Financial Crime (on the recommendation of the Group Risk Committee) • Market Risk (on the recommendation of the Group Risk Committee) • Group Sales • Tax • Treasury Risk (on the recommendation of the Group Risk Committee) • Vulnerable customers • Whistleblowing
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"> (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; (ii) to dispose all or part of a regulated and / or trading subsidiary; (iii) of new inter group loans or other financial support above management mandate levels; (iv) of the management of inter group loans above any Board approved loan cap except where the Board has delegated the authority to set the loan cap; (v) of the waiver of any inter group loans above management mandate levels; (vi) of any new or revised guarantees or letters of support; And (vii) of the appointment of any external Non-Executive Directors to subsidiary company board's.
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 - approval of: (i) the Group's Risk Appetite Statements; (ii) adherence to Group Risk Appetite.
2.	Financial Management and Reporting
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	Bank Accounts - approval of: (i) appointment of main authorised banks for the Group; and (ii) operation of bank accounts, where a bank requires a Board resolution only.
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, approval of: (i) preliminary announcements of interim and final results. (ii) interim financial results.* (iii) 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) the Corporate Governance Report, Directors' Remuneration Report, Risk Report and Strategic Review for inclusion in the Annual Report and Accounts.* (vi) the Annual Report and Accounts and Summary Financial Statement.* (vii) the Pillar 3 disclosure. (viii) Significant changes to the Statement of Policy on the Employment of Employees of the External Auditor. * 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 Net Interest Margin 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 (ILAAP).
3.	Board Membership and other senior management/HR Issues
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 Chair, Senior Independent Director and any Board Oversight role, including the Non Executive Director for Workforce Engagement; (ii) the membership of the Audit, Group Risk, Remuneration Committees, BGNC and other Board Committees, in consultation with the Chair 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 Executive or Non-Executive 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 and Certification Regime, the Society Rules and their service contract; (vii) the appointment of any statutory 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 team; (xi) role responsibilities of the Chairman, the Vice Chairman, Senior Independent Director, Committee Chairmen, and other Non-Executive Directors, including any oversight roles; (xii) the annual review of the Board Diversity Statement, including any diversity targets.
3.2	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).
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 Group's senior management structure (i.e. the Executive and Operating Committees).
3.6	Approval of the appointment and removal of the Society's Secretary in accordance with the Society's Rules.
3.7	Approval of any major changes to the People policies including major changes to the staff pension benefits and the staff mortgage scheme.
3.8	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).
3.9	Recognition of a Staff Association or other representative body.

3.10	<p>Pension Scheme</p> <ul style="list-style-type: none"> (i) Consent to the Pension Scheme Corporate Trustee to amend the Pension Schemes' Trust Deed and Rules. (ii) Approval of the appointment/removal of Society nominated Directors on the Corporate Trustee company. (iii) Approval of the fees of the Trustee Directors on the Corporate Trustee for the Pension Scheme.
3.11	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.
4.	Constitution/Corporate Governance Matters
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	<p>Board Committees - approval of:</p> <ul style="list-style-type: none"> (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 delegated powers in relation to the signing and sealing of documents on behalf of the Society.
4.6	Appointment of authorised representatives of the Society at shareholder meetings of relevant companies/subsidiaries.
4.7	Consideration of voluntary compliance (and, where appropriate, on a 'comply or explain' basis) of the Code and remuneration regulations for listed companies.
5.	Insurance
5.1	Approval of the overall levels of corporate insurance for the Group including Directors and Officers Liability insurance.
6.	Other Matters
6.1	Approval and oversight of the Group's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing (subject to delegation by the Board of the review and oversight of specific issues to an appropriate Committee) and the appointment of the Whistleblowing Champion.
6.2	Approval of any other matter that the Executive Committee, Chief Officers, Executive Directors or Non Executive Directors consider appropriate to be referred to the Board for debate and decision.
6.3	Approval of the approach to be taken in respect of any regulatory actions.
6.4	<p>Yorkshire Building Society Charitable Foundation - recommendation of:</p> <ul style="list-style-type: none"> (i) the formation and dissolution of any Charitable Foundation linked to the Group; (ii) the appointment and removal of external Trustees of the Yorkshire Building Society Charitable Foundation on the recommendation of the Charitable Foundation's Board; and (iii) the appointment and removal of internal Trustees of the Yorkshire Building Society Charitable Foundation, where appropriate on the recommendation of the Charitable Foundation Board.

6.5	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).
6.6	Amendments to this Schedule of Matters Reserved to the Board.
6.7	<p>To receive:</p> <ul style="list-style-type: none"> (i) reports from time to time for consideration or information on matters the Board or the Executive Committee consider appropriate to be referred to the Board; (ii) minutes of the Meetings of Board Committees; (iii) minutes of the meetings of Accord Mortgages Ltd and Executive Committee meetings.

Notes:

- Matters delegated by the Board to Board Committees are contained in the terms of reference of Board Committees.
- Reference to the Group includes the Society's wholly owned subsidiaries.