

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 Society wide remuneration policy for all colleagues, ensuring alignment to business strategy, regulatory compliance and the long-term, sustainable success of the Society.</p> <p>The Committee has specific responsibility for:</p> <ol style="list-style-type: none"> 1. Providing oversight of the appropriateness and relevance of the Society's remuneration policy and pay practices, as applicable to all Group colleagues. 2. Determining and overseeing the application of remuneration policy for all Chief Officers (including those that are Executive Directors) of the Society, and any other individual employees deemed appropriate by the Committee including those identified as Material Risk Takers for the purposes of the Prudential Regulation Authority (PRA) Remuneration Code and applicable Financial Conduct Authority (FCA) Remuneration Codes. 3. Reviewing and approving the individual remuneration arrangements for all Chief Officers (including those that are Executive Directors). The authority to review and approve individual remuneration arrangements for other individuals identified as Material Risk Takers has been delegated to the Chief Executive Officer, such decisions are to be noted to the Committee at least twice annually. 4. The review of workforce remuneration related policies 5. The alignment of incentives and rewards with the Society's culture and values, taking these into account when setting the remuneration policy for all colleagues as well as determining and overseeing the Society's policy on equal pay and non-discrimination. 6. Considering views from a broad range of stakeholders including members, customers, the wider work and regulators.
Membership	<p>The Committee will comprise of at least 3 members, all of which shall be independent Non- Executive Directors.</p> <p>Members of the Committee will collectively have appropriate knowledge, expertise and professional experience concerning remuneration policies and practices, risk management and control activities. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.</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 terms 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 (the Chair of the Society cannot Chair the Committee). 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 Colleague Experience 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 there is a conflict of interest in the item being discussed, unless agreed with the Chair of the Committee.</p>
Frequency	<p>The Committee will normally meet at least four times a year 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 will be:</p> <ul style="list-style-type: none"> ▪ Two members, one of which must be the Chair or their delegate from among the members. <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 Chair 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 Chair (paragraph 1.2 below); ▪ the level of the Chair's fees (paragraph 1.7 below); ▪ the policy for authorising claims for expenses from the Chair (paragraph 1.14 below). And he shall not be counted towards the meeting quorum in respect of that item.

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 Committee members for approval.
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 Society in order to perform its duties. 2. Obtain, at the Society'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. Have the right to 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 Society 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 Society, ensuring remuneration, incentives and rewards are consistent with the Society's culture and risk appetite, encouraging appropriate risk taking and risk management behaviours, and that these are fully documented. 1.2 In determining such policies, take into account all factors which it deems necessary, including workforce remuneration and related policies and the alignment of incentives and rewards with culture, Environment, Social and Governance (ESG) and Diversity, Equity & Inclusion (DE&I) strategies. The remuneration policy and practices shall also address the considerations of clarity, simplicity, predictability, equality of opportunity and proportionality. 1.3 Determine and agree the detailed policy for the remuneration of Material Risk Takers (including Executive Directors and Chief Officers) and such other senior managers including senior officers in the risk management and compliance functions 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 colleague shall be involved in any decisions as to their own remuneration. 1.4 The objective of such policy shall be to ensure that the Executive Directors and other Chief Officers (and, where relevant, other Material Risk Takers) 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 (which shall include an appropriate combination of financial and non-financial measures). 1.5 Design remuneration policies and practices to support the Society's strategy and promote long-term sustainable success, ensuring any incentive structures are aligned with the objectives of Consumer Duty and do not result in harmful customer outcomes. Executive remuneration should be aligned to the Society's purpose and value, clearly linked to the successful delivery of the Society's long-term strategy and business unit strategy. The Remco reserve the right to discretion to override formulaic outcomes and to recover and / or withhold sums or share equivalent awards under appropriate specified circumstances. 1.6 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. 1.7 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. Each year assess performance against such targets and approve the total payments to be made under such schemes and under such instruments. The Committee has absolute discretion to override formulaic remuneration outcomes when considering the performance of the organisational both financial and non-financial. 1.8 Within the terms of the agreed policy and in consultation with the Chair of the Board and/or the Chief Executive as appropriate, review and approve remuneration of Chief Officers (including those that are Executive Directors). Make recommendations to the Board, for approval by members, regarding the Directors' Remuneration Policy. 1.9 Within the terms of the agreed policy, determine the level of the fee to be paid to the Chair of the Society, and approve any changes to such fees. The Chair of the Society and non-executive directors shall not be entitled to any element of performance-related pay. 1.10 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, taking into account any risk adjustment considerations based on the recommendation of the

GRC, Audit Committee, the CRO and CIAO, as appropriate. Assessments to be made on a Society wide and individual basis.

- 1.11 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.
- 1.12 Ratify the annual objectives of the Chief Officers (including those that are Executive Directors) and other Material Risk Takers, as appropriate.
- 1.13 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. And ensure all policies and practices across the Society are gender neutral.
- 1.14 Review and approve the methodology to be used for identifying Material Risk Takers and review the outcome of that review at least twice a year in line with regulatory expectations.
- 1.15 Ensure engagement with the workforce has taken place to explain how executive remuneration aligns with wider YBS remuneration policy.
- 1.16 Review any major changes in employee benefit structures, including retirement benefits, throughout the Society.
- 1.17 Review and consider annually key below-board level remuneration information and trends across the Society and take this into account when setting the policy for Executive Directors.
- 1.18 Agree the policy for authorising claims for expenses from the Chief Executive and Chair.
- 1.19 Approve the selection criteria, selection, appointment 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.
- 1.20 Approve any major changes to the People policies including major changes to colleague pension benefits and any colleague mortgage scheme.
- 1.21 Recognition of a Colleague Association or other representative body.

2. Recommendations to the Board

- 2.1 Review and maintain ongoing oversight of specific issues relating to the Group's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing, where delegated by the Board.

3. Reporting Responsibilities

The Committee shall:

- 3.1 Report formally to the Board through the Committee Chair on its proceedings after each meeting on all matters within its duties and responsibilities.
- 3.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 3.3 Report to the Board on how it has discharged responsibilities which will be included in the Society's Annual Report.
- 3.4 Ensure fulfilment of the requirements regarding to the disclosure of remuneration, including pensions, as set out in the Capital Requirements Directive, PRA Rulebook 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.
- 3.5 Review and approve remuneration regulatory reports.
- 3.6 The Committee shall produce a Directors' Remuneration Report which comprises a statement from the Chair 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.
- 3.7 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.
- 3.8 The Committee will produce and review in line with regulatory frequency and timelines, the Remuneration Policy Statement, demonstrating compliance with the Financial Conduct Authority (FCA) / Prudential Regulation Authority (PRA) Remuneration Code.

4. Senior Managers Regime Prescribed Responsibilities

The Committee shall assist the Senior Management Function (SMF) role holder in relation to the escalation of their Prescribed Responsibilities to the Committee in relation to:

- 4.1 Responsibility for overseeing the development of and implementation of the firm's remuneration policies and practices in accordance with SYSC 19D (Remuneration Code).

5. Other Matters

- 5.1 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. This will

	<p>include having regard to the various matters set out in Section 172 of the Companies Act 2006 in promoting the success of the Society where relevant.</p> <p>5.2 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>5.3 The Chair of the Committee will attend the Annual General Meeting to answer member questions on the Committee's activities.</p> <p>5.4 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	December 2023