

YORKSHIRE BUILDING SOCIETY

REMUNERATION POLICY

This Policy was approved at the 2024 AGM and will apply for a period of three years, until the 2027 AGM, unless a revised Policy is approved before then.

Further details on the Society's approach to remuneration can be found in the Directors Remuneration Report section of the Annual Report and Accounts which can be found in the ['Our Reports'](#) section of the website.

Directors' Remuneration Policy

We follow five key principles to support us in achieving our long-term aspirations 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 our 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, it is part of a broader Employee Value Proposition.
3. **Reward decisions are clear and transparent** for colleagues; delivered through effective and open communication.
4. **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.
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.

Our reward principles are applied consistently regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience.

Executive Director remuneration policy

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.
In Practice	<p>Base salary is typically reviewed annually and determined with reference to:</p> <ul style="list-style-type: none"> • Role and responsibilities • Skills, experience and individual performance & behaviours • Comparison to the external market, supported by reference to the Society's grading structure, the Career Framework • Internal relativities and wider workforce base salary levels. • Affordability - the economic environment and overall financial position of the Society
Opportunity	<p>There is no 'maximum' base salary opportunity.</p> <p>We seek to target an appropriate 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>

Directors' Remuneration Policy

Fixed Remuneration - Benefits

Purpose and link to strategy	To provide a total remuneration package that 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 • Annual Health Assessment • Life assurance (6x salary) • Provision of a company car, or cash equivalent. • Travel allowances
Opportunity	There is no maximum value to the benefits provided. The level of benefit is regularly reviewed to ensure they remain appropriate for the role undertaken.

Fixed Remuneration - Retirement Benefits

Purpose and link to strategy	The Society's pension arrangements support the attraction 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 participation in the scheme is tax inefficient, Executive Directors, in line with the approach for all colleagues, may be permitted to take a cash allowance instead of contributions to the plan.</p>
Opportunity	All Executive Directors receive a maximum pension contribution (or cash allowance) of 11% of base salary, the same as the contribution levels for all colleagues.

Directors' Remuneration Policy

Variable Pay - Bonus Scheme	
	Senior Leaders
Purpose and link to strategy	<p>To ensure that an Executive Director's remuneration has a direct link to the success of the Society and supports delivery of long-term strategic objectives in line with the Society's purpose and values.</p> <p>All Executive Directors are eligible to participate in this scheme which aims to reward the achievement of stretching annual Society and individual targets which are aligned to the longer-term strategy. Awards will be based on a Society scorecard of financial and non-financial metrics aligned to the Strategy together with individual performance.</p> <p>Payments under the plan are determined in the following way:</p> <ul style="list-style-type: none"> • For all metrics within the scorecard there would normally be specific targets set to reflect minimum threshold, target and maximum performance levels. • Scorecard metrics are weighted such that financial metrics and non-financial/strategic metrics (which may include metrics relating to member value, customers, ESG and risk) are weighted at 80% of the scorecard and individual performance is weighted at 20%. • Following the end of the financial year, the Remuneration Committee will assess performance across all performance metrics, including individual performance of each Executive Director, to determine the scorecard outcome. • Organisational financial performance, customer experience and risk gateways apply. Failure to meet these would normally result in zero variable pay awarded. • An individual compliance gateway, which would include an assessment of individual conduct, would also underpin the payment of any award. Failure to meet this would reduce any award (including potentially to zero). <p>All awards are subject to deferral, payment in 'share equivalent instruments' and malus and clawback provisions in line with regulatory expectations.</p>
In practice	
Opportunity	<p>An 'on target' achievement against all performance criteria would result in a variable pay award of 75% of eligible pay for the Chief Executive and 50% of eligible pay for other Executive Directors.</p> <p>Maximum achievement against all performance criteria would result in a variable pay award of 125% of eligible pay for the Chief Executive and 100% of eligible pay for other Executive Directors</p>

Deferral and Share Equivalent Instruments

In line with relevant remuneration regulations, including the Remuneration section of the PRA Rulebook and the FCA's Dual-Regulated Firms Remuneration Code, all variable pay awards for Executive Directors are subject to deferral. Deferral ensures that the Society delivers variable pay over a multi-year period, in a manner that mitigates unnecessary risk taking, whilst achieving a level of sustainable performance.

Also required by regulation, is that 50% of each variable pay award will be delivered via a Share Equivalent Instrument ('SEI') which is subject to a further holding period following vesting.

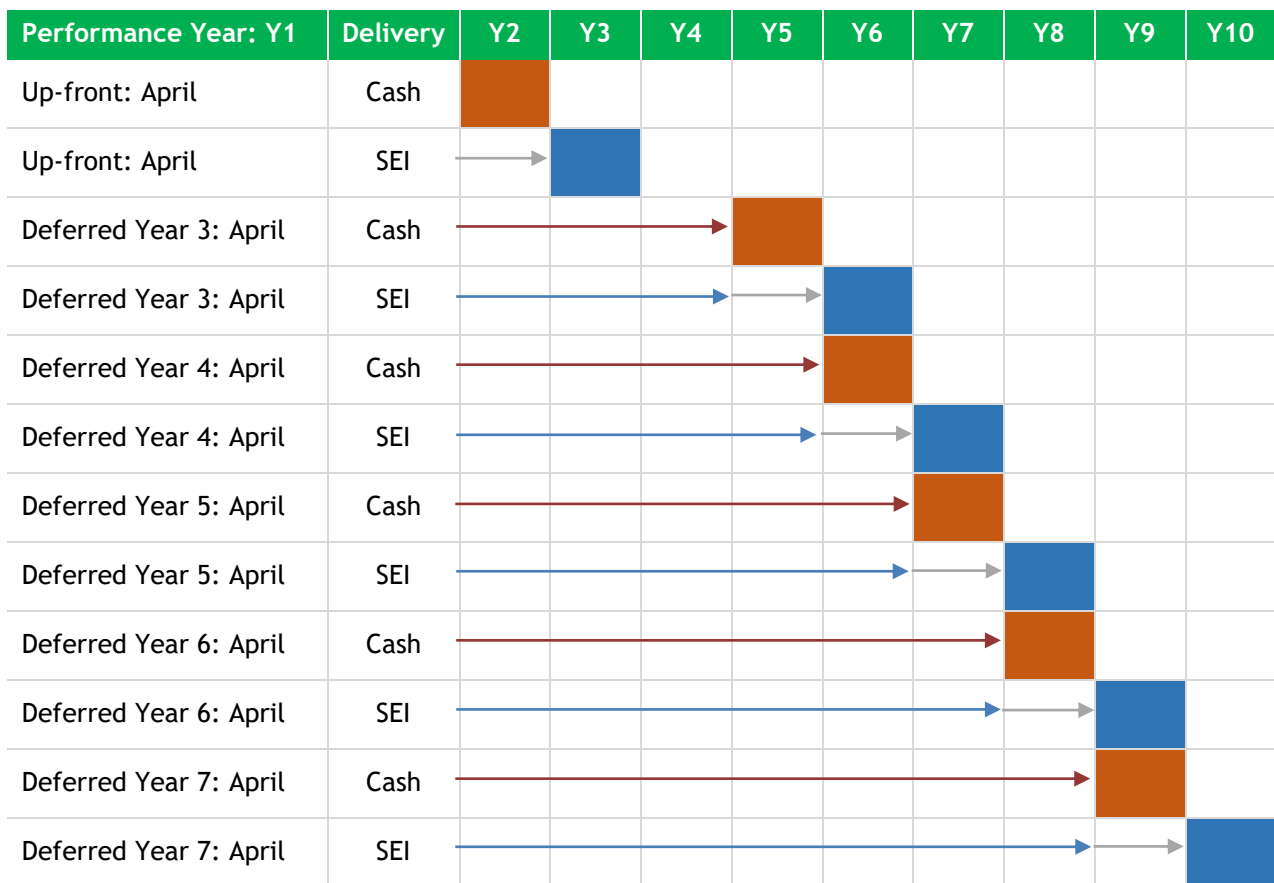
An Executive Director whose remuneration exceeds the de-minimis limit will receive 20% of their total variable pay in the year following the end of the performance period, with a further 20% delivered via SEI the following year. The remaining 60% is deferred over seven years, with a 12 month holding period applying to the payments made via SEI.

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For example:

- Year 1 - 40% of any variable pay earned is paid out in the year following the relevant performance year. Half of this amount is paid in cash and the other half is delivered in a SEI and subject to an additional 12 month holding period prior to revaluation and payment.
- Deferral Years - the remaining 60% is deferred for 7 years and paid equally each year from 3 years after the award. Each year, the award is split in two, with half the amount paid in cash and the second half held in a SEI and subject to an additional 12 month holding period prior to revaluation and payment. SEI valuations continue every 12 months until the variable pay schedule is complete.

Length of time variable pay at risk



Key

→ Cash bonus deferral → SEI Deferral → SEI holding period

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Variable Pay - Control Framework

<p>Business Controls Overlay Process</p>	<p>Variable pay awards are subject to the operation of a Business Controls Overlay ('BCO') assessment 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 Societies controls e.g., audit actions and other metrics.</p> <p>Before any variable pay awards are granted, a number of financial sustainability reviews are completed to ensure the level of capital held by the Society remains sustainable and compliant with regulation as well as an assessment which determines that the Society's cost management practices are robust.</p> <p>This formal risk overlay process ensures key risk indicators are considered to provide assurance that no inappropriate risk-taking behaviours have taken place.</p> <p>In instances where issues are identified as part of the BCO assessment, the Remuneration Committee reserve the right to reduce the scorecard outturn, apply a malus adjustment (reduce variable pay award or lapse deferred elements) and / or apply clawback (recover variable pay awards already made) as applicable. Awards are subject to clawback for up to a maximum of ten years.</p>
<p>Remuneration Committee Discretion</p>	<p>The Remuneration Committee retains the discretion to adjust variable pay awards to ensure that it reflects a true view of the underlying performance of the Society and holds sufficient capital levels to support the payment of any variable pay award.</p>

New Hires

<p>Remuneration Package</p>	<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 Remuneration Policy; and, • The Remuneration Committee will ensure that the level of pay is necessary but not excessive. <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>
<p>Replacement awards</p>	<p>The Remuneration Committee may make awards on hiring an external candidate to compensate them for any previously awarded variable remuneration and any other remuneration arrangements forfeited upon leaving the previous employer.</p> <p>In determining whether to approve any such replacement awards, the Remuneration Committee will consider the structure and form of the previous arrangements and will seek to ensure awards are made on materially similar terms to the arrangements being forfeited in terms of value, time horizons and the extent to which performance conditions applied to the original awards.</p> <p>Any replacement awards will be subject to the Society's malus and clawback provisions. The awards will be forfeited in the event of early departure from the Society.</p>

Directors' Remuneration Policy

Leaver Arrangements and Loss of Office

The Remuneration Committee shall apply the policy in relation to leavers, considering performance, conduct and commercial justifications, as summarised below:

<p>Notice Period</p>	<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 may receive a payment in lieu of notice, or they may be placed on garden leave</p>
<p>Termination Payment</p>	<p>Typically, termination payments will consist of contractual payments for the notice period, the emphasis being to not reward failure.</p>
<p>Annual Variable Pay - Leaver Provisions</p>	<p>On termination of office, the leaver provisions as set out below will apply. These are also outlined in the Society's variable pay plan rules.</p> <ul style="list-style-type: none"> • In the event of retirement, redundancy, ill-health or disability, any variable pay award will be pro-rated to reflect the time served during the performance period, with any payment remaining subject to relevant performance conditions and the Society's BCO assessment. Payment of any variable pay award would be at the normal time and deferral will continue to apply, in line with regulatory requirements. There would typically be no acceleration of payment or the vesting of deferred awards. For any unvested deferred awards which remain outstanding, these would typically be retained and would vest in line with the original vesting schedule. Malus and clawback provisions would continue to apply. • In the case of death, any variable pay award will normally be pro-rated to reflect the time served during the performance period. The Remuneration Committee has the discretion to accelerate the payment of deferred variable pay ahead of its defined vesting schedule in exceptional circumstances. • In the event of the resignation of an Executive Director who has unvested deferred bonus payments outstanding, they will not typically remain eligible to receive unvested awards. The Remuneration Committee has the discretion in certain circumstances to allow the colleague to remain eligible to receive the deferred bonus payments earned in previous years, subject to the rules of the scheme, including but not limited to the Society's BCO assessment and malus and clawback provisions.

Remuneration Policy for Non-Executive Directors

Non-Executive Director Fees

<p>Purpose and link to strategy</p>	<p>Remuneration set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience to provide a meaningful contribution to the Society.</p>
<p>In Practice</p>	<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 required, and contribution expected from the role.</p> <ul style="list-style-type: none"> • Both the Chair of the Board and Non-Executive Directors fees are reviewed periodically, normally at least annually. • The Chair of the Board is paid an all-inclusive fee. For Non-Executive Directors, a basic fee is paid, with additional fees payable for additional responsibilities, for example, the chairing or membership of a Board Committee. • The Chair of the Board's fees are determined by the Remuneration Committee. • Non-Executive Director fees shall be a matter for the Chair of the Board • The Chair of the Board and Non-Executive Directors fees are not subject to any specific performance measures; however, their overall performance is reviewed on a regular basis.

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- Non-Executive Directors do not receive any benefits but are re-imbursed for any expenses incurred. Non-Executive Directors will not be involved in any decisions as to their own remuneration.

Opportunity	There is no 'maximum' fee opportunity. 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. Non-Executive Directors are not eligible to receive variable pay awards.
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