

Yorkshire Building Society Group Tax Strategy

Approved by the Board 18 October 2023

1. Strategy

The strategy of the Board of Directors of Yorkshire Building Society ('the Board') on managing tax is to have within the Yorkshire Building Society and its controlled entities ('the YBS Group'):

- good governance and accountability for tax risks and strategy ('governance');
- well defined roles and responsibilities with respect to managing tax risks ('management');
- an up-to-date and well-informed understanding of tax legislation and practices ('knowledge');
- robust tax processes ('processes');
- strong control and reporting mechanisms ('control')
- a responsible approach to tax planning ('planning'); and
- a proactive, open and professional relationship with HMRC ('relationship').

2. Governance

The YBS Group's approach to tax strategy and risk is ultimately a decision for the Board, generally via delegated authority to the Chief Finance Officer.

The Chief Finance Officer is also the Senior Accounting Officer as defined in Schedule 46 Finance Act 2009). It is the responsibility of the Senior Accounting Officer to ensure that appropriate tax accounting arrangements are in place to enable the Group to calculate tax liabilities accurately. The day-to-day development and application of strategic and operational tax matters is implemented by the Chief Finance Officer with the support of the Director of Finance and Lead Tax Manager, supported by the Group Tax team and managers within the business.

The Group has robust tax related processes and operates strong control and reporting mechanisms which provide the Board with details of the Group's tax risks and their management.

3. Management

The YBS Group's approach to tax risk is to operate in a low risk and prudent manner, co-operating with His Majesty's Revenue and Customs ('HMRC') in a pro-active, honest and transparent way. As a result, the YBS Group has no defined thresholds or de-minimis levels in respect of acceptable tax risks.

Tax risks are identified, considered, communicated and monitored by the Group Tax team in line with the Group's internal tax policy. The team have established processes and control mechanisms to record and measure risks, along with a programme of a regular assurance activity, designed to articulate and manage risk in line with the Group's tax governance framework.

Risk management within the wider business is managed through an Enterprise Risk Management Framework, with control reporting measures in place.

In addition, departments across the YBS Group are required to consult with Group Tax in relation to matters affecting taxation in respect of reaching business decisions or implementing changes to products, services and processes.

The Board is kept informed of significant developments regarding tax legislation. Group Tax proactively explores with the wider business tax developments with the potential to impact the operations of the YBS Group. Group Tax provides appropriate technical advice and guidance to the business, procuring and managing external professional tax advice where appropriate.

4. Knowledge

The YBS Group seeks to maintain a clear and properly informed understanding of its tax obligations by:

- employing sufficiently qualified tax specialists (in both capacity and capability) within its Group Tax team, and other teams supporting or responsible for tax compliance activities, commensurate with the complexity of its activities;
- providing relevant training and access to research platforms for colleagues to maintain up-to-date knowledge of tax matters;
- maintaining contact with external professional advisers and obtaining external advice or opinions where the Group Tax team do not have the required expertise;
- facilitating regular meetings and communication between relevant areas of the business.

5. Processes

To meet the YBS Group's tax compliance obligations suitable processes and fully documented procedures are established and maintained to support the preparation, review and submission of accurate tax returns that are compliant with legislation, and to ensure the Group can readily respond to queries regarding those returns.

Processes are subject to recurrent challenge with a view to implementing improvements. Tax procedure manuals are maintained by the teams with responsibility for tax compliance activities and are regularly updated to reflect changing processes and practices.

6. Control

6.1 Control Reporting

Key controls covering the operation of the Group Tax team, including tax compliance processes, have been documented. The YBS Group operates a Risk & Control Self-Assessment process and assessment of the operation and effectiveness of controls are made every quarter. Any failures or partial failures are highlighted and discussed with Operational Risk.

6.2 Control Mechanisms

The group has a low appetite for tax risk and uses a variety of control mechanisms to manage tax risk including:

- Clearly defined roles and responsibilities in relation to tax compliance activities and tax risk management;
- The maintenance of tax procedure manuals;
- A continuing review of tax processes and procedures to ensure efficiency of process and compliance with current requirements;
- The maintenance of Tax Risk Registers, Tax Risk and Assurance matrices and other tools which enable risks to be monitored and mitigated;
- Regular meetings and business partnering between Group Tax and relevant areas of the business;
- A continuous review of tax risks and discussion of emerging tax risks with the Chief Finance Officer.

7. Planning

The YBS Group does not engage in tax planning or transactions designed specifically for the purpose of avoiding tax liabilities. The YBS Group will only undertake tax planning in relation to supporting commercial activity and pursuing genuine business opportunities of the YBS Group,

and only with the approval of the Chief Financial Officer who in turn will seek approval from the Board.

Yorkshire Building Society has adopted the Code of Practice on Taxation for Banks ('the Code') and has committed to not undertake tax planning which aims to achieve a tax position which is against the intentions of Parliament. Tax planning in respect of genuine commercial activity is only proposed when tax, accounting, regulatory and legal implications have been evaluated and found to be in accordance with the Code.

The YBS Group takes steps to ensure that we do not facilitate others who may have a connection with the YBS Group's business in evading taxes. The Group continues to maintain controls, monitoring, testing and provides regular training to staff to enable adherence of our obligations under the Criminal Finances Act of 2017 in respect of the failure to prevent the facilitation of tax evasion.

The YBS Group does use genuine reliefs, allowances and exemptions in calculating its tax liabilities, in line with common tax compliance practices. As a member-owned mutual our members and customers entrust us with their savings and mortgages, and it is our duty to them to operate a financially secure, sustainable business which delivers value to our members.

8. Relationship with His Majesty's Revenue and Customs ('HMRC')

The YBS Group maintains a pro-active, honest and transparent professional working relationship with HMRC and is willing to co-operate with HMRC on any reasonable enquiry into any aspect of its activity that is relevant to its tax liabilities.

The YBS Group will approach its Customer Compliance Manager in real time regarding any significant areas of tax risk and will constructively discuss them in an open manner. The Board is updated twice a year on the status of the Group's tax position, including the relationship with HMRC, and on any specific tax risks and tax developments.

All enquiries from HMRC, and all correspondence and negotiations with HMRC, are managed on behalf of the Board by Group Tax, with additional support from management and external professional advisers if required.

The tax strategy above is published in accordance with the Groups duty under Schedule 19 of *the Finance Act 2016* in respect of the accounting period ending 31 December 2023. The strategy applies to Yorkshire Building Society and all of its controlled entities (as disclosed within the Annual Report and Accounts each year).