

# DIRECTORS' REMUNERATION REPORT 2020

## A WORD FROM THE CHAIR OF THE REMUNERATION COMMITTEE

I am pleased to share the Director's Remuneration Report, including details of the Directors' pay, for the year ending 31 December 2020. Our role as the Remuneration Committee is to ensure that all of our remuneration policies align with the Board approved strategy to make sure that the business is run safely, successfully and sustainably for our members.

This report includes a summary of the Remuneration Policy as well as the key decisions made by the Remuneration Committee this year. As in previous years, where possible this report discloses information in line with the *Building Societies (Accounts and Related Provisions) Regulations 1998* and the Pillar 3 disclosure requirements under CRD IV relevant to a Proportionality Level 2 firm.

The Society also voluntarily complies, where possible, with the disclosure requirements of the *Large and Medium-sized Companies (Accounts and Reports) Regulations 2008* and the *Companies (Miscellaneous Reporting) Regulations 2018* and seeks to comply with the UK Corporate Governance Code (the Code) in its reporting, expectations of management behaviour and stakeholder engagement.

### Looking back to 2020

This has been a very challenging year for the Society, our members and our colleagues. Throughout the extremely difficult environment created by the COVID-19 pandemic we have remained focused on safeguarding the wellbeing of our colleagues and we have not had to call on the government for support (for example, we did not draw down on the Coronavirus Job Retention Scheme). As you'll have seen from this year's Strategic Report, 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. This is an important time for the Society. We are embarking on an ambitious transformation journey over the next few years that aims to deliver better service and value to our members alongside strong, sustainable long term performance.

During the year, the Remuneration Committee has maintained focus on the requirements of the Code and we are making further changes to our remuneration framework, to keep us aligned with the principles of the Code and protect the interests of our members and colleagues.

### The key considerations and decisions made by the Remuneration Committee include:

- In May 2020 we delivered an average pay settlement of 2.6% to colleagues to reflect the vital role they play in delivering critical services to our customers and members, and in our strong financial performance (Executive Directors did not receive a pay increase in 2020).
- The Remuneration Committee regularly seeks views through colleague forums in the development of the Society's remuneration framework. Alison Hutchinson, one of our Non-Executive Directors, has formal accountability for the 'Voice of the Employee' and is a member of the Remuneration Committee. She has attended the colleague forum, serving to further ensure that colleague views form a key part of our decision making in terms of reward policy.
- We're committed to ensuring the Society's Remuneration Policy is gender neutral and offers a fair outcome to all colleagues in its design and practice. As at April 2020, our Gender Pay Gap stands at 32.9%. The main driver for the gap continues to be the imbalance of males and females at different levels in the organisation. If this were to be equal, the gap would be 3.5%. The Society has developed a broad Inclusion and Diversity Strategy (see the *Colleague* section of the *Strategic Report* for more detail) to build a more balanced workforce that's genuinely representative of the views of our customers, colleagues and society as a whole.

#### The 2020 Gender Pay Gap Report can be found at:

<https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/policies/gender-pay-gap.html>

- A proposal that from April 2021, all Executive Directors will now receive a pension contribution of 11% of base salary (a reduction of 5%) which aligns to that payable to all colleagues across the Society.

### Remuneration Outcomes for 2020

The Remuneration Committee believes the Executive Directors have continued to deliver benefits for members. This is demonstrated by a strong and sustainable financial performance, continued high level of customer service excellence and highly engaged colleagues. All achieved in the context of a very challenging 2020. It is based on this that we have awarded bonuses to our Executive Directors in respect of the 2020 performance year. On average, Executive Directors' achieved 76.42% of their maximum opportunity and all other colleagues received an average of 71.7% of their maximum bonus opportunity. We have included full details of how remuneration is awarded to Executive Directors and the amounts later in this report.

### Proposed Directors' Remuneration Policy for 2021

With the context of the current environment in mind, plus the strong financial performance and ongoing commitment to enhance member value, the Remuneration Committee has conducted its annual review of all aspects of Executive Director remuneration and believes that changes need to be made.

On bonus, we plan to refocus Directors' remuneration to focus on long term value creation in addition to the achievement of profitability and customer satisfaction, which is the focus of the current bonus scheme. This means continuing to protect the Society's financial strength and stability, whilst also delivering strategic change, and protecting and enhancing the interests of our members and colleagues in a way that reflects our purpose and culture.

Retaining and motivating a skilled and committed senior team is critical to the Society achieving these goals and delivering on our longer-term objectives, so it is important to ensure that total remuneration is competitive.

### The changes to the bonus we are proposing are:

- Increasing the maximum bonus opportunity for Executive Directors through a new bonus plan which will be tied to the longer-term strategic goals of the Society, as set out in the 2024 Corporate Plan.

- The new bonus plan will include a broader set of performance targets linked to enhanced member value, Environment, Social and Corporate Governance (ESG) and Diversity priorities.
- Performance measures and targets will be set each year, taking account of multi-year performance and the longer-term goals.
- Annual eligibility and overall maximum quantum of opportunity for the new bonus plan will be considered by the Remuneration Committee each year. There will be no automatic entitlement and a pre-grant performance assessment will enable the Remuneration Committee to apply judgement in setting the maximum opportunity, based on achievement of the previous year's performance, overarching stability of the Society and external market conditions.
- Payment of bonus will also remain subject to the established business controls overlay process and Remuneration Committee discretion.
- Compulsory deferral, malus and clawback will continue to apply. This further increases the link between long term performance and bonus outcomes in line with regulatory expectations.

Each Executive Director will have the same performance targets under the new bonus plan and any payments made will be determined by the level of stretching performance that has been delivered.

The second area we are proposing a change is in relation to pension contribution as alluded to above; the equalisation of pension contributions so all colleagues receive the same percentage of base salary.

I strongly believe that the proposed changes to the Remuneration Policy are right for the Society and encourage members to vote for its approval at the forthcoming AGM.

### Guy Parsons,

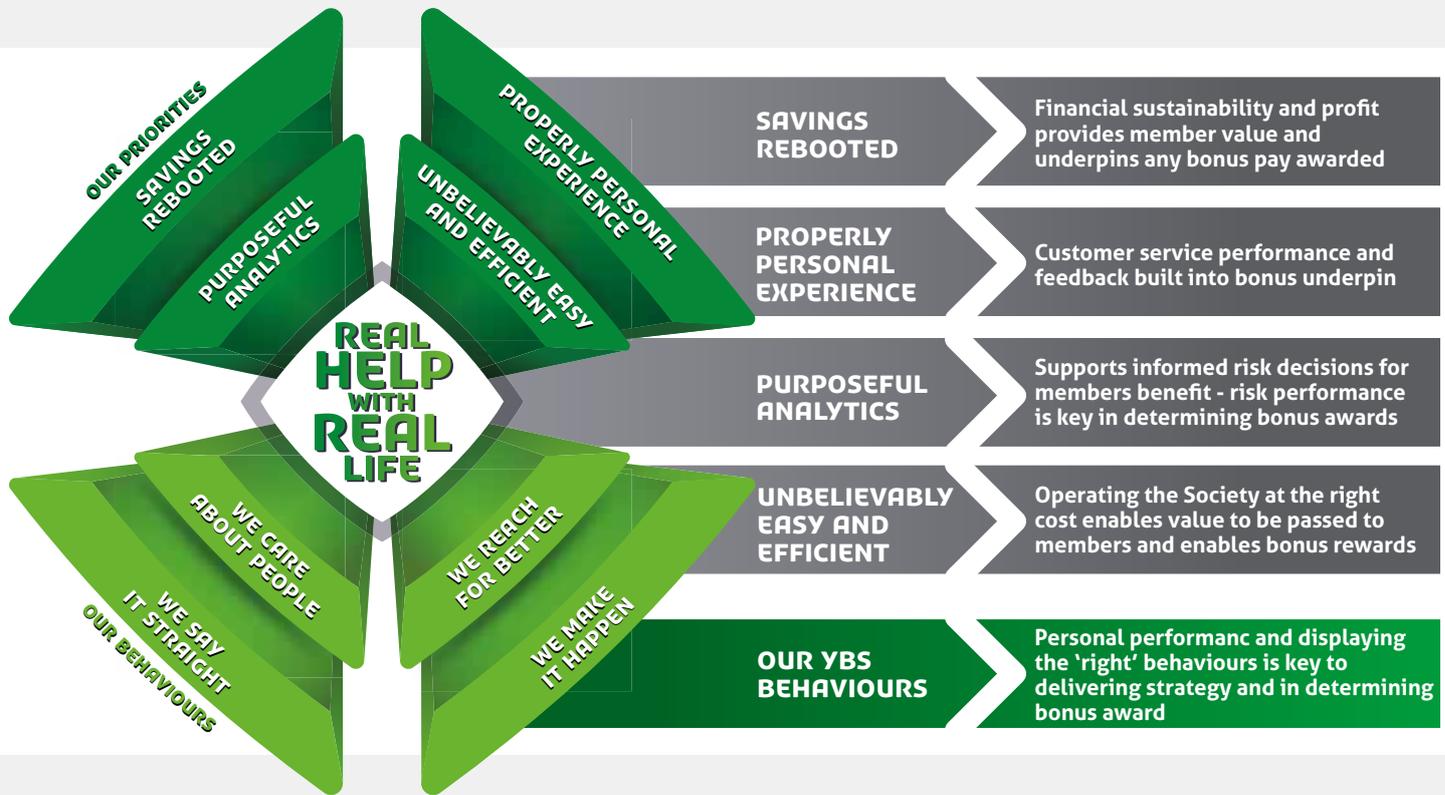
Chair of the Remuneration Committee

## Overview of our Executive Directors' remuneration in 2020 (At a glance section)

A summary of how we have rewarded Executive Directors is outlined below. The Group's financial performance and key customer service measures are used for bonus calculations (in line with the Remuneration Policy approved at the last advisory vote at the 2019 AGM). Unless otherwise stated the report is unaudited.

The 2021 Remuneration Policy (outlined in full on page 99) is based on a number of key principles; including the ability to attract and retain talent; a focus on the total remuneration package and the recognition of both collective and individual achievements. These principles are designed to ensure that colleagues work together for the benefit of the Society and the best interests of our members and customers.

This philosophy is reflected in the remuneration of our Executive Directors, delivering rewards when we can demonstrate the alignment between their performance and improved member value, delivering (and designing) strategy to secure long term benefits for the Society and our members and maintaining success and sustainability for the future.



### How much have our Executive Directors earned in 2020?

Executive Director	Base Salary (£'000)	Other Fixed Pay* (£'000)	Bonus (£'000)	Total Earnings (£'000)
Mike Regnier CEO	591	109	226	926
Alasdair Lenman CFO	359	88	137	584
Stephen White COO	433	100	165	698

**Key**

■ Base Salary £'000 ■ Other Fixed Pay\* £'000 ■ Bonus £'000 ■ Total Earnings £'000

\* Fixed pay includes pension allowance, any location or additional responsibilities allowance and taxable benefits.

The Building Together bonus scheme is based on sharing in business success, sustainability and delivering for our members. The senior leadership team has an additional bonus earning opportunity which is based on overall business performance, underpinned by an individual scorecard. Full details of the how the scheme operates is outlined in our Remuneration Policy alongside proposals to align remuneration to the wider strategy and growth of the Society.

The Remuneration Committee retains the discretion to make financial and risk adjustments prior to the payment of any bonus to ensure it reflects the true underlying performance of the Society.

## Building Together



### Overview of the proposed Directors' Remuneration Policy for 2021

The following table sets out the key elements of the proposed Executive Directors' Remuneration Policy and an explanation of the changes being made. Full details of the *Directors' Remuneration Policy* are set out on page 101 of this report.

Remuneration element	Summary	Proposed change for 2021	
Fixed remuneration	Base Salary	Cash base salary determined based on a combination of skills, knowledge and experience, on-going performance and demonstration of the Society's behaviours and values.	No change proposed.
	Benefits	Various cash and non-cash benefits including private medical insurance, life assurance, concessionary financial products, sick pay and company car (or cash equivalent).	No change proposed.
	Pension	Current Executive Directors receive a contribution (or cash allowance) equal to a maximum of 16% of base salary. Newly appointed Executive Directors (appointed after 1 January 2019) will receive a contribution in line with the wider colleague group equal to a maximum of 11% of salary.	From April 2021, it is proposed for all Executive Directors to receive a maximum pension contribution (or cash allowance) of 11% of base salary, aligning the contribution level for all colleagues.
Variable remuneration	Building Together Bonus scheme	Annual bonus scheme which rewards Executive Directors' for performance against challenging financial, customer and individual measures. The maximum bonus available for executive directors is 50% of base salary.	No change proposed
	Leading for Value Scheme	It is proposed that a new bonus scheme (Leading for Value) is introduced which will focus on achieving milestones within our strategic plan and the delivery of long term value to our members. The maximum bonus available under the Leading for Value Scheme is 75% for the Chief Executive and 50% for other Executive Directors. All grants under the Leading for Value Scheme will be subject to a pre-grant assessment of performance by the Remuneration Committee which will incorporate both Group and individual performance.	It is proposed that payment under the Leading for Value Scheme will be based on metrics which include: <ul style="list-style-type: none"> <li>• Delivery of key strategic milestones;</li> <li>• Enhancement of member value; and</li> <li>• ESG metrics</li> </ul> The total maximum bonus under both Schemes available for the Chief Executive will increase from 50% to 125% of base salary and for other Executive Directors it will increase from 50% to 100%. Member approval is sought to extend the fixed to variable pay ratio from 1:1 to 1:2 in respect of the CEO, in line with regulatory requirements.
	Applicable to all variable remuneration	All bonuses will be delivered through a combination of cash and SEIs. All bonus payments will also be subject to regulatory underpins including risk adjustment, deferral, malus and clawback.	

## Annual Report on Remuneration

### Executive Directors' Remuneration

All remuneration in the 2020 performance year has been awarded in line with the Society's Remuneration Policy, which was last approved by members at the 2019 AGM.

The table below shows the single total figure table of remuneration for the Executive Directors of the Society for the years ended 31 December 2020 and 2019. This is a regulatory requirement seeking to provide accessible information outlining the total remuneration of the directors for the previous two performance years. This information has been audited by our independent auditors, PricewaterhouseCoopers LLP ('PwC').

Executive Director	Fixed Remuneration						Variable Remuneration				Total Remuneration			
	Base Salary		Taxable Benefits		Pension/ Pension Allowance		Total FIXED Remuneration		Bonus				Total VARIABLE Remuneration	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mike Regnier CEO	591	583	15	15	94	93	700	691	226	280	226	280	926	971
Alasdair Lenman CFO	359	356	31	43	57	57	447	456	137	177	137	177	584	633
Stephen White COO	433	429	31	31	69	69	533	529	165	186	165	186	698	715
<b>Total</b>	<b>1,383</b>	<b>1,368</b>	<b>77</b>	<b>89</b>	<b>220</b>	<b>219</b>	<b>1,680</b>	<b>1,676</b>	<b>528</b>	<b>643</b>	<b>528</b>	<b>643</b>	<b>2,208</b>	<b>2,319</b>

### Base Salary

As outlined in the 2019 *Directors' Remuneration Report*, Executive Directors were not part of the Society's annual pay review and therefore did not receive a pay increase in 2020.

### Bonus

The Building Together bonus scheme is linked to financial performance, customer experience and risk management. All colleagues are invited to participate in the scheme. An additional element is available for senior managers and Executive Directors up to a maximum of 50% of salary with an on-target opportunity of 30% of salary.

Payment is subject to meeting a number of business and personal, financial and non-financial stretching objectives and is awarded at the discretion of the Remuneration Committee. All measures are set so they seek to drive long term value for

the Society and our members. A risk overlay is undertaken to ensure the Society is not exposed to undue risk and forms part of our sustainability review.

In line with the PRA and FCA remuneration regulations and the Senior Managers and Certification Regime, all bonuses payable to Executive Directors designated as Senior Managers are subject to deferral. The Society's Remuneration Policy requires deferral to be in place for all senior management. Bonus deferral ensures the Society delivers variable pay in a manner which prevents unnecessary risk taking.



## 1. FINANCIAL PERFORMANCE

The first performance measure is the profit before tax (PBT) of Yorkshire Building Society and its controlled entities ('the Group'). Under the terms of the Building Together scheme, the Remuneration Committee has scope to make adjustments to the calculation of profit within the bonus scheme.

### The following principles are applied when identifying potential adjustments:

- Where an unexpected or unplanned item arises that is not part of the core, business as usual, running of the Group. For example, one-off investments or projects that were not included in the plan profit number against which actual performance is judged.
- Adjustments also include removing both positive and negative impacts from non-core actions that do not reflect management of the Group. For example, any unplanned profits (or losses) on the sale of property are not included in the PBT figure used to calculate bonus levels.

In line with the principles above, the overall PBT figure was adjusted to produce an achieved position of £171.7 million against a reported figure of £161.3 million. This represents a performance above target, which was £170.1 million, and sets the financial element of the bonus earning potential.

## 2. CUSTOMER EXPERIENCE

The second performance measure is the customer 'Net Promoter Score' (NPS), which unlocks the bonus award. The NPS measures how likely our members and customers are to recommend us, and we obtain this through customer and broker surveys. The results are combined, at a ratio of 50% mortgages and 50% savings, to create the 'combined NPS' used for bonus calculations. To pay an 'on-target' bonus, the target NPS for the year was +53. The average NPS achieved throughout 2020 was +53

### Contribution from different NPS surveys to the overall combined NPS score for the Building Together bonus scheme

Mortgages: 50%		
Broker feedback: <b>20%</b>	Buy-to-let customer feedback: <b>5%</b>	Residential Mortgage customer feedback: <b>25%</b>
Savings: 50%		
Savings customer feedback: <b>45%</b>		Share Plans customer feedback: <b>5%</b>

## 3. FINANCIAL SUSTAINABILITY REVIEW

The following calculations are undertaken and reviewed before any bonus payment is awarded:

- an assessment of the level of capital held by the Group to ensure it remains sustainable and compliant with regulation; and
- an assessment of the Group's cost management to ensure that we are managing our costs in line with targets approved by the Board.

Payments will be reduced or forfeited if the Group has not met these targets.

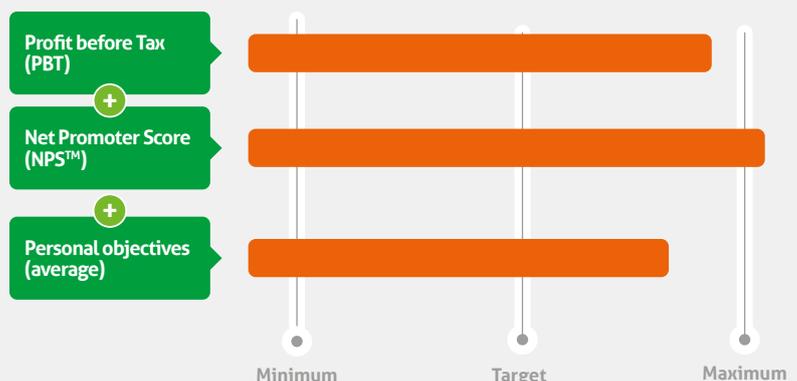
As part of this review, we conducted a risk overlay, which considers the management of specific business risk appetite measures and payment can be amended if we identify material breaches. Following a rigorous review where we assessed business controls processes, it was concluded that no action was required to adjust the bonus levels for the 2020 performance year.

## 4. INDIVIDUAL PERFORMANCE FOR SENIOR MANAGERS

The Group's performance determines the core bonus award; all three elements above need to be achieved before any bonus will be awarded under both the collective and individual elements of the scheme. Individual performance determines the percentage of bonus to be awarded for the Executive Directors (and the wider Senior Management team). This assessment is measured on the achievement of their individual scorecard, containing both financial and non-financial measures.

### How bonus is calculated for executive directors

The table below summarises the outcome against the various measures for 'Building Together'.



## Share Equivalent Instruments (SEI)

In a performance year, where Executive Directors total remuneration falls below the de-minimis<sup>1</sup> limit, the annual bonus awards will be delivered as cash and paid over three years: 50% of any bonus is paid out in the year following the performance year; the remaining 50%

is deferred with 25% released after one year and 25% released after two years.

For Executive Directors whose remuneration is over the 'de-minimis' limit, bonus awards are required to have a longer deferral period, and/or a larger percentage deferred in line with regulations. Where also required by regulation, 50% of each bonus

payment will be delivered via an SEI and is subject to a retention period. For the 2020 performance year, an Executive Director whose remuneration exceeds the de-minimis limit will receive 20% of their total bonus in 2021, with a further 20% delivered via a SEI in 2022. The remaining 60% is deferred over seven years, with a one-year retention period applying to the SEIs received.

### For example:

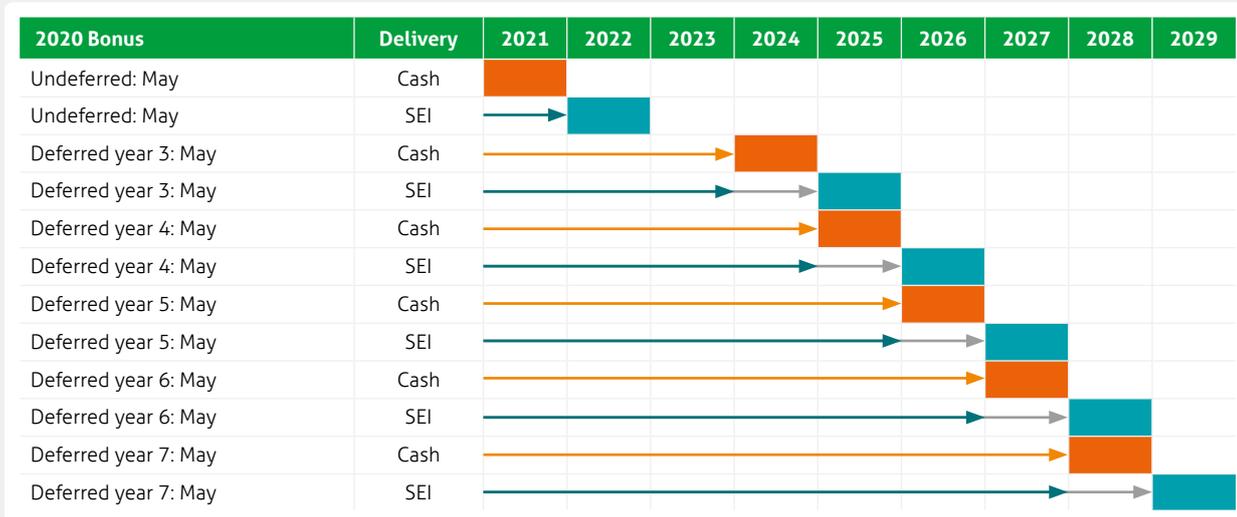
#### ■ Year 1

40% of any bonus earned is paid out in the year following the performance year. Half of this amount is paid in cash (in 2021) and the other half is delivered in a SEI and subject to an additional retention period prior to revaluation and payment (in 2022).

#### ■ Deferral Years

The remaining 60% is deferred for 7 years and paid equally each year from 3 years after the award. Each year, the award is split in two, with half the amount paid in cash and the second half held in a SEI and subject to an additional retention period prior to revaluation and payment. SEI valuations continue every 12 months until the bonus schedule is complete.

### Length of time variable pay is at risk



#### Key

→ Cash bonus deferral → SEI deferral → SEI holding period ■ Cash ■ SEI

## How 2020 bonus is awarded for our Executive Directors

Executive Director	Role	Total Award		Deferral schedule							
		% of salary	£'000	2021	2022	2023	2024	2025	2026	2027	2028
Mike Regnier	CEO	38.21	226	90	-	-	27	27	27	27	27
Alasdair Lenman	CFO	38.21	137	55	-	-	16	16	16	16	16
Stephen White	COO	38.21	165	66	-	-	20	20	20	20	20

For the 2020 performance year, 99.06% of eligible colleagues will receive a bonus. On average an eligible Executive Director achieved 76.42% of their maximum bonus opportunity, with all eligible colleagues on average receiving 71.70% of their maximum bonus opportunity. Bonuses for Executive Directors remain subject to malus and clawback, with bonus subject to clawback for up to ten years.

<sup>1</sup> A de-minimis limit level is set by regulation, in relation to the level of bonus deferral applied. It impacts colleagues whose total remuneration is greater than £500,000 per annum and where colleagues' variable remuneration is more than 33% of their total remuneration.

## Taxable Benefits

The taxable benefits awarded to Executive Directors are in line with what we offer to all colleagues, comprising a company car (or equivalent allowance), private medical insurance, permanent health insurance and any location allowances. Executive Directors, like all colleagues, can also participate in a concessionary mortgage scheme which is subject to a maximum concessionary amount of £160,000; no Executive Directors have taken up this mortgage scheme.

No significant changes to the construct of the Executive Directors' taxable benefits entitlement are planned for 2021.

## Pensions

From 1 January 2018 all Executive Directors are members of the Society's defined contribution scheme; a core contribution of up to 16% of their base salary is paid into the scheme. Where prevailing tax restrictions limit pension contributions, the remainder is paid as a cash allowance.

From 1 January 2019 all newly appointed Executive Directors will be eligible for a core contribution of up to 11% of base salary. This is in line with all other colleagues.

From 1 April 2021 – Executive Directors will receive a maximum pension contribution (or cash allowance) of 11% to align with all colleagues.

The pension scheme also provides a lump sum of six times' their pensionable salary on death in service. This is in line with all other colleagues.

## CEO Pay Ratio Reporting

For the second year we are publishing the ratio of the Chief Executive's pay to the wider employee population. This ratio reflects the nature of the Society, in particular the range of different roles and skillsets required to operate within financial services; from a number of customer facing colleagues in the branch network and call centres, through to, for example, heavily technical specialist roles in our Treasury department.

**This ratio compares the total remuneration of the Chief Executive against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles (lower and upper quartiles).**

Year	Method	25th percentile	50th percentile	75th percentile
2020	Option B	39:1	28:1	20:1
2019*	Option B	40:1	35:1	22:1

\* The table above shows the correct ratios based on the salary and total remuneration figures published in 2019, correcting an error with the published ratios made in the 2019 report.

**The total remuneration values and base salary values for the 25th, 50th and 75th percentile employees for 2020 are:**

	25th percentile	50th percentile	75th percentile
Total remuneration	£23,662.28	£32,852.41	£47,155.49
Salary	£20,533.00	£27,917.00	£39,456.25

We have utilised the reporting method of 'Option B', which involves utilising our existing gender pay gap reporting data as the basis for identifying the colleagues at each of the required quartiles. We have chosen to utilise Option B as the data collated as part of the gender pay process is subject to external assurance, and as such provides an accurate basis for the calculation of CEO ratios.

The following elements have been utilised to calculate the total remuneration of each colleague; base salary, pension (including pension cash allowance), car allowance, private medical insurance and bonus. One of the colleagues identified via the Gender Pay data works part time hours. To ensure an accurate representation of pay at each of the quartiles, the full-time equivalent salary and total remuneration has been calculated for this colleague.

In order to validate the colleagues identified via the Gender Pay figures are reasonable

representatives of the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile, checks were made against the full-time equivalent salaries of all colleagues within the Society. When ranking our colleagues purely on base salary, there was less than a 1.5% variance between the base salaries of the colleagues identified through the gender pay figures, compared to base salary alone at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile. As such we are confident that the colleagues identified provide a reasonable representation of remuneration at these percentiles.

To ensure that pay is managed appropriately across the organisation, we regularly review how similar roles are paid in both the wider market and financial services. We take this approach across all roles in the Society from our Chief Executive to our front-line colleagues. When setting individuals base salaries, we also take into account a colleague's performance and contribution. The Remuneration Committee oversee this process, with a specific focus on the

remuneration of the Society's Material Risk Takers.

We are committed to paying all our employees the real living wage, whilst undertaking additional pay analysis e.g. gender pay gap reporting, to ensure that we can identify, and where appropriate, address any pay issues.

## Payments for loss of office

There were no payments for loss of office in 2020.

## Payments to past directors

There were no payments to past directors in 2020 that had not already been disclosed in previous reports.

## Chairman and Non-Executive Directors

The Chairman and Non-Executive Director fees are reviewed annually. However, at the time of review, the COVID-19 pandemic was impacting the UK economy as a whole, including Financial Services. As a result, the Non-

Executive Directors requested that no increase be proposed for their fees for 2020. Fees remain as they were for 2019 and are detailed below. A review of the market data available for these roles indicates that fees continue to be broadly well positioned within the market.

The Remuneration Committee review the fees payable to the Society's Chairman. Whilst being a member of the Remuneration Committee, the Chairman is not involved in any decisions relating to his own remuneration. Non-Executive Director fees are determined and approved by the Board on recommendation from the CEO.

Non-Executive Director fees (annual equivalents)	Fees at 1 July 2019	Fees at 1 July 2020
	£'000	£'000
Chairman basic fees	196.9	196.9
Vice Chair basic fees	73.6	73.6
Non-Executive Director basic fees	51.7	51.7
<b>Additional fee for:</b>		
Audit Committee – Chair	21.5	21.5
Audit Committee – Member	8.8	8.8
Remuneration Committee – Chair	17.5	17.5
Remuneration Committee – Member	6.4	6.4
Group Risk Committee – Chair	21.5	21.5
Group Risk Committee – Member	8.8	8.8
Board Governance and Nominations Committee	6.4	6.4

## Single total figure of Remuneration for each Non-Executive Director

The Non-Executive Directors' basic and committee fees earned in 2020 are outlined below (as referenced above, these are at the same level as 2019). Non-Executive Directors do not receive any benefits, but are reimbursed for any expenses incurred, such as travel and subsistence. Any tax due is the responsibility of individual non-executive directors. This information has been audited by our independent auditors, PwC.

	Basic Fees 2019	Committee Fees 2019	Total 2019	Basic Fees 2020	Committee Fees 2020	Total 2020
<b>Audited</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
John Heaps (Chairman)	197	-	197	197	-	197
Neeta Atkar	52	30	82	52	30	82
Alison Hutchinson (Vice Chair from 01/10/2020)	52	22	74	57	20	77
Gordon Ireland	52	18	70	52	18	70
Mark Pain (Vice Chair – retired 30/09/2020)	73	30	103	55	7	62
Guy Bainbridge	52	13	65	52	30	82
Guy Parsons	52	18	70	52	19	71
Catharine French*	-	-	-	9	1	10
Mark Parsons (joined 20/10/2020)	-	-	-	10	4	14

\* Member of Board and Remuneration Committee 1 April to 10 May 2020.

**The remainder of this remuneration report has not been externally audited.**

## Remuneration Committee

The Remuneration Committee has specific responsibility for ensuring we have the right policies in place for our most senior roles and setting the tone for the wider organisation. Its purpose is to oversee the remuneration policy in place for the Society, making sure it aligns to our strategy and any regulatory compliance requirements, with a specific focus on the risks posed by remuneration policies and practices.

**The Remuneration Committee's terms of reference were reviewed and updated in November 2020; they are available on the Society's website <https://www.ybs.co.uk/your-society/inside-your-society/corporategovernance/committees>.**

In 2020 Board Committee evaluations were incorporated into the Board external evaluation process. The Board discussed the findings of the review in February 2021 and, following its consideration of the final report, each committee will review any outcomes and recommendations relevant to its role. Further information on any actions identified as a result of the review will be presented in the 2021 Annual Report and Accounts.

The Remuneration Committee met nine times during the year and covered the following activities (please note additional meetings in relation to the change in policy were held in 2020).

- Reviewing the Society's Remuneration Policy for Executive Directors and all colleagues
- Reviewing the Society's Reward strategy
- Reviewing the Society's bonus scheme structure and targets
- Ongoing work in relation to the Prudential Regulation Authority's (PRA) Remuneration Code and how it applies to the Society
- Oversee performance and remuneration of the Society's Material Risk Takers
- Reviewing and monitor the risk measures in place relating to director performance
- The Society's gender pay gap

## Statement of Member Voting

The Society remains committed to ongoing member dialogue and takes an active interest in voting outcomes. The policy has received strong support from members to date.

	2016	2017	2018	2019	2020
To approve the Directors' Remuneration Report	91.88%	89.67%	90.29%	91.86%	91.32%
To approve the Directors' Remuneration Policy	91.16%	n/a	n/a	90.95%	n/a

## Remuneration Committee Membership



**Guy Parsons**  
Committee Chair



**John Heaps**  
Chairman



**Alison Hutchinson**  
Independent  
Non-Executive Director

The members of the Remuneration Committee consist of Non-Executive Directors and include a member of the Group's Risk Committee.

The Remuneration Committee is supported by the Chief People Officer and the Director of Colleague Experience. Where it is felt to be appropriate, the Chief Executive Officer is invited to attend to provide further background and context to assist the Remuneration Committee in discharging its duties.

- Agreeing the approach for Executive Director base salary increases in 2020.

The Remuneration Committee draws on the advice of independent external consultants to support in performing its duties. During the year, the Remuneration Committee sought advice on executive director salaries, variable pay structures and regulatory matters from EY. The Remuneration Committee is satisfied that the advice received is objective and independent. EY's fees for advice provided to the Remuneration Committee in 2020 were £50,735 (including irrecoverable VAT).

On behalf of the Board

**Guy Parsons**  
Chair of the Remuneration Committee

23 February 2021

## Appendix - Aggregate remuneration data (Pillar 3)

The main components of Material Risk Taker (MRT) remuneration structures are:

In accordance with the Capital Requirements Regulation (CRR) as part of CRD IV, which requires the disclosure of the aggregate remuneration data for senior managers and material risk takers (MRT), the Society's data is as follows:

	Senior Management <sup>1</sup>	Other MRTs	Total
	£'000	£'000	£'000
<b>Aggregate remuneration data</b>			
Fixed pay	7,034	477	7,511
2020 Variable Pay (undeferred)	956	41	997
2020 Variable pay (deferred)	1,086	20	1,106
2020 Variable Pay of which is due via SEI	325	-	325
Deferred variable pay to be paid 2020	824	39	863
Outstanding deferred variable pay from previous years	2,826	43	2,869
<b>Total</b>	<b>12,726</b>	<b>620</b>	<b>13,346</b>
<b>Aggregate bonus buyout and severance payments</b>			
Bonus buyout payments - 2020	-	-	-
Severance Payments - 2020	223	114	337
<b>Total</b>	<b>223</b>	<b>114</b>	<b>337</b>

	Senior Management	Other MRT	Total
Number of MRT colleagues at 1.1.20	27	6	33
Number of MRT colleagues at 31.12.20	28	6	34

### Ratios between fixed and variable pay

Shareholder approval will be sought at the 2021 AGM to extend the fixed to variable pay ratio from 1:1 to 1:2 in respect of the CEO, in line with regulatory requirements. The maximum annual bonus opportunity for the CEO will be 125% of base salary and for other Executive Directors is 100% of base salary.

The Group's full Pillar 3 disclosure is available on our website.

<sup>1</sup> Senior managers and colleagues whose actions have a material impact on the risk profile (including executive and Non-Executive Directors). Non-Executive Directors' fees are included under fixed pay. No variable pay was awarded to Non-Executive Directors.