

2021 Remuneration Policy

Our Reward Aims

Our aim is to build a working environment where colleagues feel engaged and committed to the Society's purpose, ensuring they feel valued and respected to give their best. Our reward offering is integral to that, with an approach founded in our mutuality and values.

Our Remuneration Policy is in place to support our colleagues in working together for the benefit of the Society and our members and customers.

Our Reward Principles

To support us in achieving our long term aspirations we follow five key principles, which apply to all colleagues within the Society. These help us know when we are doing the right things and set out what we believe good reward practice for all of our colleagues looks like.

Our five reward principles developed with YBS colleagues are:

- 1 **Attract and retain talent**, aligned to our mutual values and forward thinking to ensure relevance in a changing world.
- 2 **Focused on total reward**; recognising that reward is more than just pay, enabling colleagues to make the choices that work for them at different stages in their life.
- 3 **Flexible within a framework** to ensure a consistent approach whilst responding to different challenges, supported by education to help managers balance doing the right thing for both the Society and their people.
- 4 **Reward decisions and choices are clear and transparent** for colleagues; delivered through effective and open communication.
- 5 **Our reward arrangements** are reflective of Society, team and individual achievements, with the ability to recognise the contribution all colleagues have made to our success.



...working
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Our Approach to Risk Management and Governance of Reward

Our reward provisions meet all the requirements of both our internal governance processes and external regulators. Our provision of reward and the associated policies, processes, procedures and practices relating to these are created in a way which ensures the appropriate level of governance is in place to mitigate any potential risks to the Society, colleagues, members and customers.

Our Committees

To ensure our reward policies and procedures are robust and assured we have two main Committees in place to support this; the Remuneration Committee and the Performance and Reward Committee. These Committees play different roles in making sure our approach to reward meets our required levels of compliance, as explained below.

Remuneration Committee

This Committee has specific responsibility for making sure we have the right policies and processes in place for our most senior roles and the overarching Remuneration Policy for the wider organisation. The Remuneration Committee is made up of Non-Executive Board Directors and its purpose is to oversee the Remuneration Policy in place for the Society, making sure this aligns to our

business strategy and any regulatory requirements. Details in relation to the composition and the Terms of Reference of the Remuneration Committee can be accessed on the Society's website.

The Remuneration Committee oversees a broad range of activities within the Society such as:

- Governance of its Material Risk Takers (MRT's - senior decision makers).

This responsibility includes;

- ▷ review of MRT performance objectives to ensure that they do not encourage excessive risk taking (along with input and evidence from the Society's control functions – Risk and Internal Audit).
- ▷ the Remuneration Committee can apply clawback and or discretion to previous and future MRT bonus payments if any evidence of risk taking or behaviour not conducive with our principles is identified.
- ▷ processes and procedures to ensure MRT's do not undertake hedging strategies in regard to their bonus opportunities.
- The activity of the Performance and Reward Committee to independently challenge and ensure any conflicts of interest (such as individuals making decisions about their own remuneration) are managed in

the design and governance of the Remuneration Policy.

Performance and Reward Committee

The Performance and Reward Committee is in place to ensure effective governance and oversight of our reward policy with a focus on regulatory compliance and alignment to our business strategy. This Committee also ensures that any bonus arrangements that we offer colleagues drive the right behaviours towards risk taking and safeguard good customer and member outcomes. The Performance and Reward Committee comprises of several senior leadership team members within the organisation with representation from the Customer Services, People, Finance and Risk functions.

Our Regulators

As a financial services provider we are regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The relationship with our regulators is important to us and builds trust both inside and outside of the Group. This means that from a performance, reward and benefits perspective we ensure that our base salary, bonus and benefits not only meet any necessary obligations of our regulators but are designed and provided in a way which develops a trusted relationship with them.



Executive Director Remuneration Policy

This document details the Society's remuneration policy for its Executive Directors, making comparisons where applicable to the wider colleague group. For Executive Directors, the remuneration policy is voted on every three years (or sooner if required). It was last approved by members at the 2019 AGM and is subject to advisory vote again at the 2021 AGM due to a policy change.

Fixed Remuneration – Base Salary

Purpose and link to strategy	<p>To enable the attraction and retention of high performing experienced Executive Directors by ensuring that they are appropriately rewarded for their role.</p> <p>The level of base salary awarded serves to reflect the contribution of Executive Directors in their role as defined by the combination of:</p> <ul style="list-style-type: none"> ■ Skills, knowledge and experience ■ On-going performance ■ Demonstration of the Society's behaviours and values. <p>Actual base salary levels are also determined by a review of market conditions to ensure that we offer levels of base salary that are appropriate in the market and enable us to attract and retain talent into the organisation.</p>
In practice	<p>Base salary is typically reviewed annually and determined with reference to:</p> <ul style="list-style-type: none"> ■ Role, experience and individual performance. ■ Affordability – the economic environment and overall financial position of the Society. ■ Comparison to the external market, supported by reference to the Society's grading structure, the Career Framework. ■ Internal relativities and wider workforce base pay levels. <p>A consistent set of principles are applied when considering both Executive Directors' base salaries and those of the wider organisation.</p>
Opportunity	<p>There is no 'maximum' base pay opportunity.</p> <p>We seek to target a median external market position in relation to 'total remuneration'. To ensure that this is achieved base salary ranges are developed with reference to the total package including variable pay.</p> <p>Annual base salary increases will normally be in line with the typical level of increases awarded to the wider workforce and will be a reflection of the individual's performance.</p> <p>The Remuneration Committee may award increases above this level in certain circumstances, for example taking on additional responsibilities.</p>

Short term performance-based remuneration ('variable pay' or 'bonus')

This is divided into two sections, reflecting the two different bonus schemes which Executive Directors can participate in. The Leading for Value Scheme represents a change to the policy as set out above.

	Building Together Scheme	Leading for Value Scheme
Purpose and link to strategy	<p>To ensure that an Executive Director's remuneration has a direct link to the success of the Society, motivating delivery of core business metrics in line with our values.</p> <p>The Society's bonus scheme – Building Together - rewards annual performance against challenging financial and customer measures as well as key individual objectives. All colleagues participate in this scheme.</p> <p>Bonus is driven by 3 key factors:</p> <ul style="list-style-type: none"> Financial performance currently measured via adjusted Profit Before Tax Customer Experience currently measured via the Society's Net Promotor Score Individual performance measured with reference to an executive director's performance against key objectives 	<p>To ensure that an Executive Director's remuneration has a direct link to the success of the Society, supporting delivery of long term strategic objectives, and protecting and enhancing member and colleague interests in line with our values.</p> <p>The Society's bonus scheme – Leading for Value - rewards annual performance against challenging Group objectives.</p> <p>Bonus payment is driven by 3 key factors:</p> <ul style="list-style-type: none"> Delivery of key strategic milestones initially based on our 2024 Corporate Plan. Delivery of measurable and targeted financial value for members. ESG performance based on colleague engagement, diversity and inclusion and social impact.
In practice	<p>Key measures within the Corporate Plan have to be achieved for 'on target' pay-out, and considerably exceeded for maximum pay-out.</p> <p>Bonus is achieved in the following way:</p> <ul style="list-style-type: none"> The development of a bonus pool determined by reference to the Group's financial performance. The bonus pool is moderated up or down as a result of the Customer Experience received by our Members and customers. The total individual awards are determined by an executive director's performance against his or her annual objectives. <p>A minimum level of performance across all 3 metrics is required to activate a bonus payment.</p>	<p>Executive Directors and senior management may participate in this scheme. The Remuneration Committee will carry out a pre-grant assessment before determining individual eligibility for this scheme and will consider both personal and Group performance. The outcome of this assessment will determine the maximum opportunity that will be available to the individual, subject to the overall scheme maxima set out below.</p> <p>Payments under the bonus will then be achieved in the following way:</p> <ul style="list-style-type: none"> For all metrics there will be specific targets set to reflect threshold, target and maximum performance. The metrics are weighted such that strategic milestones will make up 40% of the bonus, member value 30% and ESG 30%. The Remuneration Committee will assess performance across all performance metrics to determine the bonus outcome.
All payments are made in line with regulatory requirements		
Business Controls Process	<p>Bonus payments are subject to the operation of a Business Controls Process that considers current and future risks through a range of key metrics provided by the Society's control functions to evidence the robust management of the Society e.g. cost indicators, risk indicators.</p>	
Remuneration Committee Discretion	<p>The Remuneration Committee retains the discretion to make adjustments to the bonus to ensure that it reflects a true view of the underlying performance of the Society prior to the payment of any bonus.</p>	
Risk Overlay	<p>Bonus payments applicable to Material Risk Takers are subject to a formal risk overlay process where a series of key risk indicators are considered to provide assurance that no inappropriate risk taking behaviours have taken place.</p> <p>Material Risk Taker objectives are subject to review by the Remuneration Committee to ensure the appropriate balance of financial and non-financial objectives, to align with the Society's purpose and desired behaviours. The objectives for the Society's control functions are also reviewed by the Group Risk and Group Audit Committee Chairs' to ensure objectives (and bonus opportunity) are linked to performance of their functions and not the businesses they oversee.</p> <p>In instances where issues are identified the Remuneration Committee reserve the right to apply a malus adjustment (reduce bonus or lapse deferred elements) and to apply clawback (recover bonus payments already made) as applicable. Awards are subject to clawback for up to a maximum of ten years.</p>	

Deferral and Share Equivalent Instrument (SEI)	<p>In line with relevant remuneration regulations, including the Remuneration part of the PRA Rulebook, the FCA's Dual-Regulated Firms Remuneration Code, and the Senior Managers and Certification Regime, all bonuses paid are subject to deferral. In addition to regulatory requirements, the Society's Remuneration Policy requires bonuses for all members of the senior management team are subject to an element of deferral. Bonus deferral ensures that the Society delivers variable pay in a manner that prevents unnecessary risk taking, whilst achieving a level of sustainable performance.</p> <p>In a performance year where Executive Directors' total remuneration falls below the de-minimis¹ limit, the annual bonus awards will be delivered as cash and paid over three years: 50% of any bonus is paid out in the year following the performance year; the remaining 50% is deferred with 25% released after one year and 25% released after two years.</p> <p>For Executive Directors whose remuneration is over the 'de-minimis' limit, bonus awards are required to have a longer deferral period, and/or a larger percentage deferred in line with regulations. Where also required by regulation, 50% of each bonus payment will be delivered via an SEI and is subject to a one-year retention period. For the 2020 performance year, an Executive Director whose remuneration exceeds the de-minimis limit will receive 40% of their bonus in 2020 with the remaining 60% deferred over a period of up to seven years.</p> <p>Bonuses for Executive Directors are disclosed annually in this document, the Annual Report and Accounts.</p>	
	Building Together Scheme	Leading for Value Scheme
Opportunity	<p>'On-target' achievement of Society performance criteria results in a bonus of 30% of base salary for the Executive Directors. The maximum bonus available to Executive Directors is 50% of base salary.</p> <p>Failure to meet organisational or individual performance thresholds can reduce bonus awards to zero.</p> <p>All Executive Directors are subject to deferral.</p> <p>All of the Society's bonus schemes made under the Building Together Scheme are underpinned by the same metrics.</p>	<p>Maximum achievement against all performance criteria results in a bonus of 75% of base salary for the Chief Executive and 50% of base salary for other Executive Directors.</p> <p>Failure to meet performance thresholds can reduce bonus awards to zero.</p> <p>All Executive Directors are subject to deferral.</p> <p>All of the bonus payments made under the Leading for Value Scheme are underpinned by the same metrics.</p>
Taxable Benefits		
Purpose and link to strategy	To provide a total reward package that is in line with market practice and enables the attraction and retention of executive directors of the required calibre.	
In practice	<p>Executive Directors are eligible to receive a number of benefits, principally consisting of:</p> <ul style="list-style-type: none"> ■ Private medical insurance ■ Life assurance (6x salary) ■ Concessionary mortgage ■ Insured sick pay ■ Provision of a company car, or cash equivalent. 	
Opportunity	There is no 'maximum' level of benefits – the overall value of benefits to the Society's executive directors is determined by the nature of its benefit offering which is subject to change throughout a given year.	
Pension		
Purpose and link to strategy	The Society's pension arrangements support the recruitment and retention of Executive Directors through the provision of competitive retirement benefits..	
In practice	<p>The Society operates a single defined contribution pension scheme and all colleagues have the opportunity to participate.</p> <p>Where contributions exceed the annual or lifetime allowance, or participation in the scheme is tax inefficient, colleagues may be permitted to take a cash supplement instead of contributions to the plan.</p>	
Opportunity	From April 2021, it is proposed for all Executive Directors to receive a maximum pension contribution (or cash allowance) of 11% of base salary, aligning the contribution levels for all colleagues.	

¹ A de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied. It impacts colleagues whose total remuneration is greater than £500,000 per annum and where colleagues' variable remuneration is more than 33% of their total remuneration. The de-minimis level is subject to change following the implementation of CRD V).

Remuneration Arrangements in relation to specific circumstances

New Hires	
Remuneration Package	<p>When agreeing the components of a remuneration package for the appointment of Executive Directors, the Remuneration Committee will apply the following principles:</p> <ul style="list-style-type: none"> ■ The packages will be sufficient to recruit high performing individuals, in a highly competitive market, to lead the business and effectively execute the strategy for members; ■ The Remuneration Committee will look to align the remuneration package offered with the Society's broader Remuneration Policy; and ■ The Remuneration Committee will ensure that the level of pay is necessary but not excessive. <p>The Remuneration Committee has discretion within the policy to make remuneration decisions where it considers it appropriate to do so.</p> <p>In determining remuneration arrangements, the Remuneration Committee will consider similar positions in the market, the structure of the remuneration package and the experience of the candidate. This ensures that arrangements are in the best interests of both the Society and its members without paying in excess of what is necessary to recruit an executive director of the required calibre.</p>
Buy out arrangements	<p>The Remuneration Committee may make awards on hiring an external candidate to the Board to compensate them for the forfeiture of any award entered into with a previous employer. In determining any such 'buy out', the Remuneration Committee will consider all the relevant factors including the likelihood of the awards vesting should the candidate have remained in their previous employment, the form in which they were awarded and the time over which they would have vested.</p> <ul style="list-style-type: none"> ■ The buy-out value may not exceed the aggregate amount of unvested variable remuneration. ■ Consideration is given to the reason for the "firm or relevant business unit suffering material failure of risk management" when considering any reduction of unvested variable remuneration. ■ The buy-out will vest no faster than any awards they replace. ■ The Society will provide former colleagues with the details and reasons of any proposed application of malus or clawback to awards in writing and notify the former colleagues within 14 working days of any amounts of malus or clawback that have been applied. <p>Bonus buyouts will be liable to forfeiture or 'clawback' in the event of early departure and are executed in line with the Remuneration Code.</p>
Retention arrangements	<p>The approach to rewarding retention payments is considered on an exceptional basis and will be agreed by the Remuneration Committee and subject to the relevant regulations, deferral, malus and clawback and Remuneration Committee discretion.</p>
Leaver Arrangements and Loss of Office	
<p>The Remuneration Committee shall apply the policy in relation to leavers, considering performance, conduct and commercial justifications, as summarised below:</p>	
Notice period	<p>The standard notice period is 12 months from the Society and 12 months from the Executive Director.</p> <p>In normal circumstances, Executive Directors will be required to work their notice period. In the event Executive Directors are not required to fulfil their notice period, they will receive a payment in lieu of notice, or they may be placed on garden leave.</p> <p>Chief Officers and other MRTs have notice periods varying between three months and one year, depending on the role undertaken.</p>
Termination payment	<p>Typically, termination payments will consist of basic pay and other contractual benefits for the notice period, the emphasis being to not reward failure.</p>
Annual bonus – leaver provisions	<p>On termination of office, the leaver provisions as set out below will apply.</p> <p>These are also outlined in the Society's bonus plan rules:</p> <ul style="list-style-type: none"> ■ In the event of retirement or redundancy, ill-health or disability, any bonus will be pro-rated to reflect the time served during the performance period. Any deferred payments due remain subject to future performance conditions and are payable at the end of the corresponding performance periods. There will be no acceleration of payment. They are also subject to the Society's risk overlay process, and therefore subject to the Society's malus and clawback provisions. ■ In the case of death, any bonus payments will be pro-rated to reflect the time served during the performance period. Payment of any deferred amounts, including deferred amounts from previous years, is accelerated and payable at the next payment date. ■ Subject to Committee discretion, in the event of resignation, any eligibility to participate in the current year's bonus scheme will cease. Leavers under these circumstances will be eligible to receive deferred bonus payments earned in previous years, subject to the Society's risk overlay process. <p>Subject to Remuneration Committee discretion and the Society's risk overlay process, Executive Directors who resign from the Society will retain eligibility to any deferred bonus payments earned in previous years. Malus and clawback provisions continue to apply.</p>

Remuneration Policy in relation to Non-Executive Directors

Non-Executive Director Fees	
Purpose and link to strategy	Sole element of remuneration set at a level that reflects market conditions and sufficient to attract individuals with appropriate knowledge and experience to provide a meaningful contribution to the Society.
In practice	<p>Fees are based on the level of fees paid to Non-Executive Directors and Chairs serving on boards of comparable organisations, the time commitment, and contribution expected from the role.</p> <ul style="list-style-type: none"> Non-Executive Director fees are determined and approved by the Board on recommendation from the CEO. The Chairman's fees are determined by the Remuneration Committee. Both the Chairman's and Non-Executive Directors' fees are reviewed periodically, at least annually. The Chairman's and Non-Executive Directors' fees are not subject to any specific performance measures; however, their overall performance is reviewed on a regular basis. <p>Neither the Chairman nor any of the Non- Executive Directors have any influence over the setting of their own fees.</p>
Opportunity	<p>There is no 'maximum' fee opportunity.</p> <p>Fees are set with reference to the level of fees paid to Non-Executive Directors and Chairs serving on boards of comparable organisations, the time commitment, and contribution expected from the role.</p>

Decision-making process: The Remuneration Committee followed a robust process when determining proposed amendments to the Society's Remuneration Policy, considering both the strategic objectives of the business and evolving market practice. Input was also sought from management, while ensuring that conflicts of interests were suitably mitigated. An external market perspective was provided by our independent advisers. The Remuneration Committee also assessed the proposed policy against the Society's Remuneration principles, designed to ensure that colleagues work together for the benefit of the Society, our members and customers.

Remuneration Scenarios in relation to the 2021 Remuneration Policy

The chart below shows the potential split of remuneration between fixed pay (base salary, benefits and pension) and total variable pay for the CEO and other executive directors under the following scenarios:

- Minimum** – under certain performance conditions, bonus can be zero.
- Target** - represents remuneration (75% of base salary for the Chief Executive Officer and 60% of for the remaining Executive Directors) that would be paid if Society and personal performance measures are achieved in 2021.
- Maximum** –the maximum bonus (125% of base salary for the Chief Executive Officer and 100% for the remaining Executive Directors) that could be paid assuming Society and personal performance measures are fully realised.

