

## Frequently asked questions



We've put together this selection of themed frequently asked questions to help you cast your vote in AGM 2021. Please also refer to our member magazine for more information and updates on our performance in 2020.

Your safety, and that of our colleagues, is of great importance to us and unfortunately, we're unable to allow members of the public to attend this year's AGM. This is due to the evolving pandemic and public health and safety concerns.

We value your views and we'd normally encourage you to attend the AGM and ask any questions you may have, in person. This year, if you have any questions, you can submit these using the details shown below and we'll respond to you directly.

Email: [agm@leedsbuildingsociety.co.uk](mailto:agm@leedsbuildingsociety.co.uk)

Post: By writing to **Society's Secretary, Leeds Building Society, 105 Albion Street, Leeds, LS1 5AS**

Please note, dispersed working arrangements may lead to some short delays in issuing responses. Therefore, it is recommended that questions are raised by email, where possible.

A selection of themed questions will also be answered during the AGM.

### Has the Society's strategic focus changed as a result of the pandemic?

Our overall strategy remains unchanged. However, as a result of the pandemic, our short-term focus in 2020 shifted to how we could support our members, colleagues and the communities in which we operate. To focus our colleagues' efforts, and to respond to the uncertainty and changing circumstances, we revised our Corporate Priorities as follows:

- Safely keeping the Society operating for the benefit of our members
- Keeping the Society financially resilient
- Communicating to our colleagues and members

However, this didn't mean losing sight of our longer-term aim of supporting those less well-served by the wider mortgage market. In 2020, we helped 8,000 first time buyers onto the property ladder. We also remained active in the Shared Ownership market throughout the year, including at 95% loan to value.

We continue to work hard to keep our savings rates as high as possible, for as long as possible. In response to the drop in the Bank of England Base Rate in March last year, we took the difficult decision to lower our savings rates. Despite this historic low, we remained committed to paying more than the industry average.

## Why have you reduced your savings rates?

Our financial strength has enabled us to consistently pay above the market average to our savings members, despite the historically low interest rate environment. The average rate we paid to savers of 1.19% compares to a market average of 0.60%, equating to an annual benefit to our savings members of £82.8 million.\*

Over the past year, external factors, including a low Bank Base Rate which fell even further, contributed to market rates reaching record lows. We work hard to support our savers and keep our rates as high as possible, for as long as possible, although we reluctantly have had to make some rate changes on existing products this year in response to falling market rates. Even after reducing some rates, the impacted products remain very competitive in comparison to our peers and our new rates on these products are still near to the top of the market.

As a building society, we need to manage funding costs for the long term benefit of our membership as a whole, which includes maintaining sustainable savings rates in line with our building society peers, and typically higher than banks.

## What changes did you make to the branch network in 2020?

### What is the outlook for the future?

We remain committed to a sustainable branch network and our branches play an important role for our savings members. However, member behaviour can change over time and we need to respond to these changes, and adapt our business model appropriately, in our members' long-term best interests.

In 2020, we made the difficult decision to close our branches in Adel, Bradford and Ripon, and withdraw from our Brecon location. This was done with careful consideration, including a vulnerable customer assessment.

Colleagues at the impacted branches were redeployed following consultation, protecting jobs and ensuring no redundancies were made. Our branch and colleagues in Brecon transferred to Monmouthshire Building Society.

This decision seeks to strengthen the efficiency and improves the longer-term sustainability of the branch network as a whole.

In autumn, we confirmed the purchase of premises for our new Leeds city centre branch, which will move from its home in Albion Street when we vacate our current head office building this year. The site on Commercial Street offers a prime, central location and the branch will be the biggest in our network and part of our investment in our operations and future in the city.

## Why are you moving head office?

Our new Sovereign Street head office will offer flexible space for the long term. The relocation will bring together office and operation functions currently spread across three city centre locations – improving efficiency, reducing operating costs and reducing our carbon footprint.

The building is located in the heart of Leeds, close to existing transport links, and the refurbishment of this building was chosen and managed to minimise our environmental impact. It has been upgraded to an 'A' rating for energy efficiency and will be net carbon neutral in operation.

The new space provides us with greater flexibility to support different ways of working for many decades to come. We're due to move into our new head office later this year when government guidelines permit.

## How have you supported members during the pandemic?

Our members are at the heart of every decision we make. Since the pandemic began, we've put specific measures in place to support you and the communities in which we operate. These include:

- We created an online application process for mortgage payment deferrals (also known as mortgage payment holidays) of up to six months, for borrowers at risk of financial difficulties.
- We created a dedicated coronavirus page on our website with the latest information for members needing help and support.
- We suppressed arrears fees on our mortgages from March 2020, and will continue to do so until the end of 2021.
- We were the first UK lender to deploy desktop valuations during the pandemic. This allowed us to progress more than 70% of mortgage applications despite the March 2020 lockdown.
- We kept 98% of our branch network open in a COVID-secure environment and gave priority access to vulnerable members. Branch colleagues maintained regular contact with vulnerable customers to make sure their cash needs were met, as well as being extra vigilant for potential financial crime, given the increased fraud risks during this time.
- We recognised that an "essential transaction" can vary depending on a member's circumstances, especially where the customer may be considered vulnerable. For this reason, we worked with each customer as an individual, while highlighting alternative ways to access our services and their accounts.
- We provided practical guidance and support through our dedicated bereavement support service, which includes the Death Notification Service. Details of which can be found at [leedsbuildingsociety.co.uk/loss-of-a-loved-one](https://leedsbuildingsociety.co.uk/loss-of-a-loved-one)

## How have you supported colleagues during the pandemic?

Keeping our colleagues and members safe, while successfully maintaining our service levels, has been our priority during the pandemic. We made all our premises COVID-secure, in line with government guidance, implementing additional safety measures. We've provided detailed information and frequent updates to our colleagues to ensure our offices and working practices remain as safe as possible.

At the start of the pandemic, more than 700 colleagues began working from home. More recently, this number has, at times, exceeded 850. We provided equipment to create a more comfortable working environment at home, such as laptops, monitors and chairs. We also installed screens and followed social distancing measures in our branches.

No colleagues have been furloughed during the pandemic and we've continued recruitment during this period. We support colleagues with paid leave for coronavirus-related absences, including those who were required to shield on health grounds or those who were impacted by other events, such as school closures. We're extremely grateful for the commitment and resilience of all our colleagues during this very challenging period and for so quickly adapting to new ways of working.

## Why can't members of the public attend the AGM this year?

Your safety, and that of our colleagues, is of great importance to us and unfortunately, we're unable to allow members of the public to attend this year's AGM. This is due to the evolving pandemic and public health and safety concerns.

Our Memorandum and Rules stipulate that we must hold a physical meeting. Therefore, this year a minimum number of Directors and Society colleagues, who are also voting members, will attend the meeting in person to satisfy the quorum requirements for a valid meeting. Such Directors and colleagues will follow the latest government guidance regarding social distancing in place at the time of the meeting.

There are still multiple ways you can get involved. This year, if you have any questions, you can submit these using the details shown at the beginning of this document, and we will respond to you directly. A selection of themed questions will also be answered during the AGM.

You'll be able to watch a recording of the event from the comfort of your own home, from Wednesday 21 April to Friday 21 May 2021. Details of how to access the recording can be found on your voting form or on the online voting site.

Your feedback is vital to us and if you have any questions or comments relating to Board matters at any time, please email [agm@leedsbuildingsociety.co.uk](mailto:agm@leedsbuildingsociety.co.uk) and submit your questions or comments marked 'For the attention of Iain Cornish'.

The AGM is your opportunity to make a difference by voting on our Board of Directors and other important matters. We would therefore encourage you to vote on the resolutions proposed at the AGM and the election and re-election of directors as soon as possible.

You can vote online, by post or in branch. For details on the resolutions, and to find out how to vote, please see your paper voting form or voting invitation email and our member magazine.

## What cyber security and fraud support do you provide to members?

Keeping your money safe is a key priority and area of focus for us. We've put together some financial crime awareness information to help you protect yourself against fraud and reduce the risk of becoming a victim. You can access this information on our website here:

[leedsbuildingsociety.co.uk/fraud-protection](https://leedsbuildingsociety.co.uk/fraud-protection)

We take a zero-tolerance approach to bribery, fraud, money laundering and corruption by:

- Using technology, procedures, training and communications to protect your money;
- Supporting members who fall victim to fraud as appropriate;
- Vetting colleagues at recruitment and during employment;
- Validating the identity of our customers;
- Deploying various security measures;
- Monitoring potential fraudulent and suspicious behaviour on our members accounts;
- Investing in technology as appropriate (under our cyber strategy approach), while maintaining a high level of colleague awareness; and
- Frequently reviewing and updating of our financial crime strategy.

We know this is a confusing and worrying time for many people, and this can make us feel desperate for help or good news. Sadly, this presents a perfect opportunity for fraudsters to try to take advantage. We want to do everything we can to help protect you, so to help combat fraud we have made supporting materials available to help you remain extra vigilant from coronavirus scams. Further details are available on our website at [leedsbuildingsociety.co.uk/coronavirus-scams](https://leedsbuildingsociety.co.uk/coronavirus-scams)

## Has there been any significant changes to remuneration in 2020?

Yes, the Remuneration Committee and the Board discussed the potential impact of the pandemic on the Society and made a number of decisions impacting the 2020/2021 remuneration outturns which are outlined below:

- Executive Directors, other members of the Senior Leadership Team and Non Executive Directors, including the Chair, will not receive an annual pay or fee increase in April 2021.
- An additional year of deferral will be applied to all awards to Executive Directors in respect of the 2020 performance year, to allow the Committee to re-assess the longer-term impact of the pandemic.
- There will be no cash bonus payments made for the Executive Directors in 2021, in respect of the 2020 performance year.
- Recognising the changing external environment, the original scheme at 31 March 2020, was closed. For the remainder of the year, given the unpredictability of the market, the Society was realigned around three Broad priorities (the same variable pay scheme construct remained in place):
  - keeping the Society financially resilient
  - safely keeping the Society operating for the benefit of our members
  - communicating to our colleagues and members

The pay and bonus scheme for colleagues, outside of the Senior Leadership Team, has not been impacted in 2020. A detailed summary of the changes is provided in the member magazine and the annual report and accounts, which can be found at [leedsbuildingsociety.co.uk/reports](https://leedsbuildingsociety.co.uk/reports)

## What is your policy for Directors' remuneration designed to do? What changes are being proposed for 2021?

The remuneration policy is designed to support the following key principles:

- Ensure compensation is structured to attract, motivate and retain high performing colleagues
- Promote a healthy, diverse and inclusive culture
- Support the business strategy and the long-term interests of the Society

A number of important remuneration changes are being put in place for 2021. All our decisions are based on ensuring we're able to attract and retain talent that fosters our mutual culture and supports our long-term aims. The key change being proposed is to reduce the maximum bonus potential from 50% to 20%, thereby aligning the bonus scheme potential for the entire Senior Leadership Team. The change reduces 'on target' performance to 15% of base salary (formerly 36%).

To ensure total compensation remains competitive, fixed pay has been varied to reflect a proportion of the lost variable pay opportunity. From 1 January 2021, base pay will be adjusted by between 17.8% and 18.2% for the Executive Directors. Overall, the maximum remuneration for Executive Directors has been reduced. A detailed summary of the changes is provided in the member magazine and the annual report and accounts.

You have the opportunity to vote, on an advisory basis, on the remuneration policy at AGM 2021.

## What are your views on Board diversity?

We firmly believe in the importance of a diverse Board membership. We promote an inclusive culture across the organisation, in line with our values. We believe the diversity of skills, experience, backgrounds, opinions and other distinctions, including gender and race, strengthens the capability of the Board and, therefore, the effectiveness of its independence, judgement and decision making.

All Board appointments are based on merit against objective criteria, the skills and experience of the Board as a whole, and with regard to the benefits of diversity. With gender diversity for example, we have set ourselves a target to increase the representation of women on our Board, and in our Senior Leadership Team, to 33% by the end of 2021.

In 2020, we were also delighted to become a signatory to the Race at Work Charter, reflecting our commitment to diversity overall. The charter is a collaborative initiative between the government and Business in the Community. Its primary purpose is to ask firms to commit to taking practical steps to ensure they are tackling barriers that ethnic minority people face in recruitment, and progression and that their organisation is representative of customers, communities and British society. Our commitment to the charter is an important strand of our diversity and inclusion strategy.

## What is your approach to climate change?

We continue to take the impacts of climate change seriously. We report on our carbon emissions within our annual report and accounts to help you understand our carbon footprint and to highlight the steps we are taking to reduce this. These steps include being certified with the Carbon Trust Standard for Carbon. This demonstrates the ongoing reductions in our carbon footprint and that we have the right processes in place to continue to reduce this in the future, including recycling all paper and using 100% green tariff electricity.

Another example of our commitment to having a positive impact on the environment is the refurbishment of our new head office, which will be net carbon neutral in operation and is A rated for energy efficiency. We've continued to progress initiatives to further understand the risks and opportunities associated with climate change and developed a Climate Change Framework, which will be implemented during 2021.