



Leeds Building Society

Directors' Remuneration Report 2022

Directors' Remuneration Report

Dear member

I was appointed Chair of the Remuneration Committee (subject to regulatory approval) in January 2023 and, as such, 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.

I want to thank my predecessor Chair, Lynn McManus, for her unswerving commitment to ensuring that our remuneration structures support our mutual status and culture, in the long term interests of our members.

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.

As a mutual, purpose-led business, we took steps to support our colleagues throughout the cost of living crisis in 2022. We paid a one-off, discretionary, award of £1,200 (full time equivalent) to all colleagues excluding the Executive Directors and Senior Leadership Team and we elected to move our 2023 pay review forward from April 2023 to January 2023, for all colleagues.

Last year members approved a change to the Remuneration Policy to allow additional flexibility to make retention awards, specifically to executive directors, in exceptional cases where we believe it is in the interests of members and the Society to retain the service of an executive.

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 first instalment of the retention award will be made in 2023, subject to performance criteria being met. The 2023 Annual Report and Accounts will provide full details of the retention award.

Performance and awards 2022

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

After careful consideration, annual bonuses of between 17% and 18.68% (2021: 16.7% and 18.8%) have been awarded for 2022 to the executive directors, which represents between 85% and 93.42% (2021: 83.5% and 94%) 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. Following full consideration, no adjustment to variable remuneration was deemed necessary. The Remuneration Policy has operated as intended.

2022 remuneration changes

As reported last year, in April 2022, the base pay of the Chief Executive Officer increased by 8.7%, the base pay of the Chief Operating Officer increased by 7.7% and the base pay of both the Deputy Chief Executive Officer and the Chief Financial Officer increased by 5%.

Fees paid to the Chair and non executive directors increased by 3.75%, in line with base pay awards to our colleague population. The base pay increase for colleagues ranged from 3% to 19%, with an average of 5.22%.

Looking ahead

Looking ahead to 2023, the Committee will continue to ensure 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.

All colleagues, including the executive directors, received a base pay increase in January 2023. Having conducted thorough external benchmarking and having assessed 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. This increase is in line with the range of increases received by colleagues.

The base pay increases for colleagues ranged from 6% to 25% with an average of 9.34%. The base pay of all other Executive Directors increased by 6%. The Chair's and non executive director's basic fees, also increased by 6%, in line with the minimum increase for the colleague population.

I trust this report is helpful and informative. The Remuneration Committee recommends that members vote in favour of the 2022 Directors' Remuneration Report.

Annette Barnes
Chair of the Remuneration Committee
23 February 2023

Report on Remuneration 2022

Executive director remuneration summary for 2022

The total remuneration received by executive directors for 2022 is detailed below, compared with 2021. The total remuneration for executive directors equates to 0.96% of profit before tax (2021:1.2%). This information has been audited and shows remuneration for the years ending 31 December 2021 and 31 December 2022, as required to be reported under the Building Societies (Accounts and Related Provisions) Regulations 1998. The awards made in respect of performance in 2022, are in line with the 2022 Remuneration Policy, with a maximum variable pay 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.

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.

Directors' Remuneration Report

2021 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	543	102	50 ⁽¹⁾	–	593	102	695
A P Conroy	342	60	34 ⁽¹⁾	–	376	60	436
A J Greenwood	361	62	51 ⁽¹⁾	–	412	62	474
R J Howse ⁽²⁾	229	63	23 ⁽¹⁾	–	252	63	315
Total remuneration⁽³⁾	1,475	287	158	–	1,633	287	1,920

Notes

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

(2) R J Howse was appointed to the Board on 1 May 2021.

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

Annual incentive

For 2022, 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 %
The number of members supported with their home ownership ambitions through our lending against owner occupied properties in the UK	2.5%	2.5%
Maintain the capital strength and cost efficiency to support our differentiated product mix and thrive through the cycle	2.5%	2.5%
Keep our members and brokers informed and maintain trust and customer satisfaction across all channels	2.5%	2.19%
Provide robust service to our intermediary partners		
Ensure we have highly engaged and empowered colleagues, a diverse workforce and talent pipeline to respond to our changing context and needs	2.5%	2.19%

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 8.35% to 17% (17% in respect of the Deputy CEO). 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's specific role and behaviours.

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 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 ⁽¹⁾ (£'000)		Committee chair fees (£'000)		Total (£'000)	
	2022	2021	2022	2021	2022	2021	2022	2021
I C A Cornish (Chair)	158	154	6	1	–	–	164	155
G J Hoskin (Vice Chair)	52	51	3	0	24	24	79	75
A M Barnes	52	51	3	1	–	–	55	52
D Fisher	52	51	0	0	–	17	52	68
N A Fuller	52	51	4	1	18	–	74	52
J A Hunt ⁽²⁾	–	15	–	0	–	–	–	15
L R McManus	52	51	5	1	12	11	69	63
A Tadayon ⁽³⁾	52	13	5	2	–	–	57	15
Total	470	437	26	6	54	52	550	495

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 retired on 15 April 2021.

(3) This director was appointed on 22 October 2021.

Non executive directors (including the Chair) received an annual basic fee increase of 3.75% in April 2022. The Remuneration Committee Chair fee also increased by increased by 3.75%.

Payments to former directors

A payment of £25,307 has been made in 2022 to PA Hill, the former Chief Executive Officer, who retired on 30 June 2019. A payment of £18,862 has been made in 2022 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 2022 to K R 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 Committee determined no risk adjustment was required.