

Minutes

MINUTES OF THE 167th ANNUAL GENERAL MEETING OF SKIPTON BUILDING SOCIETY HELD AT THE PRINCIPAL OFFICE, THE BAILEY, SKIPTON ON MONDAY 27 APRIL 2020 AT 6:30PM

The Society Chairman, Mr East, was in the Chair. The meeting was attended by the Group Chief Executive and the Secretary together with 22 eligible members of the Society, who were also colleagues designated as key workers.

CHAIRMAN'S OPENING REMARKS

The Chairman introduced himself and welcomed members to the meeting.

He thanked them for attending during such unusual and challenging times. He explained that the Society was obliged by the Building Societies Act to hold an Annual General Meeting within the first four months of the financial year and that the Society's own Rules required a quorum of at least 20 eligible members to be present. He thanked members for staying behind in the office to allow the meeting to proceed.

He explained that due to the current Covid-19 emergency, the meeting was being run as a closed event with only colleague members present and in line with all social distancing guidelines

The Secretary confirmed that the meeting was quorate and the Chairman declared it formally open.

The Chairman then briefly outlined the agenda for the evening.

APOLOGIES

None.

NOTICE OF MEETING

The Chairman asked members to agree to take the Notice of Meeting as read which was accepted.

CHAIRMAN'S ADDRESS

The Chairman then gave the following address:

The Society had a good year in 2019, achieved despite a challenging external environment which saw:

- *Reduced interest margins in the Society's mortgage and savings business;*
- and*
- *Subdued activity in the housing market impacting Connells.*

Alongside this, the complex Brexit negotiations were a cause of great economic and political uncertainty. But despite these challenges the Society continued strong growth in its mortgage and savings balances. We paid savers, on average, rates of 0.54% above the industry average. This was coupled with continued high levels of customer satisfaction for our branch, telephony and on-line services for which you in the room and the rest of the Skipton team can take great pride. We also saw strong levels of employee engagement with confirmation from our suppliers through surveys that they believe we treated them fairly.

In terms of our service to members, 2019 saw the release of our mobile app where within 6 months we had exceeded 100,000 users with very positive feedback on its look and feel; the phase 2 release will see increased functionality.

We saw the introduction of our new FA proposition supported by a new IT platform. This underlined our commitment to provide our members with the advice and service

Minutes

they need in planning life ahead. Our objective for the proposition is, through its design and pricing, for it to become accessible to a great many more members.

Digital technology is changing all our lives but we don't forget the importance of members being able to visit a branch to speak to one of the team, particularly for life-shaping decisions. This is why we continue to invest in our telephone services and our branch network with 11 branches refurbished in the year.

I am pleased the core Society had a good 2019, and that our estate agency Connells, produced another good set of results as did Skipton International, our Channel Islands based business. Skipton Business Finance, our factoring and invoice discounting business, also performed well and delivered good growth in profits.

All in all, the Society ended 2019 in a strong position and, with the General Election in December resolving the political deadlock over Brexit in the UK, we started 2020 with increasing confidence. The onset of the Covid-19 crisis has dramatically changed this outlook. It is an unprecedented medical, social, economic and political challenge with terrible personal consequences for many people and their families.

We have responded to the challenges by re-shaping quickly the way we do business such that we help protect our people and also continue to provide service and advice to our members as we have done since the Society was founded in 1853. We understand that many members will be facing difficult and challenging circumstances and we are here to help them navigate these.

The impact of Covid-19 on the wider UK economy and our own financial performance clearly remains uncertain. However, the actions that we have taken together with our strong capital and liquidity position makes us confident that we remain well positioned to continue to support our members in the future.

MEMBERS' DISCUSSION

The Chairman confirmed that he would be taking any questions from the floor but, before that, he wanted to highlight the key questions already raised by members through the AGM voting site, as follows:

Directors Remuneration

Directors remuneration was raised this year in terms of the levels paid despite a reduction in profits. There were also questions as to how increases compared with other SBS colleagues and low savings rates and how the impact of Covid-19 were being recognised.

Directors' remuneration has two elements, fixed and variable pay. Fixed pay is reviewed each year by the Remuneration Committee for the executive directors, as it is for all colleagues by the executive team. The principles by which fixed pay is determined are outlined in the Annual Report and Accounts. They are aimed at ensuring we are able to attract and retain talented people with the skills needed to run the Society. This year's award saw average pay award for colleagues of 2.49% whilst that for directors and other members of the Executive Committee was originally intended to average c2%. The pay award for directors and the Executive Committee has subsequently been deferred in the light of Covid-19.

The level of variable pay, or bonuses, is calculated using a predetermined formula and targets agreed by the Remuneration Committee. This allows for the economic backdrop and commercial challenges which must be navigated by the executive team in growing the Society's balance sheet and customer base to protect its

Minutes

sustainability. Awards for 2019 were lower than 2018 primarily reflecting the reduction in profits.

In arriving at fixed and variable pay levels the Remuneration Committee is supported by independent external advisers and exercises strict oversight and governance of the framework and approach. And to support this, the Remuneration Committee carries out regular benchmarking reviews through its advisers to ensure that the Society pays its senior executive at a fair level in relation to its market peers.

In response to the Covid-19 emergency the Executive Directors, and other members of the Executive Committee, have voluntarily withdrawn from their 2020 bonus scheme, deferred for a further year any payments due in 2020 from prior year schemes, and deferred their annual pay award this year. Any increase in Non-Executive Directors fees will be similarly deferred.

Savings Rates

The second area of member concern was savings rates.

We are very alert to the fact that the absolute rates paid on savings accounts are at an all-time low but this is largely dictated by the Bank of England Base Rate and more directly Money market swap rates. Colleagues in this room will know that we keep our interest rates under constant review and aim to offer good long-term value to all our savings and mortgage members. In 2019, as I noted earlier, we paid our savers, on average, 0.54% higher than the market average rate paid by all other banks and building societies. Evidence of the competitiveness of our position was perhaps best evidenced in the strong demand from customers for our savings products resulting in our savings balances growing by 7.6% to £17.4bn.

Our commitment to our savers is for them to be able rely on us to treat them fairly and not take their loyalty for granted.

Diversity

I can say quite unreservedly that the Board believes that a diverse and inclusive culture is an integral part of our core values and is key to ensuring the Society delivers a great service to our members. We currently have four women out of a total of twelve directors on our Board. There is also a range of backgrounds in terms of experience, career and education.

All Board appointments are made on the basis of merit and the appointment process is based on their knowledge, skills, experience and suitability for the role such that they can deliver value to the Society and its members as well as meet regulatory requirements. The Nominations Committee reviews the Board composition every year and in making appointments the board considers all aspects of diversity, including age, experience and gender.

We are ambitious to increase diversity further, not only on the board but across the Society but this does depend on finding and developing appropriately qualified candidates. We will continue to work hard in this area both in terms of identifying people and developing those who already work for us. We have various programmes underway across the business to develop people in a way that will build diversity over time.

Minutes

The Chairman then invited members present to raise any questions they had which were relevant to the business of the meeting. He asked members to raise their hand and state their name before asking their question.

No further questions were raised by members present.

PUTTING THE RESOLUTIONS

The Chairman then advised that the Board recommended that members voted in favour of all the resolutions. He confirmed that voting would be on a poll, as required by the Building Societies Act, and that members did not have to use all, or any, of their votes.

He noted that many members had already voted ahead of the meeting and asked if any members still wished to vote. As no further votes were to be cast during the meeting, he confirmed the results of the votes cast as follows:

		For	Against	Withheld
Resolution 1	To receive the Annual Report & Accounts	59,614 (99.11%)	536	427
Resolution 2	To re-appoint Ernst & Young LLP as auditors	57,838 (96.61%)	2,032	702
Resolution 3	To approve the Directors' Remuneration Report for the year ended 31 December 2019	54,045 (91.08%)	5,296	1,227
Resolution 5.1	To re-elect Andrew Paul Bottomley	57,421 (96.44%)	2,120	1,037
Resolution 5.2	To re-elect Amanda Jane Burton	57,542 (96.43%)	2,128	908
Resolution 5.3	To re-elect John Richard Coates	57,572 (96.72%)	1,951	1,055
Resolution 5.4	To re-elect Denise Patricia Cockrem	57,932 (97.09%)	1,739	903
Resolution 5.5	To re-elect Ian Michael Cornelius	57,316 (96.32%)	2,190	1,073
Resolution 5.6	To re-elect David John Cutter	57,595 (96.67%)	1,984	997
Resolution 5.7	To re-elect Robert David East	57,180 (96.10%)	2,323	1,075
Resolution 5.8	To re-elect Denis Arthur Hall	57,328 (96.39%)	2,145	1,104
Resolution 5.9	To re-elect Heather Louise Jackson	57,714 (96.80%)	1,907	956

Minutes

Resolution 5.10	To re-elect Mark Joseph Lund	57,212 (96.15%)	2,288	1,075
Resolution 5.11	To re-elect Robert Samuel Duncan Mugenyi Ndawula	57,519 (96.50%)	2,088	966
Resolution 5.12	To re-elect Helen Claire Stephenson	57,418 (96.33%)	2,189	970

The Chairman declared that all the Resolutions had been passed, with all directors re-elected to the Board. He declared the business of the meeting concluded and closed the meeting.

He thanked members for attending and allowing the Society to complete its AGM and reminded them to leave abiding by the social distancing guidelines. He also thanked colleagues and the whole Skipton team for their commitment to the Society and to supporting its members, and on behalf of the Board wished them, their families, friends and all Society members a safe passage through the current emergency.