

Annual General Meeting

Directors' Remuneration Report 2024

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Directors' Remuneration Report

Introduction from the Chair

Dear member

I am pleased to present this year's Remuneration Committee report. The report includes a summary of our Remuneration Policy, together with key decisions made in the year.

The focus of the Committee is to set our Remuneration Policy, including base pay, variable remuneration and other benefits for executive directors and Material Risk Takers. The Committee also has oversight of reward for the wider colleague population, as it relates to the broader culture of the Society.

Our members will have the opportunity to vote, on an advisory basis, on the 2024 Directors' Remuneration Report, at the AGM. There have been no changes to the Policy since the last member vote at the AGM held in 2024.

The Remuneration Policy is consistent with and promotes sound and effective risk management and ensures processes and practices do not introduce any risk of detriment to members.

The key features of the Remuneration Policy are set out in full on pages 138 to 139 in the Annual Report and Accounts 2024.

As a mutual, purpose-led business, we reviewed and increased colleague salaries

in April 2024, balancing the competing considerations of cost, the external market, and the persistent cost of living challenge that our colleagues continue to experience.

Whilst 2024 brought no significant changes in the Regulatory landscape we continue to monitor developments in this area, particularly ahead of 2025, where the PRA is expected to provide further detail on proposed changes to Remuneration Regulation first outlined in Q4 of 2024.

Performance and awards 2024

Earlier sections of the Annual Report and Accounts have set out how we have made strong progress, across all of our key metrics which determine our variable pay outturn.

After careful consideration, annual bonuses of between 16.31% and 17.35% (2023: 16.70% and 18.09%) have been awarded for 2024 to the executive directors, which represents between 81.56% and 86.75% (2023: 83.50% and 90.45%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process was undertaken, during which the Remuneration Committee considered a range of factors

and received input from the Board Risk Committee. Following full consideration, no adjustment to variable remuneration was deemed necessary and no malus or clawback applied.

The Remuneration Policy has operated as intended during the year.

2024 remuneration changes

In April 2024, all colleagues excluding the executive directors and Senior Leadership Team received a standard increase in base pay of 4.5%, with other changes to colleague pay structures resulting in an overall colleague average increase of 4.64%. The base pay increase for each Executive Director in 2024 was 3.5%. The Chair and Non-Executive Director basic fees also increased by 3.5% for 2024, in line with the minimum increase received by the executive directors and following a review of peer group and wider market data.

Looking ahead

Looking ahead to 2025, the Committee will continue to ensure that we have the right reward structures in place, to foster our mutual culture and to attract and retain the talent we will need to deliver on our purpose. Alongside this, the proposed PRA changes to Remuneration Regulation will give the Committee a range of issues to consider during 2025,

to ensure that our Remuneration Practice remains appropriately structured and aligned with prevailing Remuneration Regulation. In addition, we have also taken the decision to rebalance the bonus scheme constructs for executive directors and the wider Senior Leadership Team with effect from January 1 2025. This rebalancing will see objectives and behaviours now given equal weighting within the personal section of the bonus scheme, with further detail on this change provided on page 139 of the Annual Report and Accounts. This change recognises the continued importance of behaviours in driving both good member outcomes and superior commercial performance at the Society, and the need for our Remuneration practices to support this.

I trust this report is helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2024 Directors' Remuneration Report and Remuneration Policy.

Annette Barnes

Chair of the Remuneration Committee

Our Remuneration Policy and principles

Details of our Remuneration Policy and Principles can be found in the Annual Report and Accounts 2024.

Executive director remuneration summary for 2024

The executive director remuneration summary for 2024 is detailed below, compared with 2023. The total remuneration for executive directors equates to 1.95% of profit before tax (2023: 1.41%). This information has been audited and shows remuneration for the years ending 31 December 2023 and 31 December 2024, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2024 are in line with the 2024 Remuneration Policy, with a maximum annual bonus of 20% for executive directors.

The Chief Executive Officer is the Society's highest paid colleague. As we are a mutual organisation, we have no share capital and, therefore, do not offer share-based remuneration to executive directors or colleagues.

Executive director remuneration 2024 (audited)

Executive directors	Salary	Annual bonus	Retention award ¹	Pension ²	Loss of office	Total fixed remuneration	Total variable remuneration	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R G Fearon	696	122	-	77	-	773	122	895
A P Conroy	431	71	-	44	-	475	71	546
A J Greenwood	436	74	-	74	-	510	74	584
R J Howse	402	69	142	40	-	442	211	653
Total remuneration³	1,965	336	142	235	-	2,200	478	2,678

Executive director remuneration 2023 (audited)

Executive directors	Salary	Annual bonus	Retention award ¹	Pension ²	Loss of office	Total fixed remuneration	Total variable remuneration	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R G Fearon	665	123	-	74	-	739	123	862
A P Conroy	404	71	-	40	-	444	71	515
A J Greenwood	415	71	-	71	-	486	71	557
R J Howse	392	68	118	39	-	431	186	617
Total remuneration³	1,876	333	118	224	-	2,100	451	2,551

Notes

1. The Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme for R J Howse.
2. These directors elected to receive part or all of the Society's pension contribution as a cash allowance.
3. No director received other taxable benefits of £1,000 or above.

Annual incentive

For 2024, corporate performance incentive opportunities were based on the performance measures in the following table.

The table also illustrates performance against each of the measures.

Blueprint performance measure	Weightings for maximum (as % of salary)	Pay out %
Sustainable Purpose Delivery	3.34%	3.23%
Being Responsive to Member Needs	3.33%	2.99%
Purpose-led Colleagues and Culture	3.33%	2.78%

Notes

The corporate measures only apply to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The Deputy Chief Executive Officer is responsible for a control function and, therefore, is remunerated on personal objectives only based on a maximum of 20%.

Personal performance achievement for executive directors was in the range of 7.31% to 8.35% (16.88% in respect of the Deputy Chief Executive Officer). Personal performance for executive directors in a non-control function is based on a maximum of 10% and is assessed on personal objectives relating to each Executive Director specific role and behaviours. Following a thorough risk assessment, no malus or clawback was applied.

Retention award

As reported in 2022, the Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year core system migration programme for the Chief Operating Officer, Rob Howse.

The second instalment of the retention award of £142,076 was made in 2024, based on the successful delivery of specific project milestones and objectives.

The retention award is part of variable pay and is subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Pensions and other benefits

A J Greenwood is a deferred member of the defined contribution section of the pension scheme and has opted for a cash allowance in lieu of the Society's pension contribution. R G Fearon and A P Conroy opted to receive pension benefits as part contributions to the defined contribution section of the pension scheme and part cash allowance, in lieu of the Society's pension contribution. R J Howse has opted for a cash allowance in lieu of the Society's pension contribution.

No executive director has the right or opportunity to receive enhanced benefits beyond those already disclosed, and the Committee has not exercised its discretion during the year to enhance benefits.

Long term incentive awards made in the financial year

No long-term incentive awards were made in the financial year to executive directors.

Payments for loss of office

There were no payments for loss of office made in the financial year to executive directors.

Payments to former directors

A payment of £25,307 has been made in 2024 to PA Hill, the former Chief Executive Officer, who retired on 30 June 2019. A payment of £20,662 has been made in 2024 to R S P Litten, the former Chief Financial Officer, who left the Society on 18 April 2019. The bonus payments consisted of deferred incentive awards, which are assessed in full when they are awarded. All these payments were subject to risk assessment and the Committee determined no risk adjustment was required.

Remuneration for non-executive directors

Non-executive directors receive a basic fee and an additional fee for further duties (for example, Chair of a Committee or Senior Independent Director responsibilities).

Non-executive directors	Basic fees (£'000)		Benefits ¹ (£'000)		Committee chair fees (£'000)		Total (£'000)	
	2024	2023	2024	2023	2024	2023	2024	2023
I C A Cornish (Chair)	174	169	5	6	-	-	179	175
G J Hoskin (current Senior Independent Director)	58	56	3	5	25	24	86	85
A M Barnes	58	56	8	8	18	18	84	82
D Fisher	58	56	-	-	-	-	58	56
N A Fuller	58	56	3	5	18	18	79	79
A Tadayon	58	56	8	10	-	-	66	66
F Buckley	58	42	3	3	-	-	61	45
P Rowland	58	37	6	3	-	-	64	40
B McCafferty ²	19	-	5	-	-	-	24	-
L R McManus ³	-	2	-	2	-	-	-	4
Total	599	530	41	42	61	60	701	632

Notes:

- In addition to the payment of fees, non-executive directors are reimbursed for travel expenses for attending meetings and, where tax liability arises, this will be covered by the Society.
- This colleague joined on 1 September 2024.
- This colleague left on 13 January 2023.

Non-executive directors (including the Chair) received an annual basic fee increase of 3.5% in April 2024, in line with the senior leadership colleague population.

From 1 April 2025, non-executive director fees will be as follows:

Role	2025 fee
Chair of the Board	£180,538
Senior Independent Director	£7,128
Non-executive director base fee	£59,812
Committee Chair (Audit, Risk, Remuneration)	£18,849