

SUMMARY DIRECTORS' REMUNERATION REPORT 2023

Debra Davies, Chair of the Remuneration Committee, explains our approach to rewarding Executive Directors and colleagues.



I am pleased to share the Directors' Remuneration Report, my first as Chair of the Remuneration Committee. I would like to offer my sincere thanks to Alison Hutchinson for her service to the Committee and the support she has provided during the handover period. Alison remains a valued member of the Committee, and I look forward to working with all our Committee members throughout 2024.

2023 continued to present great challenges in respect of the wider political and economic environment in which we operate, for the Society, our members, and our colleagues alike. Despite this, as outlined in the Financial Review section, the Society has delivered another very strong set of financial results in 2023. I'm proud of the way our colleagues have continued to deliver strong performance against our Corporate Plan, delivering real value and improving the service we offer to our members. Against this backdrop, the Committee have remained focused on overseeing the appropriateness of remuneration solutions to protect the interests of our members and colleagues.

In March 2023 we welcomed our Chief Executive, Susan Allen. Susan has made a real impact since joining the organisation, demonstrating her tremendous passion for providing the best products and excellent service to our members. Susan brings a wealth of banking experience and significant operational and technical knowledge that will be paramount as the Society delivers its purpose of Real Help with Real Life, in a challenging external environment. The remuneration package for the new CEO is in line with our Remuneration Policy and was set taking into consideration market levels of remuneration as well as her extensive financial services experience. As normal in these circumstances, we have agreed to compensate Susan for the loss of her deferred bonus forfeited on her resignation from Barclays; these replacement awards are no more generous than the original awards and will be paid in line with prior vesting schedule.

What are the Directors' Remuneration Report and the Remuneration Policy?

Every year your Society publishes its Directors' Remuneration Report. The 2023 report shows Executive Directors' remuneration awarded in 2023 (and 2022 for comparison) together with the fees paid to Non-Executive Directors.

The Remuneration Policy sets out the Society's principles and policies for rewarding Directors and colleagues. This year's report outlines proposed changes to the Remuneration Policy for our Executive Directors following a comprehensive review undertaken by the Committee in 2023.

The Directors' Remuneration Report and Policy will be subject to an advisory vote at the 2024 Annual General Meeting (AGM). This is in line with our commitment to have a Remuneration Policy vote at least every three years.

How does the Society approach remuneration and specifically manage Executive Directors' remuneration?

The Society seeks to ensure reward and benefit arrangements are fully aligned to what we do every day in providing Real Help with Real Life for our members. This in turn helps us to attract and retain the skilled and committed Senior Leadership Team ('SLT' – Chief Officers and Directors) and colleagues critical to the Society achieving its objectives and delivering long-term value for members. We seek colleague opinion on our remuneration framework and ensure our Policy is gender neutral, offering a fair outcome to colleagues in its design and practice.

The Society manages Executive Directors' remuneration through the Committee, which is made up of Non-Executive Directors. The Committee has specific responsibility for making sure we have the right policies and processes in place for Chief Officers (including those that are Executive Directors) of the Society, and individuals identified as Material Risk Takers (MRTs), as well as the overarching Remuneration Policy and pay practices for the wider organisation.

Have there been any changes to the Remuneration Policy following the Committee's review?

The Committee has undertaken a comprehensive review of the Remuneration Policy to ensure it remains aligned to the Society's purpose and strategy. Being a mutual, how we deliver for our members is of the upmost importance; this was a key focus throughout the review. Simplicity was also a key theme to ensure that the new remuneration framework is transparent and well understood by participants, while also supporting the delivery of the Society's strategy and creation of long-term value for members. The Society starts a new strategic cycle in 2024 and has outlined ambitious plans to scale up and change at pace, while remaining anchored to its purpose, to guide towards a Society that is future-ready and fit to serve generations to come. The primary impact of the review was variable pay.

A new variable pay scheme has been developed and the all-colleague scheme has been refined to support the Society's strategy in creating an ambitious culture, and to foster an environment where high performance is recognised and rewarded, not just through 'what' is delivered, but also 'how' it is delivered. While there will be separate variable pay schemes for Senior Leaders, including Executive Directors, and the broader colleague population, the Committee deemed it important to retain a degree of alignment between the two schemes through the use of common performance metrics and gateways. This alignment supports a collective culture, where everyone works together to put our members needs first, as well as being able to recognise high performance. Details of the revised Remuneration Policy can be found in the Annual Report and Accounts 2023.

How have Executive Directors' salaries changed in 2023?

In 2023 Alasdair Lenman and David Morris were both awarded a pay increase of 5%, which took effect from 1 May 2023. These uplifts are commensurate with those provided to all colleagues and in line with our analysis of the broader market. Upon hire, Susan Allen was awarded an annual salary of £785,000 and there was no further base salary increase in 2023.

Will Executive Directors receive a variable pay award for 2023?

Variable pay at the Society is delivered via two variable pay schemes: i) the Building Together scheme; and ii) the Leading for Value scheme.

The Executive Directors, along with the broader SLT, participate in both these schemes and have been granted variable pay awards in respect of the 2023 performance year.

The Building Together Scheme (both all colleague and SLT elements) is in place to drive achievement of financial and strategic targets, and delivery against SLT personal objectives relevant to the Society's strategic objectives. A collective approach to variable pay serves to reinforce our target culture of 'working together' whilst maximising the value we derive from our performance development process.

The Leading for Value scheme is in place to ensure that SLT remuneration has a direct link to multi-year performance and the sustainability of the Society. The scheme is assessed against measurable and targeted financial value for members, the delivery of key strategic milestones and ESG performance based on colleague engagement, inclusion and diversity and social impact. The scheme aligns to regulatory expectations and operates in line with our company values. Full details of the scheme can be found in the Directors Remuneration Report in the Annual Report and Accounts 2023.

The Committee believes the Society has been able to continue its strong financial performance meaning we are well-placed to deliver improvements in member value over the long term in a sustainable and balanced way.

For the 2023 performance year, the Remuneration Committee agreed a 72% outturn for the plan, based on achievement of target or above against the Transformation, Member Value and ESG metrics. You can find more information on the Society's 2023 results that have influenced the recommended 2023 variable pay outturn on pages 12 to 13.

In line with regulation, all variable pay awards for Executive Directors are subject to deferral. This applies to colleagues whose total variable remuneration is greater than £44,000, or where their variable pay equates to at least 33% of total remuneration in a given year ("de-minimis threshold"). Under these circumstances, variable pay awards will be paid over a longer period and delivered in part via a Share Equivalent Instrument (SEI) rather than cash, and these SEIs are subject to a holding period. Variable pay deferral ensures that the Society delivers variable pay in a manner that prevents undue risk taking whilst achieving the level of sustainable performance.

Non-Executive Directors do not participate in any variable pay scheme.

How much did the Executive Directors earn in 2023?

The table below shows the remuneration of the Society's Executive Directors for the years ended 31 December 2023 and 2022. This is audited information.

Executive Directors' remuneration

Executive Director	Fixed Remuneration				Variable Remuneration			Total Remuneration Excluding Replacement Awards	Total Remuneration Including Replacement Awards
	Base Salary	Taxable Benefits	Pension	Total Fixed	Bonus	Replacement Awards	Total Variable		
2023	£000	£000	£000	£000	£000	£000	£000	£000	£000
Susan Allen* CEO	655	26	72	753	777	2,516	3,293	1,530	4,046
Alasdair Lenman** CFO/Interim CEO	482	31	50	563	378	0	378	941	941
David Morris CCO	362	12	40	414	311	0	311	725	725
2022									
Alasdair Lenman** CFO/Interim CEO	480	31	46	557	408	0	408	965	965
David Morris CCO	350	11	38	399	298	0	298	697	697

*Susan Allen joined the Society as Chief Executive on 2 March 2023 and was awarded an annual base salary of £785,000. Replacement awards include £1,684,356 awarded to compensate for deferred awards forfeited on leaving her previous employer and an award of £832,000 to compensate for lost incentive opportunity in respect of the 2022 Performance Period. In line with remuneration regulatory expectations these replacement awards will vest in line with prior vesting schedule. The bonus awarded to Susan for the 2023 performance period under the Building Together and Leading for Value bonus schemes has been calculated based on her annual salary as at 31 December 2023.

**Alasdair Lenman took on the role of Interim Chief Executive from 17 June 2022, upon which he was awarded an additional responsibility allowance. Following the appointment of Susan Allen, Alasdair stepped down as Interim Chief Executive on 2 March 2023, after which payment of his additional responsibility allowance ceased. The value of these payments, £59,163.46 in 2022 and £27,468.75 in 2023 has been included in the Base Salary column.

The variable pay figures illustrated represent the full amount of variable pay awarded in respect of the 2023 performance year. Full details regarding how variable pay is awarded and paid, including deferred elements paid in line with regulatory requirements, are available within the full Directors' Remuneration Report available at ybs.co.uk/annualreport.

Were Non-Executive Director fees changed in 2023?

The Chair of the Board and Non-Executive Director (NED) fees are reviewed annually. Following analysis of the market data available, and in line with the award provided to all colleagues the NED fees were increased in 2023 as outlined below

Non-Executive Director fees (annual equivalents)	Annual Fees as at 1 July 2023	Annual Fees as at 1 July 2022
	£000	£000
Chair of the Board basic fee	216.2	202.0
Vice Chair of the Board basic fee	81.5	76.1
Non-Executive Director basic fee	57.5	53.7
Additional fee for:		
Audit Committee - Chair	23.4	21.8

Were Non-Executive Director fees changed in 2023? (continued)

Non-Executive Director fees (annual equivalents)	Annual Fees as at 1 July 2023	Annual Fees as at 1 July 2022
	£000	£000
Audit Committee - Member	9.7	9.0
Remuneration Committee – Chair	19.1	17.8
Remuneration Committee – Member	7.0	6.5
Group Risk Committee - Chair	23.4	21.8
Group Risk Committee - Member	9.7	9.0
Board Governance and Nominations Committee - Member (N.B. Additional fee does not apply to the Chair or Vice Chair)	7.0	6.5

How much did our Non-Executive Directors earn in 2023?

The table below shows the remuneration of the Society's Non-Executive Directors for the year ended 31 December 2023. This is audited information.

Non-Executive Director	2023 Basic Fees	2023 Committee Fees	Total
	£000	£000	£000
John Heaps (Chair)	209.1	-	209.1
Alison Hutchinson*	78.8	24.0	102.8
Guy Bainbridge	55.6	38.8	94.4
Mark Parsons	55.6	18.8	74.4
Dina Matta	55.6	6.8	62.4
Jennelle Tilling	55.6	6.8	62.4
Angela Darlington	55.6	32.0	87.6
Debra Davies**	24.8	10.3	35.1
Annemarie Durbin***	8.3	-	8.3

*Alison Hutchinson stepped down as Chair of the Remuneration Committee on 18 September 2023.

**Debra Davies joined the Society on 26 July 2023 and became Chair of the Remuneration Committee on 19 September 2023.

***Annemarie Durbin joined the Society on 18 December 2023 as Chair of the Board Designate. The fee payable to Annemarie is in line with the existing fee structure for the Chair of the Board.

Remuneration Policy

The Committee undertook a comprehensive review of the Remuneration Policy for our Executive Directors during 2023. We will seek member approval for the Policy at the AGM in April 2024 and, if approved, the Policy is intended to apply for three years to the AGM in 2027. It is intended that no payments to Directors will be made outside of this Policy, unless required as a result of regulatory change. Key elements of the Policy are outlined below, with details of the Society's full Remuneration Policy available in the Annual Report and Accounts online at ybs.co.uk/annualreport.

Remuneration Policy (continued)

Remuneration element	Purpose and link to strategy	Operation	Opportunity
Base salary <i>No proposed change to Policy</i>	To enable the attraction and retention of high performing experienced Executive Directors by ensuring that they are appropriately rewarded for their role.	Base salary is typically reviewed annually and determined with reference to: <ul style="list-style-type: none"> • Role and responsibilities • Skills, experience and individual performance & behaviours • Comparison to the external market, supported by reference to the Society's grading structure, the Career Framework • Internal relativities and wider workforce base salary levels • Affordability – the economic environment and overall financial position of the Society. 	There is no 'maximum' base salary opportunity. We seek to target an appropriate external market position in relation to 'total remuneration'.
Variable Pay Scheme <i>Proposed change to Policy:</i> It is proposed to operate one, simplified scheme for all Senior Leaders, including Executive Directors. No change to maximum opportunity levels. The on-target opportunity for Executive Directors, excluding the CEO, has been reduced from 60% to 50% of eligible pay.	To ensure that an Executive Directors' remuneration has a direct link to the success of the Society and supports delivery of the long-term strategic objectives in line with the Society's purpose and values.	<ul style="list-style-type: none"> • All Executive Directors are eligible to participate. • Awards under the Scheme will be based on a Society scorecard of financial and non-financial metrics aligned to the strategy together with individual performance. • For all metrics within the scorecard there would normally be specific targets set to reflect minimum threshold, target and maximum performance levels. • Scorecard metrics are weighted such that financial metrics and non-financial/strategic metrics (which may include metrics relating to member value, customers, ESG and risk) are weighted at 80% of the scorecard and individual performance is weighted at 20%. • Following the end of the financial year, the Remuneration Committee will assess performance across all performance metrics, including individual performance of each Executive Director, to determine the scorecard outcome. All awards are subject to deferral, payment in 'instruments' and malus and clawback provisions in line with regulatory expectations.	Maximum achievement against all performance criteria would result in a variable pay award of 125% of eligible pay for the Chief Executive and 100% of eligible pay for other Executive Directors.
Benefits <i>No proposed change to Policy</i>	To provide a total remuneration package that enables the attraction and retention of Executive Directors of the required calibre.	Executive Directors are eligible to receive a number of benefits, which may include: <ul style="list-style-type: none"> • Private medical insurance • Annual Health Assessment • Life assurance (6x salary) • Insured sick pay • Provision of a company car, or cash equivalent. 	There is no maximum value to the benefits provided.
Retirement benefits <i>No proposed change to Policy</i>	The Society's pension arrangements support the attraction and retention of Executive Directors through the provision of competitive retirement benefits.	The Society operates a single defined contribution pension scheme and all colleagues have the opportunity to participate. Where participation in the scheme is tax inefficient, Executive Directors, in line with the approach for all colleagues, may be permitted to take a cash allowance instead of contributions to the plan.	All Executive Directors receive a maximum pension contribution (or cash allowance) of 11% of base salary, the same as the contribution levels for all colleagues.

Remuneration arrangements in relation to specific circumstances

New Hires	
Remuneration Package <i>No proposed change to Policy</i>	When agreeing the components of a remuneration package for the appointment of Executive Directors, the Remuneration Committee will apply the following principles: <ul style="list-style-type: none"> • The packages will be sufficient to recruit high performing individuals, in a highly competitive market, to lead the business and effectively execute the strategy for members; • The Remuneration Committee will look to align the remuneration package offered with the Society's Remuneration Policy; and, • The Remuneration Committee will ensure that the level of pay is necessary but not excessive. In determining remuneration arrangements, the Remuneration Committee will consider similar positions in the market, the structure of the remuneration package and the experience of the candidate. This ensures that arrangements are in the best interests of both the Society and its members without paying in excess of what is necessary to recruit an Executive Director of the required calibre.
Replacement awards <i>No proposed change to Policy</i>	The Remuneration Committee may make awards on hiring an external candidate to compensate them for any previously awarded variable remuneration and any other remuneration arrangements forfeited upon leaving the previous employer. In determining whether to approve any such replacement awards, the Remuneration Committee will consider the structure and form of the previous arrangements and will seek to ensure awards are made on materially similar terms to the arrangements being forfeited in terms of value, time horizons and the extent to which performance conditions applied to the original awards. Any replacement awards will be subject to the Society's malus and clawback provisions. The awards will be forfeited in the event of early departure from the Society.
Leaver arrangements for loss of office	
Notice Period	The standard notice period is 12 months from the Society and 12 months from the Executive Director. In normal circumstances, Executive Directors will be required to work their notice period. In the event Executive Directors are not required to fulfil their notice period, they may receive a payment in lieu of notice, or they may be placed on garden leave.
Termination Payment	Typically, termination payments will consist of contractual payments for the notice period, the emphasis being to not reward failure.
Annual Variable Pay – Leaver Provisions	In the event of the resignation of an Executive Director who has unvested deferred bonus payments outstanding, they will not typically remain eligible to receive unvested awards. The Remuneration Committee has the discretion in certain circumstances to allow the colleague to remain eligible to receive the deferred bonus payments earned in previous years, subject to the rules of the scheme, including but not limited to the Society's Business Controls Overlay process and malus and clawback provisions.

Remuneration Policy for Non-Executive Directors

Remuneration element	Purpose and link to strategy	Operation	Opportunity
Non-Executive Director Fees	Remuneration set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience to provide a meaningful contribution to the Society.	Fees are based on the level of fees paid to Non-Executive Directors and Chairs serving on boards of comparable organisations, the time commitment required, and contribution expected from the role. <ul style="list-style-type: none"> • Non-Executive Directors receive a basic fee. • An additional supplement is paid for serving on or chairing a Board Committee. • Non-Executive Directors do not participate in any performance related pay or pension arrangement. 	There is no 'maximum' fee opportunity.

For the full Directors' Remuneration Report which includes all information on the Remuneration Policy and variable pay awards please go to ybs.co.uk/annualreport