

Annual General Meeting

Directors' Remuneration Report 2023

Directors' Remuneration Report

Year ended 31 December 2023

Remuneration Committee highlights from 2023

- Agreed company objectives for 2023 and individual performance objectives for the senior team for 2023.
- Provided oversight of reward for the broader colleague population.
- Reviewed the impact of Consumer Duty in respect of remuneration arrangements and governance.
- Assessed continued compliance with the Remuneration Code.
- Reviewed the current remuneration structure.
- Reviewed and approved the remuneration policy.
- Reviewed and agreed the approach for variable remuneration schemes in readiness for 2024.
- Reviewed 2023 performance against the agreed objectives, clearly linking to strategy and purpose.

Committee membership during 2023

In 2023 the committee comprised of six non-executive directors:

- Annette Barnes (Chair) – member since March 2021.
- David Fisher¹ – member since May 2012.
- Gareth Hoskin – member since January 2018.
- Iain Cornish – member since September 2023.
- Neil Fuller – member since November 2023.
- Pam Rowland – member since November 2023.

Number of meetings and attendance

- Five meetings were held during the year.
- 100% attendance from committee members, with the exception of David Fisher who missed two meetings.
- Leeds Building Society Chair, Chief Executive Officer, Deputy Chief Executive Officer, Chief People Officer, and Reward Lead are regular attendees at the meetings.

Introduction from the Chair

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 broader colleague population.

Our members will have the opportunity to vote, on an advisory basis, on the remuneration policy and 2023 Directors' Remuneration Report, at the AGM. There have been no changes to the Policy since the last member vote at the AGM held in 2022.

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 consumers.

The key features of the Remuneration Policy, are set out in full on pages 160 to 162.

As a mutual, purpose-led business, and as reported last year, we took steps to support our colleagues throughout the cost of living crisis by electing to move our 2023 pay review for all colleagues forward from April 2023 to January 2023.

In 2023, the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) removed the limit on the ratio of variable to fixed pay ('the bonus cap') which prevented firms from paying variable pay in excess of 100% (or 200% with shareholder / stakeholder approval). In response to these changes and aligned to our mutual culture, approach to recruitment and retention, and to support the long term aims of the Society, we have chosen to maintain the 100% variable to fixed pay limit and make no change to our annual bonus scheme.

¹ On 1 of December 2023 David Fisher was reclassified as a non-independent non-executive director. As a consequence, David will become an attendee of the committee for meetings in 2024 onwards.

Directors' Remuneration Report continued

As reported in 2022, the Remuneration Committee approved a retention award, specifically in relation to the successful delivery of the critical, multi-year technology transformation programme for the Chief Operating Officer, Rob Howse. The first instalment of the retention award was paid in 2023. You can find further details relating to this award on page 163.

Performance and awards 2023

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 16.7% and 18.09% (2022: 17% and 18.68%) have been awarded for 2023 to the executive directors, which represents between 83.5% and 90.4% (2022: 85% and 93.42%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process was undertaken, during which the 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.

The remuneration policy has operated as intended during the year.

2023 remuneration changes

In January 2023, all colleagues, including the executive directors, received a base pay increase.

As reported last year, having conducted a thorough external benchmarking exercise and having reviewed the performance of the Society under the Chief Executive Officer's leadership, the Remuneration Committee agreed a 15% base pay increase for the Chief Executive Officer, with effect from January 2023.

In January 2023, the base pay increases for colleagues ranged from 6% to 25% with an average of 9.34% and the base pay of all other executive directors increased by 6%. In addition, following an external benchmarking assessment undertaken during the second quarter of 2023, from the 1 June 2023, the Chief Financial Officer received a base pay increase of 10.3% and the Deputy Chief Executive Officer received a base pay increase of 5.8%.

The Chair's and non-executive director's basic fees, also increased by 6% for 2023, in line with the minimum increase received by our colleague population. Following a market review, in line with other committee chair roles and external benchmarking, the Remuneration Committee Chair fee increased by 24.4% along with the introduction of an added fee for the additional responsibility for the colleague engagement and Consumer Duty of £3,000. All of these changes were reported last year, and no individual was present when their own remuneration was under discussion.

Looking ahead

Looking ahead to 2024, 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.

I trust this report is helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2023 Directors' Remuneration Report and Remuneration Policy.

Annette Barnes
Chair of the Remuneration Committee

22 February 2024

Our remuneration policy and principles

The remuneration policy is designed to support members by:

- Being clearly linked to business objectives.
- Driving behaviours consistent with our purpose, culture, values and strategy.
- Being structured to attract and retain appropriately skilled colleagues to support the Society's long term interests and to promote a healthy culture.

All our remuneration decisions are based on:

- Objectives which are linked to our purpose, business strategy, values and long term interests, environmental, social and governance (ESG) related objectives and the security of the Society and our members.
- Procedures and practices that are consistent with, and promote, sound and effective risk management. They balance fixed and variable remuneration, to create an acceptable relationship between risk and reward, whilst not encouraging risk taking that exceeds the level tolerated by the Society.
- Basic salary and total remuneration which are set at a competitive level to attract, retain and motivate colleagues of the required calibre.

Components of remuneration structure

Executive directors

The following table summarises the principal components of the executive directors' total remuneration and the way they operate. Details which are commercially sensitive have not been provided.

	Remuneration element	Summary
Fixed remuneration	Basic salary	<p>Provides ability to attract and retain executives through market competitive rates of pay.</p> <p>The basic salaries of executive directors are reviewed each year, as for any other colleague, based on the economic environment, the overall financial position of the Society and in accordance with benchmarking.</p> <p>The only exception is if there is a material increase in scope or responsibility to the executive director's role or, as for any other colleague, where external benchmarking identifies a market adjustment is required.</p>
	Pension	<p>Based on membership of the Society's defined contribution section of the pension scheme. In appropriate circumstances, for example, where contributions exceed the annual allowance, there is an option to receive a monthly cash allowance in lieu of pension contributions.</p> <p>Executive directors appointed before 1 April 2019 receive a range of relevant employer contributions, fully aligned with the colleague population who joined before 1 April 2019, with a maximum contribution of 20% of basic salary, based on age and pensionable service.</p> <p>Executive directors appointed on or after 1 April 2019 receive a maximum contribution, fully aligned with the colleague population who joined after 1 April 2019, of 10% of basic salary.</p>
	Benefits	<p>The principal benefits executive directors receive are:</p> <ul style="list-style-type: none"> • Life assurance (up to 4x basic salary). • Private medical insurance. • Group income protection. • Health screening. • Cash health plan. <p>Other benefits may be provided based on individual circumstances, for example, relocation.</p>

	Remuneration element	Summary
Variable remuneration	Annual bonus scheme	<p>The 20% maximum is split between:</p> <p>Society performance – 10%.</p> <p>Personal performance – 10%.</p> <p>Society performance objectives are agreed by the Remuneration Committee at the start of each year and reflect business priorities.</p> <p>Personal performance objectives, appropriate to the responsibilities of the director, are set at the start of each year and agreed by the Remuneration Committee. 30% of the personal performance award is allocated to the demonstration of behaviours.</p> <p>The 20% maximum for the executive director in a control function is based on a range of personal objectives only, with 30% of the award allocated to the demonstration of behaviours.</p> <p>Robust risk evaluation measures are independently assessed by the Board Risk Committee, with measures for the Deputy Chief Executive Officer assessed by the Chief Executive Officer.</p> <p>For executive directors designated as 'senior managers' under the senior manager regime and over the de-minimis (1), 60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of variable remuneration will be delivered in a share-like instrument (2).</p>
	Retention awards	<p>Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant, and vesting of awards will be tied to the completion of a defined period of service and the satisfactory completion of a specific project or other multi task deliverable.</p> <p>Retention awards can be made up to a maximum of 100% of fixed pay. All retention bonuses, for material risk takers, are subject to the approval of the Remuneration Committee.</p> <p>Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.</p>

Notes

1. The de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied, and impacts colleagues whose variable remuneration is greater than £44,000 per annum or where variable remuneration is more than 33% of their total remuneration.
2. Where remuneration exceeds the de-minimis, 50% of the variable remuneration award will be paid in an instrument and 50% will be paid in cash. As a mutual organisation, this means that 50% of the award payable in each year will be held and retained for a further 12 months and which can be written down in value if agreed capital levels are not maintained. The instrument cannot increase in value or attract interest payments during the deferral and retention periods.

The Remuneration Committee may apply discretion to reduce bonus awards in whole or part using either malus or clawback. Malus is a reduction factor which is applied to bonus payments which have not yet vested and clawback is applied to seek recovery of bonus payments already paid.

Bonus deferral and share-like instrument

For executive directors designated as 'senior managers' under the senior manager regime and over the de-minimis limit, 60% of the bonus will be deferred over a period of seven years with no vesting until three years after the award is made. 50% of variable remuneration will be delivered in a share-like instrument.

Directors' Remuneration Report continued

The table below illustrates how the 2023 bonus for the Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer and Chief Operating Officer will be delivered:

Performance year	April following the bonus scheme year	Paid one year later	Paid two years later	Paid three years later	Paid four years later	Paid five years later	Paid six years later	Paid seven years later	Paid eight years later
Annual bonus scheme	40% of the bonus is awarded in the April following the scheme year. 50% of any award will be delivered in a share-like instrument.		60% of the bonus will be deferred, over a period of seven years with no vesting until three years after the award is made. 50% of any award will be delivered in a share-like instrument.						
	20% cash		6% cash		6% cash	6% cash	6% cash	6% cash	6% cash
	20% share-like instrument		6% share-like instrument		6% share-like instrument	6% share-like instrument	6% share-like instrument	6% share-like instrument	6% share-like instrument

Non-executive directors

Non-executive directors receive fees which reflect the level of responsibilities and time commitment required for board and board committee meetings. Non-executive directors receive a basic fee and an additional fee for chairing a committee.

Fees are reviewed annually with recommendations made to the board by the Executive Committee. The Chair's fee is reviewed by the Remuneration Committee. Fee levels are benchmarked against other financial services organisations.

Non-executive directors are reimbursed for travel expenses for attending meetings and, where tax liability arises for these travel expenses, this will be covered by the Society.

Report on remuneration 2023

Executive director remuneration summary for 2023

The total remuneration received by executive directors for 2023 is detailed below, compared with 2022. The total remuneration for executive directors equates to 1.41% of Group profit before tax (2022:0.96%). This information has been audited and shows remuneration for the years ending 31 December 2022 and 31 December 2023, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2023 are in line with the 2023 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.

2023 audited

Executive directors	Salary	Annual bonus	Retention award (3)	Pension	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(1)	–	739	123	862
A P Conroy	404	71	–	40(1)	–	444	71	515
A J Greenwood	415	71	–	71(1)	–	486	71	557
R J Howse	392	68	118	39(1)	–	431	186	617
Total remuneration (2)	1,876	333	118	224	–	2,100	451	2,551

Notes

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

2022 audited

Executive directors	Salary	Annual bonus	Pension	Loss of office	Total fixed remuneration	Total variable remuneration	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
R G Fearon	578	110	64(1)	–	642	110	752
A P Conroy	355	64	35(1)	–	390	64	454
A J Greenwood	375	64	52(1)	–	427	64	491
R J Howse	363	66	36(1)	–	399	66	465
Total remuneration (2)	1,671	304	187	–	1,858	304	2,162

Notes

(1) These directors elected to receive part or all of the Society's pension contribution as a cash allowance.

(2) No director received other taxable benefits of £1,000 or above.

Annual incentive

For 2023, 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 %
Trading responsibly	3.34%	3.06%
Being responsive to member needs	3.33%	2.77%
Communicating and engaging with our colleagues and customers	3.33%	3.33%

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 7.675% to 16.7% (16.7% in respect of the DCEO). 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.

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 technology transformation programme for the Chief Operating Officer, RJ Howse.

The first instalment of the retention award of £117,660 was made in July 2023, 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.

Risk assessment

The risk assessment process is independently managed by the Risk function. Following completion of the risk assessment process, the Chief Risk Officer provides an annual report on areas the Remuneration Committee should consider, in respect of whether performance or risk adjustment is necessary to remuneration outcomes. The report is initially reviewed by the Board Risk Committee, which then highlights any specific areas for further consideration to the Remuneration Committee. In addition, the risk function considers the corporate priorities and personal objectives for executive directors' future year remuneration, to ensure they are aligned with our risk appetite.

Directors' Remuneration Report continued

The report from the Chief Risk Officer includes an assessment of the current year's performance in the context of objectives for each prior year for which variable remuneration has been deferred.

The individual performance of material risk takers and their teams is risk assessed by reference to a range of dimensions including audit findings, compliance with regulatory policies, compliance with our risk appetite, and general control and governance matters.

The Remuneration Committee, after consultation with the Board Risk Committee and consideration of performance against risk appetites, did not make any risk adjustment for 2023.

Unpaid deferred elements of the annual bonus scheme

Executive directors	Performance year	Due 2024 £'000	Due 2025 £'000	Due 2026 £'000	Due 2027 £'000	Due 2028 £'000	Due 2029 £'000	Due 2030 £'000	Due 2031 £'000	Due 2032 £'000	Total £'000
R G Fearon	2019	20	20	20	20	11	–	–	–	–	91
	2020	3	14	23	23	23	20	8	–	–	114
	2021	–	6	12	12	12	12	7	–	–	61
	2022	22	–	7	13	13	13	13	7	–	88
	2023	24	24	–	7	15	15	15	15	8	123
	Total		69	64	62	75	74	60	43	22	8
A P Conroy	2020	16	12	–	–	–	–	–	–	–	28
	2021	–	4	7	7	7	7	4	–	–	36
	2022	13	–	3	8	8	8	8	3	–	51
	2023	14	14	–	5	8	8	8	8	5	70
	Total		43	30	10	20	23	23	20	11	5
A J Greenwood	2020	16	13	–	–	–	–	–	–	–	29
	2021	–	4	7	7	7	7	4	–	–	36
	2022	13	–	5	7	7	7	7	5	–	51
	2023	14	14	–	5	8	8	8	8	6	71
	Total		43	31	12	19	22	22	19	13	6
R J Howse	2021	–	4	7	7	7	7	5	–	–	37
	2022	13	–	4	8	8	8	8	4	–	53
	2023	14	14	–	4	8	8	8	8	4	68
	Total		27	18	11	19	23	23	21	12	4
P A Hill	2018	25	25	25	14	–	–	–	–	–	89
	Total		25	25	25	14	–	–	–	–	89
R S P Litten	2018	17	17	17	9	–	–	–	–	–	60
	2019	3	3	4	4	2	–	–	–	–	16
	Total		20	20	21	13	2	–	–	–	76
Total		227	188	141	160	144	128	103	58	23	1,172

The table above is an illustration of the annual bonus scheme awards and does not include retention awards. The payment of deferred elements, for all variable remuneration (including retention awards) is subject to future performance, for example, the application of malus. Clawback will be applied as required by regulation.

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.

Executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in our employment.

Long term incentive awards made in the financial year

There were no long term incentive awards made in the financial year.

Payments for loss of office

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

Remuneration for material risk takers in 2023

Material risk takers are senior managers who include executive and non-executive directors, chief officers and directors whose actions have a material impact on the risk profile of the Society.

The basic salary or fees of material risk takers is determined to reflect the responsibilities of the role. Salaries are reviewed annually, as for all colleagues. Material risk takers, other than non-executive directors, are eligible for an annual bonus scheme. The bonus scheme for material risk takers in control functions is based on the achievement of non financial objectives. In 2023, there were 39 material risk takers during the year.

Aggregate remuneration for material risk takers is reported in the table below.

	Number of beneficiaries		Fixed pay (1)		Current year variable pay(2)		Total	
	2023	2022	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Senior management	39	32	7,480	6,500	1,137	1,299	8,617	7,799
Other material risk takers	–	–	–	–	–	–	–	–
Total remuneration (4)	39(3)	32 (3)	7,480	6,500	1,137	1,299(4)	8,617	7,799

Notes

- (1) Fixed pay includes basic salary, benefits, pension, loss of office payments and fees for non-executive directors.
- (2) £1,246k of variable pay is deferred for five or seven years (2022: £843k).
- (3) Material risk takers who left the Society during the calendar year are included in the table above.
- (4) The 2022 variable pay includes elements of the award from 2020, that were deferred for an additional year, to allow the Remuneration Committee to fully take account of the longer term impact of Covid-19.

Directors' Remuneration Report continued

Remuneration for non-executive directors

The fees for non-executive directors are made up of a basic fee, plus a committee chair fee, as appropriate. The Chair does not receive additional fees for roles carried out other than that of Chair.

Non-executive directors	Basic fees		Benefits (1)		Committee chair fees		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
I C A Cornish (Chair)	169	158	6	6	–	–	175	164
G J Hoskin (Vice Chair)	56	52	5	3	24	24	85	79
A M Barnes	56	52	8	3	18	–	82	55
D Fisher	56	52	–	–	–	–	56	52
N A Fuller	56	52	5	4	18	18	79	74
L R McManus (2)	2	52	2	5	–	12	4	69
A Tadayon	56	52	10	5	–	–	66	57
F Buckley (3)	42	–	3	–	–	–	45	–
P Rowland (4)	37	–	3	–	–	–	40	–
Total	530	470	42	26	60	54	632	550

Notes

- (1) 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.
- (2) This colleague left on 13 January 2023.
- (3) This colleague joined on 1 April 2023.
- (4) This colleague joined on 1 May 2023.

Non-executive directors (including the Chair) received an annual basic fee increase of 6% in January 2023, in line with the colleague population. Following a market review and external benchmarking, the Remuneration Committee Chair fee increased by 24.4% along with the introduction of an additional fee for the non-executive director with the responsibility for the Colleague Voice and Consumer Duty of £3,000.

From 1 April 2024, the non-executive directors fees will be as follows:

Non-executive directors	Basic fees	Committee chair fees	Total
	2024 £'000	2024 £'000	2024 £'000
I C A Cornish (Chair)	175	–	175
G J Hoskin (Vice Chair)	58	25	83
A M Barnes	58	18	76
D Fisher	58	–	58
N A Fuller	58	18	76
A Tadayon	58	–	58
F Buckley	58	–	58
P Rowland	58	–	58
Total	581	61	642

Payments to former directors

A payment of £25,307 has been made in 2023 to PA Hill, the former Chief Executive Officer, who retired on 30 June 2019. A payment of £18,662 has been made in 2023 to R S P Litten, the former Chief Financial Officer, who left the Society on 18 April 2019. A payment of £11,984 has been made in 2023 to K Wint, the former Chief of Staff, who left the Society on 31 January 2020. 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 Remuneration Committee determined no risk adjustment was required.

Policy review

The remuneration policy is subject to an annual review of both its content and implementation and is approved by the Remuneration Committee. The Board Risk Committee also contributes to the policy review, to ensure it takes sufficient account of risk considerations.

Remuneration arrangements meet regulatory requirements, including the FCA Dual Regulated Firms Remuneration Code, PRA Rulebook and good corporate governance practice.

Vote

Members are asked to vote on the remuneration policy at least every three years, or earlier if the policy changes. The current remuneration policy took effect from the date of the 2022 AGM.

Annual General Meeting 2023 results – directors’ remuneration report

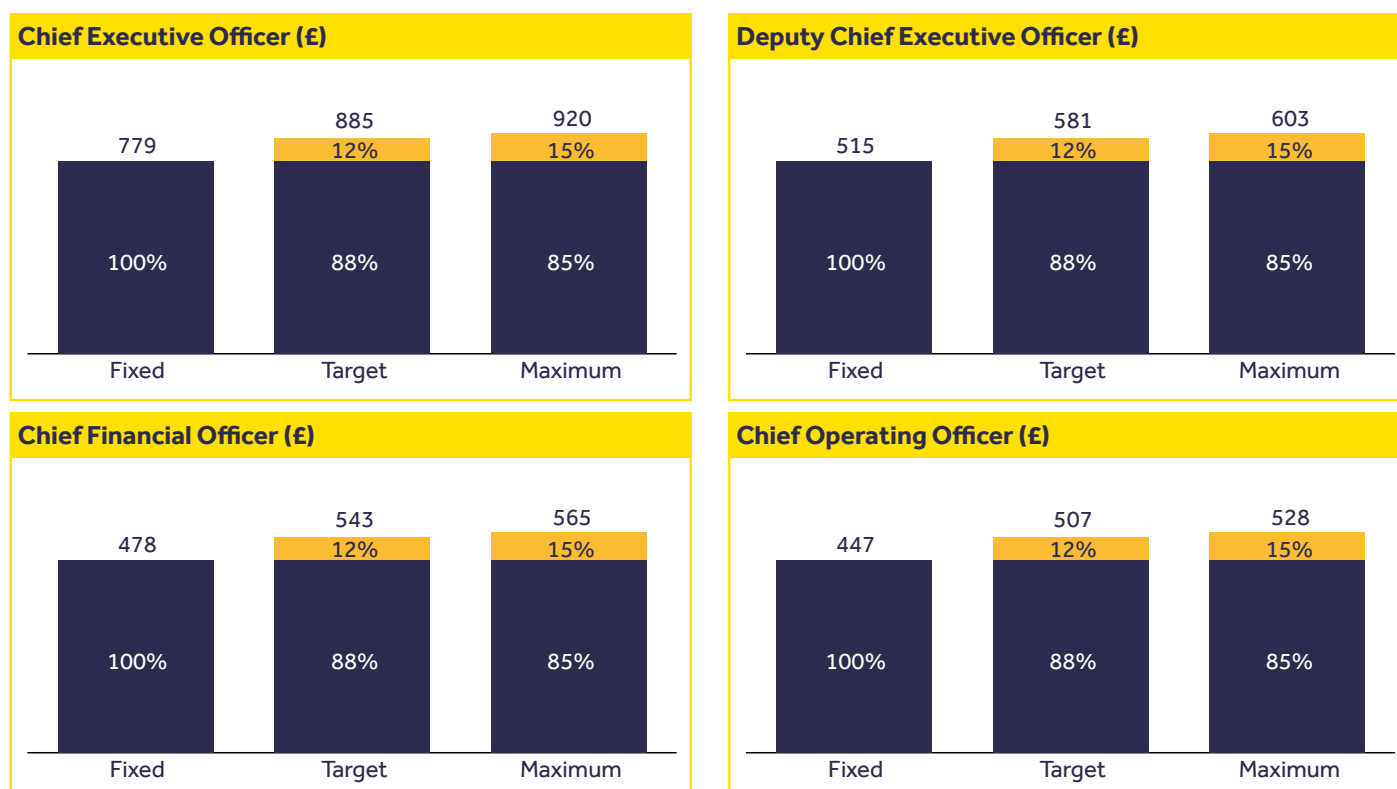
Resolution	% votes for	% votes against
Directors’ remuneration report	92.39%	7.61%

Annual General Meeting 2022 results – directors’ remuneration policy

Resolution	% votes for	% votes against
Directors’ remuneration policy	92.24%	7.76%

Awards under different scenarios

The charts below show the awards split between fixed pay and variable pay, under the variable pay arrangements, for each current executive director under different scenarios:



Directors' Remuneration Report continued

Fixed	Consists of basic salary and pension Basic salary is as at 1 April 2024			
	Executive director	Basic salary	Pension	Total fixed
	Chief Executive Officer	£702,250	£77,247	£779,497
	Deputy Chief Executive Officer	£439,880	£74,780	£514,660
	Chief Financial Officer	£434,700	£43,470	£478,170
	Chief Operating Officer	£405,930	£40,593	£446,523
Target	Based on what an executive director would receive if the target level of performance was achieved, based on a 20% variable remuneration scheme: annual variable element pays out at 75% (80% for Control functions) of the maximum available.			
Maximum	Based on what an executive director would receive if the maximum level of performance was achieved: annual variable element pays out at 100% of maximum available.			

Approach to recruitment remuneration for executive directors

	Remuneration element	Summary
Fixed remuneration	Basic salary and benefits	The salary level will be set taking into account the responsibilities of the individual and by comparison with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society. The executive director will be eligible to receive benefits as set out in the remuneration policy table.
	Pension	The executive director will be able to participate in the defined contribution section of the pension scheme or to receive a cash allowance of up to a maximum of 10% of basic salary, in line with the colleague population.
Variable remuneration	Annual bonus	The executive director will be eligible to participate in the annual bonus scheme as set out in the remuneration policy table. The bonus award will be pro-rated to the number of complete months worked during that year.
	Replacement award	When replacement awards cannot be avoided, the committee will structure any such awards so that, overall, they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the committee will seek to replicate the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.
	Recruitment remuneration	Any payments made to executive directors on joining the Society to compensate them for forfeited remuneration from their previous employer will be compliant with the provisions of the PRA Rulebook and the FCA Dual-Regulated Firms Remuneration Code.
	Retention awards	Such awards will only be made in exceptional circumstances. The monetary value of the award will be defined at grant and vesting of awards will be tied to the completion of a defined period of service and the satisfactory completion of a specific project or other multi task deliverable. Retention awards can be made up to a maximum of 100% of fixed pay. All retention bonuses, for material risk takers, are subject to the approval of the Remuneration Committee. Retention awards are part of variable pay and may be subject to malus and clawback, deferral and delivery in instruments, as determined by the Remuneration Committee.

Service contracts

Executive directors' terms and conditions of employment, including details of remuneration, are detailed in their individual service agreements, which include a notice period of twelve months. The standard contract is available to view at the Society's head office.

None of the executive directors currently hold any paid external directorships.

The non-executive directors do not have service contracts with the Society.

Policy on payment for loss of office

When determining any loss of office payment for a departing individual, the committee will seek to minimise costs to the Society, while seeking to reflect the circumstances in place at the time. Accordingly, the committee retains overriding judgement to make loss of office payments appropriate to the circumstances and applying the overriding principle that there should be no element of reward for failure.

	Remuneration element	Summary
Fixed remuneration	Basic salary and benefits	In the event of termination by the Society, there will be no compensation for loss of office due to misconduct or poor performance. In other circumstances, executive directors may be entitled to receive compensation for loss of office. Such payments will be based on the monthly salary and pension contributions that the executive would have received if still in employment with the Society. Executive directors are expected to mitigate compensation for loss of office, in appropriate circumstances.
Variable remuneration	Annual bonus	<p>Where an executive director's employment is terminated during or after the end of a performance year, but before the payment is made, the executive may be eligible for a pro-rated annual bonus for that performance year, subject to an assessment based on performance achieved over the period and subject to risk adjustment. No award will be made in the event of misconduct.</p> <p>Where an executive director leaves the Society after an award is made, deferred payments will remain payable, subject to the normal rules of the scheme, including risk adjustment.</p> <p>The Remuneration Committee, in determining the final awards, may apply judgement to assess performance in the round. When assessing performance in the round, the Remuneration Committee may take into account (inter alia) wider market, regulatory and stakeholder considerations.</p>

Statement of consideration of conditions elsewhere in the Society

The Remuneration Committee considers the increase in general basic salary for the wider colleague population when determining the annual salary increases for the executive directors.

The table below illustrates the comparison of average salary increases to be made in April 2024 to the Chief Executive Officer, executive directors and all other colleagues.



Directors' Remuneration Report continued

Statement of implementation of remuneration policy in the following year

The remuneration policy is implemented by management. A formal review of the implementation of the policy is conducted by the Remuneration Committee on an annual basis.

The executive directors' salaries from 1 January 2024 are as follows, compared with 1 January 2023:

	1 January 2023	1 January 2024
R G Fearon	£678,500	£678,500
A J Greenwood	£401,775	£425,000
A P Conroy	£380,670	£420,000
R J Howse	£392,200	£392,200

The annual pay review takes place in April, for all colleagues in the Society, including executive directors. From the 1 June 2023, following external benchmarking, the Chief Financial Officer received an increase of 10.3% and the Deputy Chief Executive Officer received an increase of 5.8%.

Following a market review and external benchmarking, salaries from 1 April 2024 will be as follows will be as follows:

	1 April 2024	Increase
R G Fearon	£702,250	3.5%
A J Greenwood	£439,880	3.5%
A P Conroy	£434,700	3.5%
R J Howse	£405,930	3.5%

Chief Executive Officer (CEO) pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018, came into force for accounting periods starting from 1 January 2019 and requires the publication of the ratio of the CEO's single figure total remuneration. We have chosen to use the Government's preferred methodology (option A), which determines the total full time equivalent total remuneration for all colleagues for the relevant financial year, and compares the median, 25th and 75th percentiles against the CEO single figure.

Year	Method	25th percentile	Median	75th percentile
2023	Option A	31:1	21:1	14:1
2022	Option A	30:1	20:1	13:1
2021	Option A	30:1	20:1	13:1
2020	Option A	32:1	21:1	14:1
2019	Option A	32:1	22:1	15:1

The remuneration below is calculated in respect of the year ended 31 December 2023:

Remuneration element	25th percentile (£)	Median (£)	75th percentile (£)
Total pay and benefits	27,803	41,850	62,468
Salary	24,405	36,000	55,650

Directors' loans, transactions and related business activity

The aggregate amount outstanding at 31 December 2023 in respect of loans from the Society or a subsidiary undertaking to directors of the Society or persons associated with directors was nil (2022: nil), being nil mortgages (2022: nil) to directors and persons connected to directors. A register of loans and transactions with directors and their connected persons is maintained at the head office of the Society and may be inspected by members. There were no significant contracts between the Society or our subsidiaries and any director of the Society during the year.

History of remuneration of Chief Executive Officer

The table below shows the total remuneration of the Chief Executive Officer over the last five years, together with the performance pay awarded as a percentage of the maximum possible.

	Total remuneration £'000	Performance pay as % of maximum
2023	862	90.4
2022	752	93.4
2021	695	94.0
2020	684	82.9
2019	659	75.0

Percentage change in salary for Chief Executive Officer

The basic salary of the Chief Executive Officer increased by 15% during 2023. An average annual increase of 9.34% in basic pay was awarded to all colleagues. The annual change of each individual executive director's pay, compared to the annual change in average colleague pay is detailed below.

	Annual increase
Chief Executive Officer	15.0%
Deputy Chief Executive Officer	11.8%
Chief Financial Officer	16.3%
Chief Operating Officer	6.0%
Colleague average	9.3%
Minimum salary	14.6%

Relative importance of spend on pay

The following table sets out the percentage change in profit and overall spend on remuneration in the year ending 31 December 2023, compared to the previous year.

	2023	2022	Percentage change
Group profit after tax	£133.9 million	£161.9 million	-17.3%
Colleague remuneration costs	£79.1 million	£64.8 million	22.1%
Headcount	1,788	1,538	16.3%

External advisers to the Remuneration Committee

The Remuneration Committee seeks the advice of independent external consultants, as required. The external advisers to the Remuneration Committee in 2023 were PwC LLP. The appointment of advisers is carried out on a basis of careful evaluation of potential providers against agreed criteria. PwC LLP confirmed they do not have any conflict of interest in advising the Remuneration Committee.