



## Directors' remuneration report

Dear member,

I am pleased to present this year's Remuneration Committee's report. The report includes a summary of our remuneration policy, together with key decisions made in the year and sets out how we intend to change our policy in 2021.

The Report is produced in compliance with the FCA Dual-Regulated Firms Remuneration Code.

A number of important remuneration changes are being put in place for 2021 and all our decisions have been based on ensuring we are able to attract and retain talent that fosters our mutual culture and supports the long term aims of the Society.

Our members will have the opportunity to vote, on an advisory basis, on the Remuneration Policy and 2020 Directors' Remuneration Report at the AGM.

### COVID-19 – Impact on 2020 Remuneration

The global pandemic has led to challenging times for all, including our colleagues and members. Our priority is the safety of both and, along with a number of wellbeing interventions for our colleagues, we have ensured all our branches and offices are COVID-secure. We did not furlough any of our colleagues and supported them through our absence policy or by providing additional discretionary leave, where needed. We have also not been a beneficiary of any other direct government intervention.

The Committee discussed the potential impact of the pandemic on the Society with the Board and, in a joint assessment, made a number of decisions impacting the 2020/2021 remuneration outcomes:

- 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 fully assess the longer term impact of COVID-19
- 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 and, for the remainder of the year, given the unpredictability of the market, the Society was re-aligned around 3 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; and
  - communicating to our colleagues and members.

### Revised Remuneration Policy for 2021

The Committee conducted its formal, triennial review of the remuneration schemes during the year, based on key principles:

- structuring compensation to attract, motivate and retain high-performing colleagues
- promoting a healthy, diverse and inclusive culture
- ensuring remuneration should support the business strategy; and
- promoting alignment of approach across the organisation, with an aim of simplifying, wherever possible.

We also considered and accounted for the impact of CRD V regulations.

Based on these principles, and considering our business model and mutual status, the Committee decided 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%).

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An appropriate level of variable pay is retained to promote team alignment and enable the Committee to consider longer term outcomes and sustainable performance for the executive directors.

To ensure total compensation remains competitive, fixed pay has been adjusted to reflect a proportion of the lost variable pay opportunity. From 1 January 2021, base pay has been adjusted by between 17.8% and 18.2% for the executive directors. Overall, the maximum remuneration for executive directors has been reduced.

Based on the revised maximum 20% award, the Committee considered the 2021 bonus schemes for executive directors and other members of the leadership team, and has agreed a balanced approach. There is a maximum 10% opportunity for the achievement of agreed corporate priorities and a maximum 10% opportunity for the achievement of personal objectives, of which 30% of the award will be in relation to the demonstration of agreed behaviours, in line with the approach for all colleagues.

From 2021, annual pay reviews will be aligned across the Society, with the same core increase for all colleagues, removing the link with historic performance (with the exception of the senior leadership team, including executive directors, who will receive no pay increase in April 2021). The annual pay review will reflect a range of factors, including the economic environment and the overall financial position of the Society. The Society will also reflect salary inflation through annual salary benchmarking and its commitment to the Real Living Wage. Performance will continue to be rewarded through the variable pay schemes.

The key features of our policy from 2021 are set out in full on pages 32 to 35.

### Performance and awards for 2020

Earlier sections of the magazine have explained, despite the impact of COVID-19, we have delivered a good performance against both elements of the 2020 variable pay schemes. The Committee recognises the contribution of the executive directors, senior leadership team and colleagues, in difficult circumstances.

After careful consideration and the Committee exercising elements of discretion, annual bonuses of between 40.8% and 41.4% (2019: 33% and 40%) have been awarded to the executive directors, which represents between 82% and 83% (2019: 66% and 80%) of the maximum award available.

In arriving at the decision to award variable remuneration, a full risk assessment process is undertaken, during which the Committee considers a range of factors and input from the Board Risk Committee.

The Remuneration Policy has operated as intended. The Remuneration Committee used its discretion to reduce the outturn of the corporate element of the executive director bonus scheme, to reflect fully both very strong operational performance alongside the favourable impact of indirect COVID-19 support from the Government and Bank of England.

### 2020 remuneration changes

As reported last year, the salaries of executive directors increased by 2%, with the exception of A P Conroy, who was appointed on 6 January 2020 and did not receive an increase. The Chair's and non executive directors' fees also increased by 2%, in line with the colleague population. The basic salary increase for colleagues ranged from 0% to 4%, with an average of 1.92%.

A small number of other colleagues, who are senior managers whose actions can have a material impact on the risk profile of the Society, are considered Material Risk Takers. The average salary increase for this group in April 2020 was 2%.

### Other matters considered by the Remuneration Committee

As well as myself as Chair, the Committee consisted of two other non executive director members: David Fisher and Gareth Hoskin.

There were four meetings in 2020, dealing with the review of compliance with the Remuneration Code, the setting and review of performance against objectives, reviewing the performance objectives based on the

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impact of COVID-19, reviewing the variable remuneration schemes for 2021, Gender Pay Gap reporting and the oversight of reward for the general colleague population.

As the non executive director responsible for representing colleague views at the Board, I have sought the views of colleagues by attending regular meetings with our Colleague Association and had oversight of the colleague engagement survey 'Your Voice' results. Throughout the year, I have provided regular updates to the Board, which have demonstrated the strong people culture in the Society and highlighted areas to take into our future people strategy.

### Looking ahead

Looking ahead to the rest of 2021, the Committee's focus will be on ensuring the changes outlined on the previous page are successfully embedded and that we have the right reward structures in place, to attract and retain talent, which fosters our mutual culture and supports the long-term aims of the Society.

I trust you will find this report helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2020 Directors' Remuneration Report and Remuneration Policy at the AGM.

**Lynn McManus**  
**Chair of the Remuneration Committee**  
**25 February 2021**

### Directors' Remuneration Policy

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; and
- being structured to attract and retain appropriately skilled colleagues to support the Society's long term interests and to promote a healthy culture.

### Components of remuneration

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.

Basic salary	
<b>Link to strategy</b>	Reflects level of accountability.  Provides ability to attract and retain executives through market competitive rates of pay.
<b>Operation</b>	As for all colleagues, once set any future increases are linked to: <ul style="list-style-type: none"><li>■ the economic environment and overall financial position of the Society</li><li>■ comparisons with roles carrying similar responsibilities, in organisations of a comparable size, complexity and diversity to the Society (benchmarking).</li></ul>
<b>Performance measures</b>	Not applicable.
<b>Minimum and maximum payable</b>	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.  The only exception is if there is a material increase in scope or responsibility to the executive director's role.

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<b>Annual bonus scheme</b>	
<b>Link to strategy</b>	Linked to the delivery of the corporate priorities, including the achievement of strategic objectives and personal objectives.
<b>Operation</b>	<p>Challenging performance objectives are aligned with our strategy, recognising short, medium and long term goals.</p> <p>The performance of the executive directors is assessed against a scorecard of measures, to ensure significant reward cannot be achieved by the delivery of high performance in one area, to the detriment of another. The performance of the executive directors in a control function is based on a range of personal objectives and leadership behaviours.</p> <p>Robust risk evaluation measures are independently assessed by the Chief Risk Officer and the Board Risk Committee, with measures for the Chief Risk Officer assessed by an independent senior manager.</p>
<b>Performance measures</b>	<p>The 20% maximum is split between: Performance – 10% Personal – 10%.</p> <p>Performance measures 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 leadership 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 leadership behaviours.</p>
<b>Minimum and maximum payable</b>	<p>Maximum of 20% of basic salary payable.</p> <p>For executive directors designated as 'Senior Managers' under the Senior Manager Regime and over the de-minimis <sup>(1)</sup>, 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 <sup>(2)</sup>.</p> <p>Minimum is 0% of basic salary.</p>

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### Operation of malus and clawback <sup>(5)</sup>

<b>Link to strategy</b>	A deferred element exists in compliance with applicable regulations and ensures the annual performance creates value sustained over the longer term.
<b>Operation</b>	<p>Independent assessment takes place prior to the payment of each deferred award, which provides the Remuneration Committee with the rationale to make a reduction in the level of award payable (down to zero), if appropriate. The assessment takes into account the following three key matters:</p> <ul style="list-style-type: none"> <li>– has management operated within the risk appetite of the business?</li> <li>– has the business been exposed to any significant regulatory or control failings?</li> <li>– has there been any financial exposure after the award has been made due to inappropriate management behaviour?</li> </ul>
<b>Performance measures</b>	Not applicable.
<b>Minimum and maximum payable</b>	Maximum 100% of the deferred bonus awards are subject to malus. Clawback will be applied in line with relevant regulation.

### Pension

<b>Link to strategy</b>	Provides market competitive remuneration.
<b>Operation</b>	Based on membership of the Society's defined contribution section of the pension scheme. In appropriate circumstances, for example, where contributions exceed the annual or lifetime allowance, there is an option to receive a monthly cash allowance in lieu of pension contributions.
<b>Performance measures</b>	Not applicable.
<b>Minimum and maximum payable</b>	<p>Executive directors appointed before 1 April 2019 receive a range of relevant employer contributions, in line with the colleague population, 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, will receive a maximum contribution in line with the colleague population, of 10% of basic salary.</p> <p>Cash allowance is in lieu of employer contributions, up to the maximum contribution rate applicable to the executive director.</p>

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### Benefits

<b>Link to strategy</b>	Provides market competitive remuneration.
<b>Operation</b>	<p>The principal benefits executive directors receive are:</p> <ul style="list-style-type: none"> <li>- life assurance</li> <li>- private medical insurance</li> <li>- group income protection</li> <li>- health screening</li> <li>- cash health plan.</li> </ul> <p>Other benefits may be provided based on individual circumstances, for example, relocation.</p>
<b>Performance measures</b>	Not applicable.
<b>Minimum and maximum payable</b>	<p>Life assurance (up to 4 x basic salary).</p> <p>Other benefits are set at an appropriate level in line with market practice.</p>

- 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 €50,000 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.
- 3) The Remuneration Committee may apply discretion to reduce bonus awards in whole or part. Malus – is a reduction factor which is applied to bonus payments which have not yet vested. Clawback – is applied to seek recovery of bonus payments already paid.

### Policy for non executive directors

#### Fees

<b>Link to strategy</b>	Reflects level of responsibilities and time commitment required for Board and Board subcommittee meetings.
<b>Operation</b>	<p>Fees are reviewed annually with recommendations made to the Board by executive directors. The Chair's fee is reviewed by the Remuneration Committee.</p> <p>Non executive directors receive a basic fee and an additional fee for chairing a committee.</p> <p>Fee levels are benchmarked against other financial services organisations.</p>
<b>Performance measures</b>	Not applicable.
<b>Minimum and maximum payable</b>	<p>The fees of the Chair are reviewed by the Remuneration Committee and the fees for the non executive directors are reviewed by the Executive Committee, 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 change in responsibility to the non executive director's role.</p>

#### Annual bonus scheme

Not eligible

#### Pension

Not eligible

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### Benefits

Reimbursement is made for travel expenses for attending meetings and, where tax liability arises, this will be covered by the Society.

### 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

#### General

<b>Policy</b>	When determining any loss of office payment for a departing individual, the committee will seek to minimise costs to the Society, whilst 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.
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#### Basic salary and benefits

<b>Policy</b>	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.
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#### Annual bonus

<b>Policy</b>	<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>
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## Annual Report on Remuneration

### Total remuneration summary

The total remuneration received by executive directors for 2020 is detailed overleaf, compared with 2019. The total remuneration for executive directors equates to 2.0% of profit before tax (2019: 2.8%). This information has been audited and shows remuneration for the years ending 31 December 2019 and 31 December 2020, as required to be reported under the Building Societies (Accounts and



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Related Provisions) Regulations 1998. The awards made in respect of performance in 2020 are in line with the 2020 Remuneration Policy, with a maximum variable pay of 50% 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.

### 2020 audited

Executive Directors	Salary £,000	Annual bonus £,000	Pension £,000	Loss of office £,000	Total fixed remuneration £,000	Total variable remuneration £,000	Total remuneration £,000
R G Fearon	457	190	37 <sup>(1)</sup>	-	494	190	684
A P Conroy	290	119	29 <sup>(1)</sup>	-	319	119	438
A J Greenwood	305	125	43 <sup>(1)</sup>	-	348	125	473
Total remuneration <sup>(2)</sup>	<b>1,052</b>	<b>434</b>	<b>109</b>	-	<b>1,161</b>	<b>434</b>	<b>1,595</b>

### 2019 audited

Executive Directors	Salary £,000	Annual bonus £,000	Pension £,000	Loss of office £,000	Total fixed remuneration £,000	Total variable remuneration £,000	Total remuneration £,000
R G Fearon	430	169	60	-	490	169	659
P A Hill <sup>(3)</sup>	253	-	54 <sup>(1)</sup>	-	307	-	307
R S P Litten <sup>(4)</sup>	99	30	23 <sup>(1)</sup>	499 <sup>(6)</sup>	621	30	651
K R Wint <sup>(5)</sup>	270	90	62 <sup>(1)</sup>	-	332	90	422
A J Greenwood	293	120	56 <sup>(1)</sup>	-	349	120	469
Total remuneration <sup>(2)</sup>	<b>1,345</b>	<b>409</b>	<b>255</b>	<b>499</b>	<b>2,099</b>	<b>409</b>	<b>2,508</b>

**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)** P A Hill retired on 30 June 2019. **(4)** R S P Litten left the Society on 18 April 2019. **(5)** K R Wint left the Board on 31 December 2019. **(6)** Loss of office includes payments in lieu of notice in accordance with contractual terms and payments in line with the Remuneration Policy.

### Performance outcomes against targets for incentive awards

The 2020 scheme has generated awards of between 40.8% and 41.4% (2019: 33% and 40%) of salary for executive directors, reflecting between 82% and 83% (2019: 66% and 80%) of the maximum award available.

The 2020 scheme provides for:

- financial performance measures (max. 17% opportunity, with 5% of this for superior performance)
- corporate performance measures (max. 17% opportunity, with 5% of this for superior performance)
- personal performance measures (max. 16% opportunity, with 4% of this for superior performance)

For the executive director in a control function, the scheme provides for:

- personal performance measures (max. 50% opportunity, with 15% of this for superior performance).

### 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.

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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

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

### Payments to former directors

A payment of £111,290 has been made in 2020 to PA Hill, the former Chief Executive Officer, who retired on 30 June 2019. A payment of £75,291 has been made in 2020 to R S P Litten, the former Chief Financial Officer, who left the business on 18 April 2019. A payment of £105,847 has been made in 2020 to K R Wint, the former Chief of Staff, who left the business on 31 January 2020. The bonus payments consisted of deferred incentive awards, with the exception of K R Wint, who also received a payment in respect of her performance in 2019. All these payments were subject to risk assessment – the Committee determined no risk adjustment was required.

### Payments for loss of office

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

### 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 (£'000)		Benefits <sup>(1)</sup> (£'000)		Committee chair fees (£'000)		Total (£'000)	
	2020	2019	2020	2019	2020	2019	2020	2019
I C A Cornish <sup>(2)</sup>	127	50	0	1	-	-	127	51
R J Ashton (previous Chair)	40	150	1	3	-	-	41	153
G Hoskin (current Vice Chair)	51	50	1	5	24	23	76	78
A M Barnes <sup>(3)</sup>	51	46	1	3	-	-	52	49
P A Brown <sup>(4)</sup>	-	16	-	1	-	-	-	17
D Fisher	51	50	0	-	17	17	68	67
N Fuller <sup>(5)</sup>	4	-	0	-	-	-	4	-
J A Hunt	51	50	1	4	-	-	52	54
P A Jenks <sup>(6)</sup>	12	50	0	-	-	-	12	50
L R McManus	51	50	1	4	11	11	63	65
<b>Total</b>	<b>438</b>	<b>512</b>	<b>5</b>	<b>21</b>	<b>52</b>	<b>51</b>	<b>495</b>	<b>584</b>

**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 director was appointed on 2 January 2019 and became Chair on 3 April 2020. (3) This director was appointed on 1 February 2019. (4) This director resigned on 30 April 2019. (5) This director was appointed on 1 December 2020 (6) This director retired on 26 March 2020.

An increase of 2% was agreed for the Chair to £153,980 with effect from 1 April 2020. Robin Ashton retired on 3 April 2020 and Iain Cornish took over the role of Chair from this date on a salary of £153,980. The fee for the Vice Chair was increased by 2% to £74,976 and the basic non executive director's fee was increased by 2% to £51,000. The committee chair fee was increased by 2%.



**Leeds Building Society**