

BOARD GOVERNANCE AND NOMINATIONS COMMITTEE REPORT

A word from the Chair of the Board Governance and Nominations Committee.

I am pleased to introduce the annual report of the Board Governance and Nominations Committee which provides a summary of the work undertaken by the Committee during 2023.

Following the successful completion of the recruitment process for our Chief Executive in 2022, we were pleased to welcome Susan Allen to the Board in March 2023. During 2023 the Committee has provided oversight for the Chief Executive's induction process to ensure a smooth transition to the role.

The succession planning and recruitment process for key Non-Executive Director roles has been a priority for the Committee during 2023. This included the appointment process for a new Chair of the Board, supported by the Chair of the Board Succession Committee established for the purpose (and chaired by the Vice Chair), and our new Chair of Remuneration Committee.

The Committee has continued to monitor all governance developments including the position in relation to the outcomes of the Government's consultation in relation to Restoring Trust in Audit and Corporate Governance. The consultation on changes to the UK Corporate Governance Code (Code) was considered by the Committee in 2023 and, following the publication of the revised Code in January 2024, it will review the requirements as it applies to a building society.

As we move into 2024, the Committee will continue to keep the mix of skills and experience on our Board under review to ensure they remain appropriate for the delivery of our Strategy, with strong succession plans in place to support ongoing Board effectiveness.

John Heaps
Chair of the Board Governance and Nominations Committee

Board Governance and Nominations Committee members and meetings

The members of the Committee are:



John Heaps
Chair of the Board and Committee Chair



Alison Hutchinson
Senior Independent Non-Executive Director / Vice Chair



Guy Bainbridge
Independent Non-Executive Director

Only members of the Board Governance and Nominations Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. The Chief Executive, Chief People Officer and Group Secretary are usually invited to attend each meeting.

The Committee met four times in 2023 and held two additional meetings in relation to Non-Executive Director recruitment and future succession planning.

Details of the number of scheduled Committee meetings attended by each member is available in the Corporate Governance report.

Board Governance and Nominations Committee responsibilities

The responsibilities of the Board Governance and Nominations Committee include:

- Reviewing the structure, size and composition of the Board taking into account succession plans and the Board's Diversity Statement.
- Overseeing succession planning for directors and other senior executives and the development of diverse pipelines.
- Reviewing the approach to the annual evaluation process for the Board and its Committees.
- Overseeing the appointment process for Non-Executive Directors and Executive Directors.
- Reviewing the training plan for the Board on at least an annual basis.
- Reviewing governance arrangements and monitoring corporate governance developments, making recommendations to the Board where appropriate.
- Reviewing and recommending to the Board the Directors and Chief Officers Conflicts of Interest Policy for approval and monitoring potential conflicts.
- Reviewing and recommending to the Board the Board Diversity Statement for approval.

Further detail on the role and responsibilities of the Committee can be found in the terms of reference which are available on the Your Society section of our website, at ybs.co.uk.

Corporate governance

The Committee is responsible for the oversight of Board governance and ensuring we work within a strong corporate governance framework. During 2023 this has included:

- Annual review of the Society's compliance with the UK Corporate Governance Code (as it applies to a building society).
- Review of the Corporate Governance report and the Board Governance and Nominations Committee's report and recommendation to the Audit Committee and the Board that they be included in the Annual Report and Accounts.
- Oversight of corporate governance developments with any changes required as a result recommended to the Board to ensure the governance framework is based on best practice.

Succession planning

The Board is committed to ensuring it has the right composition both now and in the future, to support the delivery of our strategy and ensure the long-term success of the Society. The Board Governance and Nominations Committee supports the Board by ensuring that it keeps under review the structure, size and composition of the Board and its Committees and ensures that effective succession plans are maintained to manage periods of transition on the Board.

The Committee carries out a detailed review of succession planning for Directors at its annual strategy session in March each year and keeps the plan under review at each subsequent meeting during the year. It also plans ahead for future recruitment of Non-Executive Directors to make sure that the Board continues to have the skills and experience it needs to oversee the delivery of the strategy for the long-term success of the Society.

Board Governance and Nominations Committee report (continued)

Succession planning (continued)

The Board Governance and Nominations Committee has access to a range of information to support succession planning including:

Board Skills Matrix and Skills Map	Based on an annual self-evaluation by our directors of their skills and experience. In 2023 the Committee undertook a detailed review of the approach to the Skills Matrix to ensure it remained fit for purpose and supported the Committee in its succession planning and future recruitment exercises. Taking into account the Board's current and future requirements to deliver the Society's strategy, together with external feedback, a revised Skills Matrix approach was agreed by the Committee and completed by all Non-Executive and Executive Directors in Quarter 4 2023.
Non-Executive Director Succession Timeline	Setting out appointment dates, terms of office and expected retirement dates including key roles such as the Board and Committee Chairs.
Board Committee Membership and Key Non-Executive Director Roles	Setting out current Board Committee membership, composition and any future requirements, together with other key roles held by Non-Executive Directors, such as the Non-Executive Director for Workforce Engagement.
Board Diversity Statement and Information	Setting out our Board's commitments to inclusion and diversity and understanding the composition of our Board.

The Committee continued to oversee succession planning for Non-Executive Directors in 2023, taking into account tenure, current and future skills requirements whilst balancing the need for continuity during a period of transition for key roles.

The Committee's role is key in supporting the ongoing stability and effectiveness of the Board now and in the future.

In addition to Non-Executive Director succession, the Board Governance and Nominations Committee also reviews the succession and talent pipeline for senior roles across the Society to understand the skills required to manage the business and assess any risks or potential gaps. During 2023 this has been key in supporting the onboarding of a new Chief Executive and ensuring robust succession plans are in place as a result of changes in the senior leadership team.

Recruiting Non-Executive and Executive Directors

The Committee leads the recruitment of new Non-Executive and Executive Directors on behalf of the Board, based on a thorough and inclusive process:

Succession planning

The Committee maintains oversight of the Board's succession plans including planning for future recruitment exercises (taking into account expected terms of office for Non-Executive Directors).

Role requirements

A role specification, including the key skills and experience required, is agreed taking into account succession plans and the Board Skills Matrix as appropriate.

External search agency

An external search agency is appointed to support the process using our Preferred Recruitment Supplier List.

Our Preferred Recruitment Supplier List ensures that there is clarity in terms of the standard of service to be provided by the supplier and the requirements and expectations of the Society. The purpose of the list is to ensure that the Committee has access to a range of search firms to provide the widest possible pool of diverse potential candidates. All the search firms are expected to adhere to the Board's Diversity Statement and ensure it is part of their search process.

Short listing

A shortlist is developed and agreed based on objective criteria, with due regard to the benefits of diversity on the Board, and the skills and experience candidates could bring to the role.

Interviewing

A structured interview process is undertaken including Panel interviews with members of the Committee (or any other Committee established by the Board for the purpose of recruitment) and subsequent interview sessions with other key Board stakeholders.

Appointment

Following a robust process, a preferred candidate is identified and the Board Governance and Nominations Committee will make a recommendation to the Board to appoint (subject to regulatory approval in relation to roles under the Senior Managers and Certification Regime).

Recruitment and Succession in 2023

Non-Executive Directors

As part of ongoing succession planning, the Committee has been involved in the robust recruitment and appointment processes for the following key Non-Executive Director Roles:

Chair of Remuneration Committee succession and recruitment

Succession planning

As reported in the Annual Report and Accounts 2022, the Committee agreed to commence a recruitment process to identify a permanent successor for the Chair of Remuneration Committee role. This followed the retirement of Guy Parsons in April 2022 with the interim role undertaken by Alison Hutchinson to ensure consistency and continuity.

Role requirements

A candidate specification was approved by the Committee setting out the key requirements for the role taking into account succession plans and existing Board composition, including skills and experience.

External search agency

Russell Reynolds Associates were engaged as the external search agency to support the recruitment process. They have previously assisted the Society in the recruitment of Guy Bainbridge, Chair of Audit Committee in 2018.

Shortlisting and interview process

The shortlisting process and panel interviews were undertaken by all members of the Committee and in addition, the Chief Executive and Chair of Group Risk Committee. The preferred candidate also met with all other Non-Executive Directors, Executive Directors and the Chief People Officer.

Appointment

Debra Davies was identified as the preferred candidate for the role taking into account her experience and knowledge of the financial services sector and focus on remuneration and risk, together with a strong interest in social purpose and sustainability.

The Board approved Ms Davies appointment on the recommendation of the Committee and she officially joined the Board on 26 July 2023. Following regulatory approval of the Senior Management Function role, Ms Davies became Chair of Remuneration Committee in September 2023.

For more information about Ms Davies skills and experience see the Non-Executive Director profiles in the Our Board and Executive Team section.



Board Governance and Nominations Committee report (continued)

Succession planning (continued)

Chair of the Board succession and recruitment

Succession planning

As reported in the Annual Report and Accounts 2022 the Committee agreed to commence a recruitment process for succession to the Chair of the Board role.

Chair of the board succession committee

To ensure robust governance the Board agreed to establish a Chair of the Board Succession Committee as a Committee of the Board to manage the process on behalf of it and the Board Governance and Nominations Committee. The members of the Committee were Alison Hutchinson (Vice Chair and Senior Independent Director) who chaired the Committee, Guy Bainbridge (Independent Non-Executive Director) and Mark Parsons (Independent Non-Executive Director).

Role requirements

A candidate specification was approved by the Committee setting out the key requirements for the role taking into account succession plans and existing Board composition, including skills and experience.

External search agency

Russell Reynolds Associates were engaged as the external search agency to support the recruitment process. As set out above, they previously assisted in the recruitment of Guy Bainbridge, Chair of Audit Committee and Debra Davies, Chair of Remuneration Committee.

Shortlisting and interview process

The shortlisting process and panel interviews were completed by all members of the Chair of the Board Succession Committee and in addition, interviews were held with the Chief Executive, Chair of Group Risk Committee and Chief Finance Officer. The preferred candidate also met with the Chair of the Board, all other Board members and the Chief Risk Officer.



Appointment

Annemarie Durbin was identified as the preferred candidate for the role taking into account her extensive retail banking and broader retail financial services experience, together with her experience in other Non-Executive Director roles.

The Chair of the Board Succession Committee recommended the preferred candidate to the Board Governance and Nominations Committee for approval and the Board approved Ms Durbin's appointment on the recommendation of the Committee. She joined the Board as Chair of the Board Designate on 18 December 2023.

For more information about Ms Durbin's skills and experience see the Non-Executive Director profiles in the Our Board and Executive Team section.

Executive Directors

The Committee is responsible for supporting the recruitment of any new Executive Director. As reported in the Annual Report and Accounts 2022, a successful recruitment process was led by the Committee for the Chief Executive role and resulted in the appointment of Susan Allen. Susan joined the Society in March 2023 and details of her induction process are set out in the Corporate Governance report.

Board diversity

We place great importance on having an inclusive and diverse Board and workforce generally. Our Board has agreed a Diversity Statement to support this ambition, which is reviewed by the Board Governance and Nominations Committee and approved by the Board each year.

A summary of progress against the key aspects of the Statement is set out below:

Use of specialist recruitment agencies that have signed up to the Standard Voluntary Code of Conduct of Executive Search firms for the appointment of Directors, with a preference for those signed up to the Enhanced Codeⁱ	Russell Reynolds Associates were appointed to support the search for a permanent Chair of Remuneration Committee and a new Chair of the Board and are signed up to the Enhanced Voluntary Code of Conduct for Executive Search Firms.
At least 40% of Board Directors will be women	The percentage of women on the Board as at 31 December 2023 was 58% and exceeded the target. For prior years see the Board Composition section of the Corporate Governance report.
Further increase Board diversity in order to enhance effectiveness and embrace the talents of people from all backgrounds	Our Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. Consideration is given to demographics, skills, experience, race, age, gender, disability, educational and professional background, and other relevant personal attributes. In ensuring an appropriate balance of all these factors the Board can provide the range of perspectives, insights and challenge needed to support good decision making. The Committee regularly reviews the composition of the Board to ensure that it has the balance of skills, experience, independence and knowledge through its diverse composition to remain effective.

i. The Voluntary Code of Conduct for Executive Search firms lays out steps for search firms to follow across the search process, from accepting a brief through to induction. The Enhanced Voluntary Code of Conduct was created by executive search firms themselves with the aim of raising the standards of professionalism and conduct in the recruitment of women to the boards of FTSE350 companies (the largest 350 companies listed on the London Stock Exchange).

Board Governance and Nominations Committee report (continued)

Succession planning (continued)

Diverse talent pipelines

As part of its role the Committee oversees senior leadership succession plans and the diversity of the talent pool for future vacancies.

We have signed the HM Treasury's Women in Finance Charter and are committed to improving gender balance, particularly at senior levels in our organisation. By way of further information, we had the following percentages of women colleagues at 31 December 2023 (and for comparison 2022):

	31 December 2023 %	31 December 2022 %
Executive Committee	43	33
The Leadership Team immediately below our Board (as set out in the UK Corporate Governance Code)		
Senior Managers	49	50
Our colleagues in roles Grade E or above (in accordance with our commitments under the Women in Finance Charter)		
All Colleagues	61	63

For more details on our colleagues and inclusion and diversity please see the Strategic report.

Evaluation of the Board and its committees

The Board Governance and Nominations Committee agrees and recommends to the Board the process for the annual review of the Board's performance and that of its Committees in accordance with the Code. The Code recommends the evaluation of the Board be externally facilitated every three years.

As an external review was last completed in 2020, it was agreed that an external review would be completed in 2023.

Further details on the appointment of an external facilitator and the approach to the review can be found in the Corporate Governance report.

Chair of the Board

Our Senior Independent Director, Alison Hutchinson, meets with our Chair twice a year on behalf of our Board to review the Chair's performance including the annual review which took place in January 2024, taking into account feedback from key stakeholders. The outcomes of the review were discussed at the Board meeting in January 2024 without the Chair present. As Chair he has continued to show strong commitment and loyalty and the quality of his leadership was noted together with the expertise and insight he had brought to YBS over the last nine years.

Non-Executive Directors

Our Chair has twice yearly meetings with each Non-Executive Director to review their performance, discuss any areas for development and review ongoing time commitment.

Executive Directors

Executive Director evaluations are carried out by our Chief Executive, (or the Chair of the Board in the case of the Chief Executive), against agreed objectives.

The Chair of the Board meets with the Non-Executive Directors at least annually to consider the performance of management and the Executive Directors.

Evaluation of the Board Governance and Nominations Committee

The Board Committee evaluations were incorporated in the external evaluation process for 2023. The Board discussed the findings of the review in January 2024 and more details can be found in the Corporate Governance report. There were no urgent or significant actions arising for the Committee, however, it will consider the outcomes of the review which were specific to its role at its meeting in March 2024.

John Heaps

Chair of the Board Governance and Nominations Committee
28 February 2024

AUDIT COMMITTEE REPORT

A word from the Chair of the Audit Committee

I am pleased to present our 2023 Audit Committee report which sets out the Audit Committee's role and its key activities during the year, including its review of financial reporting matters, oversight of the Group's internal controls, and its internal and external auditors. I am most grateful to my fellow Committee members for the diligence with which they contribute to the Committee's work, and to management for the time and effort they put in to ensure the Committee remains effective.

During the year we have spent considerable time assessing any impacts upon the Group's control environment from the Covid and post-Covid return to office period, and the changes in senior management of the Group over the last two years. We have also considered the continuing developments in our internal audit function, including the five yearly external quality assessment of the function completed in the last quarter of 2023. We have remained focused on the impacts of the economic environment, notably increased interest rates and inflation, and regulatory and legislative developments upon our current and future business. The Board has recently delegated responsibility for the oversight of the Group's annual Environmental, Social and Governance (ESG) report to the Committee and we have been preparing for activity on the 2023 report in the first half of 2024, including the introduction of a fifth regular Committee meeting to meet the ESG report timetable, which will also give us the opportunity to rebalance meeting workloads and accelerate certain reports to the Committee.

In 2024, the Audit Committee will continue its work to protect the interests of all of the Group's stakeholders.

Guy Bainbridge

Chair of the Audit Committee

Audit Committee membership

The members of the Audit Committee are:



Guy Bainbridge

Committee Chair
Independent Non-Executive Director



Angela Darlington

Independent Non-Executive Director



Mark Parsons

Independent Non-Executive Director

Only members of the Audit Committee are entitled to attend its meetings, although others may be asked to attend all or part of a meeting. Our Chair of the Board, Chief Executive, Chief Finance Officer, Chief Internal Audit Officer and the external auditor were invited to attend all meetings in 2023, along with other members of our Leadership Team and Senior Managers where the Audit Committee felt it was beneficial.

We had four Audit Committee meetings in 2023. The meetings began with a private session between the invited members of the Leadership Team and the Audit Committee members and generally finished with a private session between the Audit Committee members and our internal and external auditors. These private sessions allow the Audit Committee to discuss confidential matters, which may not be appropriate to discuss in the main Audit Committee itself.

Details on the number of meetings attended by each of the Audit Committee members during 2023 are shown in the Corporate Governance report.