SKIPTON BUILDING SOCIETY

Since 1853

AGM 2023

Summary Financial Statement

Summary Financial Statement 2022

This financial statement is a summary of information from the audited Annual Report and Accounts, the Directors' Report and Annual Business Statement, all of which are available to members and depositors online at https://www.skipton.co.uk/about-us/financial-results from 15 March 2023 or on request from 27 March 2023 by emailing annualaccountsrequest@skipton.co.uk, or by arrangement from **Skipton branches**.

Summary Directors' Report

Our performance in 2022 casts no doubt on just how valued member-ownership is, particularly during such unprecedented times for people. In a year that saw the Bank of England's bank base rate increase to 3.50%, inflation climb above 10% and significant turbulence within the UK financial markets, 2022 saw more people turn to one of the UK's leading mutuals to help them buy a home and save for their future.

As a member-owned business, where the long-term best interests of members and customers are the priority, rather than profit maximisation for shareholders, the Society has shared more of its financial success with members, colleagues and communities than ever before.

Unlike other financial services businesses, in having the UK's largest estate agency network within our Group, the Skipton Group is uniquely positioned to play a leading role in enabling and supporting homeownership. We have unrivalled insight into the UK housing market, expertise in savings and financial advice, coupled with a financially strong, resilient, and growing core business. We also hold ourselves to the highest standards of personal accountability in authentically and impactfully steering positive social and environmental change; there's arguably never been a more pertinent time to showcase just what mutuality means and what it delivers for society.

In 2023 the Society will celebrate its 170th anniversary. This has been made possible by the sustainable value created across the blend and diversity of businesses.

Performance highlights in 2022

At a time when people needed trusted support more than ever to navigate the cost of living crisis, the Society saw its membership grow by 54,563 to 1,137,560 (2021: 1,082,997). The Group profit before tax (PBT) increased by £27.0m to £298.8m (2021: £271.8m), and underlying Group PBT (as defined on page 7) increased from £233.4m to £297.7m, driven by strong growth and improved interest margins. The Mortgages and Savings division reported underlying PBT of £229.9m (2021: £166.7m) and the Estate Agency business reported underlying PBT of £56.7m (2021: £78.9m).

Helping People into Homes

Helping people realise their homeownership aspirations with interest rates rising and the affordability of housing more challenging than ever, has never been more important. In 2022 the Society supported over 13,800 first time buyers by providing financing to get the keys to their first home. The Society grew its mortgage portfolio by 9.6% to £25.5bn, with net lending accounting for 3.6% of the growth in the UK residential mortgage market compared to the Group's 1.5% stock share (source: Bank of England statistics, 'Lending secured on dwellings' for the 12 months to 31 December 2022). Other key highlights in this important area include:

- **Fair pricing:** The Bank of England increased bank base rate eight times in the year, from 0.25% at the start of the year to 3.50% at December 2022. Given the cost of living crisis for households, we passed on 1.50% of the 3.25% base rate increases to the Society's mortgage variable rate borrowers, saving them on average £1,300 per annum.

- **Supporting more members and customers:** The Society's focus on offering competitive mortgages for homebuyers saw records repeatedly broken - 2022 was the Society's largest ever year with nearly 30,000 completions and lending of over £5.8bn, including supporting over 17,000 customers switch their existing mortgage with us.
- **Prudent management:** The Group's UK residential mortgages in arrears by three months or more totalled 285 cases representing only 0.17% of mortgage accounts (2021: 371 cases, representing 0.23% of mortgage accounts), which compares very favourably to the UK Finance industry average (residential mortgages in arrears by more than three months) of 0.71% (2021: 0.83%); and is testament to our proactive credit management.

Our Estate Agency business, Connells group, continued to help people buy, sell and rent their homes. However, results across Connells reflect more challenging housing market conditions. The number of properties that the division exchanged contracts on during the year was 18% lower than in 2021, primarily due to the impact of disappointing pipeline conversion rates (due to market-wide delays in conveyancing), together with wider economic headwinds adversely affecting consumer confidence.

Making Money Work Harder

Helping members make the most of their hard-earned savings is central to the Society's founding purpose. In 2022, as a result of the Society's competitive savings rates, we grew our savings balances by a record 13.6% to £22.5bn, paying an average savings rate of 1.16% to savers, 0.52% above the market average. This equates to an extra £104.7m in members' pockets (source: CACI Current Account & Savings Database, Stock). Other savings results include:

- **Fair pricing:** For savers, we have increased the rate of interest paid on all variable rate savings accounts paying a minimum rate of 1.75% at the year end (31 December 2021: 0.05%).
- **Supporting more members:** We saw record cash ISA transfer volumes across the tax year-end. In April, for new account openings, we secured a remarkable 13.8% share of deposits in the fixed rate cash ISA market and a 10.7% share of balances in the total cash ISA market (source: CACI Current Account & Savings Database).
- **Continued leadership:** Being the UK's first and one of the biggest providers of the Cash Lifetime ISA (LISA), Skipton now holds balances of £1.1bn for LISA customers saving hard for their first home or for later life; these members benefitted from Government bonuses in the year of £59.3m.

Making Membership Matter

Working with Vibrant Energy, a Skipton Group company, we offered all borrowing members and Society colleagues a free Home Energy Efficiency Report (EPC Plus) helping them identify ways to increase the energy efficiency and reduce the carbon footprint of their homes. This reflects our ambition to play a leading role in helping green the UK's housing stock, a key issue facing homeowners. To support improving the energy efficiency of the private rental sector, we also made this offering available to our buy-to-let customers. Landlords can have up to ten properties assessed to support them on their journey to improving the energy efficiency of their property portfolios - even if only one of their properties is mortgaged through the Society. 2022 also saw us launch green additional borrowing products to help finance improvements, together with an improved sustainable investing passive fund.

During the year the Group made charitable donations of over £1.3m, primarily through support by Connells' group of £0.5m to the victims of the conflict in Ukraine, donations to the Skipton Building Society Charitable Foundation and through Skipton's Community Giving scheme. We also introduced a commitment to donate 1% of future Group profits to charities aligned with our values and purpose. This announcement further complements our existing social commitments.

Delivered by focusing on members and customer needs, with great colleagues and increasingly modern capability

Member and Customer focus

We monitor our success in providing outstanding experience to our members and customers by measuring net customer satisfaction, which in 2022 was 85% for the Society (2021: 86%). Our commitment to our members through our products and services has been recognised by independent third parties - we received several awards during the year, including winner of the High Street Savings Provider of the Year at the Moneyfacts Consumer Awards (placed consistently in the top three since 2017).

We have demonstrated our commitment to members through our exclusive products. Our product range has been expanded to give our members flexibility on how they save, introducing several Limited Access products, along with changes to our Limited Access bond range allowing for 50% access throughout the term of the bond.

The service we provide through our mortgage intermediary partners was also recognised this year when we were awarded the 5* rating at the Financial Adviser Service Awards in the Mortgages category. During 2022 we were one of the few UK lenders to deliver an integrated end-to-end mortgage application journey for brokers through Twenty7Tec, creating a frictionless and speedier service.

Brilliant colleagues, fairly paid

Our aim remains to ensure our colleagues feel valued, respected and able to perform to their potential. We recognise that collaboration amongst colleagues is key to enabling our strategic initiatives and we are currently rolling-out more open and collaborative working spaces to drive greater innovation and teamwork. The investment we make in our colleagues and our culture is aligned to the delivery of our purpose and our vision, and is demonstrated by the Society's engagement score of 87% (2021: 85%).

Already a living wage employer, in January 2022 the Society brought forward its annual pay review for colleagues (excluding the Executive Committee members), awarding on average a 12.9% increase to their pay, keeping pace with market benchmarks in a dynamic employment market, ensuring all colleagues are fairly rewarded for their role. In addition, to support colleagues with the increased cost of living, in September we made a one-off payment of £1,500 for each colleague below senior leader level.

The Society received recognition as the UK's 3rd best big company to work for in 2022 (7th in 2021), as part of the UK's Best Big Companies To Work For list, whilst proudly retaining our 3-star accreditation from Best Companies; and we have been an Investors In People accredited organisation for over 25 years and are one of the elite few of organisations to achieve Platinum status, which we have maintained since 2017.

Powered by digital, technology and data

The Society's digital customer satisfaction score remains high at 82% (2021: 85%) and as we move through our transformation plan to enhance our service capabilities we aim to further improve the customer experience.

In 2022 we introduced our first paperless mortgage offers, supporting our green agenda and allowing distribution of key documents to customers in real time. We have also listened to our customers and launched an online help centre to assist them with basic queries and information, which further allows our colleagues to attend to other customers who have more complex queries.

Since the launch of our mobile app in July 2019, over 280,000 members have registered for the app. Our customer feedback is positive scoring 4.7 stars out of 5 on the iOS App store and 4.5 stars on the Google Play store as we continue to build out and enhance its functionality.

Financial strength

Mortgages and Savings division shows the power of mutuality

The Mortgages and Savings division reported pre-tax profits in the year of £220.1m (2021: £172.2m). Underlying PBT in the year was £229.9m (2021: £166.7m) - an increase of £63.2m, due principally to strong growth and improved interest margins. Skipton International Limited continues to make a strong contribution to the Group, with pre-tax profits of £39.9m (2021: £25.5m) and mortgages and savings balances of £2.0bn and £2.2bn respectively (31 December 2021: £1.7bn and £2.1bn respectively).

The Group's net interest margin, a key measure of performance, was 1.35% (2021: 1.03%). Following a prolonged period of record-low interest rates, in 2022 the Bank of England repeatedly raised Bank Base Rate in response to soaring inflation; this created opportunities for us to generate higher net income, whilst providing sustainable value to our members.

Key capital and liquidity ratios in respect of Skipton's prudential consolidation group, comprising the entire Group except Connells and a small number of other entities, at 31 December 2022 were as follows:

- The Common Equity Tier 1 ratio reduced to 25.8% (2021: 44.6%), driven primarily by the estimated impact of moving to hybrid internal-ratings based (IRB) models in response to regulatory changes introduced from 1 January 2022*.
- The leverage ratio remained stable at 6.8% (2021: 6.8%); and
- The Liquidity Coverage Ratio (LCR) was 175% as at 31 December 2022 (2021: 173%) - liquidity remained well above both the regulatory limit of 100% and the internal limit set by the Board throughout the year.

Estate Agency fares well amidst changing housing market conditions

The Group's Estate Agency division, Connells, generated PBT for the year of £67.5m (2021: £111.3m). Underlying pre-tax profits were £56.7m (2021: £78.9m). The higher profits in 2021 benefitted from exceptional housing market demand, fuelled by stamp duty relief and people's changing housing needs following the pandemic. The underlying result includes amortisation charges of £20.7m in relation to the intangible assets that were recognised on acquisition of Countrywide (2021: £52.4m).

Other Subsidiaries

Skipton Business Finance (SBF), a provider of debt factoring and invoice discounting to small and medium-sized enterprises (SMEs), recorded a PBT of £7.3m (2021: £5.4m).

Jade Software Corporation (a software solutions provider based in New Zealand that specialises in digital solutions and large IT enterprise solutions, as well as being the provider of the Society's core database and software development language) made a PBT of £0.6m in the year (2021: broke even).

* The Society submitted updated IRB models to the Prudential Regulation Authority (PRA) in 2021; the process for review and approval is ongoing and therefore the models remain subject to change until the models are approved by the PRA. At present a Temporary Model Adjustment has been applied to estimate what the final impact will be in moving to regulator approved hybrid IRB models.

Conclusion and outlook

Skipton is a proven purpose-driven business, and we wholeheartedly thank every one of our 18,000+ colleagues who have played their part in helping grow our business while successfully navigating these difficult times. Our Group has helped more people to save for their future, helped more people into homes, and it's also sharing the success of its efforts, giving more back with clear positive impact, and reinvesting in the future for the benefit of all.

It's clear to see why more people are coming to Skipton and developing deeper relationships with us to help them secure their financial futures. We can see opportunity for us to work across the Group to do even more, and for us to further harness the size, depth and experience of the Skipton Group, to be a powerful voice for driving positive societal change.

As 2023 marks the Society's 170th year, our focus is firmly on moving forward at pace to continue meeting the changing needs of all our customers while providing compelling solutions that help secure their financial futures. We continue through 2023 against a backdrop of a cost of living crisis, changing interest rates, and pressures across every aspect of public spending and delivery. We understand the impact these challenging times are having on household finances. The Society will continue to step up, making membership matter through the challenging times ahead.

Group results for the year ended 31 December

	2022 £m	2021 £m
Net interest receivable	**424.4**	296.7
Other income and charges	**1,081.8**	1,050.0
Fair value gains	**1.3**	37.1
Profit on disposal of subsidiary undertakings	**0.1**	0.5
Administrative expenses and provisions	**(1,190.1)**	(1,124.7)
Impairment (losses) / credits	**(18.7)**	12.2
Profit for the year before taxation	**298.8**	271.8
Taxation	**(67.8)**	(55.9)
Non-controlling interests	**0.2**	(0.1)
Profit for the financial year attributable to members	**231.2**	215.8

Underlying Group profit before tax for 2022 was £297.7m (2021: £233.4m) as follows:

	2022 £m	2021 £m
Total Group profit before tax	**298.8**	271.8
Add back / (less) fair value losses / (gains) in relation to the equity release portfolio	**9.8**	(5.5)
Less profit on disposal of subsidiary undertakings	**(0.1)**	(0.5)
Add back impairment of goodwill	**0.8**	-
Less fair value gains on share warrants and equity share investments	**(11.6)**	(5.5)
Less fair value gains on step-acquisition of Group undertakings	**-**	(26.9)
Underlying Group profit before tax	**297.7**	233.4

Group financial position at 31 December

Assets	2022 £m	2021 £m
Liquid assets	**6,792.7**	5,095.5
Residential mortgages	**24,098.9**	22,662.3
Commercial and other loans	**354.4**	363.7
Equity release portfolio	**278.7**	406.6
Derivative financial instruments	**1,355.1**	227.9
Fixed and other assets	**691.5**	712.0
Total assets	**33,571.3**	29,468.0

Liabilities	2022 £m	2021 £m
Shares	**22,349.6**	19,759.8
Borrowings	**7,894.1**	6,670.7
Derivative financial instruments	**415.6**	292.1
Other liabilities	**365.5**	403.1
Subordinated liabilities and subscribed capital	**353.4**	377.9
Reserves	**2,192.9**	1,964.0
Non-controlling interests	**0.2**	0.4
Total liabilities and equity	**33,571.3**	29,468.0

Group statement of movement in reserves	2022 £m	2021 £m
Reserves at 1 January	**1,964.0**	1,705.7
Net (expense) / income for the year not recognised in the Income Statement	**(2.3)**	42.5
Profit for the year	**231.2**	215.8
Reserves at 31 December	**2,192.9**	1,964.0

Summary of key financial ratios	2022 %	2021 %
Gross capital as a percentage of shares and borrowings	**8.42**	8.86
Liquid assets as a percentage of shares and borrowings	**22.46**	19.28
Group profit after tax for the year as a percentage of mean total assets	**0.73**	0.75
Group costs as a percentage of mean total assets	**3.77**	3.90
Society costs as a percentage of mean total assets	**0.66**	0.60

Definitions

Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities and subscribed capital, and non-controlling interests as shown within the Group Statement of Financial Position. The gross capital ratio measures the proportion which the Group's gross capital bears to the Group's liabilities to holders of shares, depositors and other providers of funds, that is, its investors.

Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities. Liquid assets are generally readily realisable, enabling the Group to meet its general liabilities during the year.

Group profit after tax as a percentage of mean total assets measures the proportion that the Group's profit after tax for the year bears to the average of the Group's total assets during the year. Mean total assets are calculated as the average of the closing total asset balances as at 31 December 2021 and 2022 as shown within the Group Statement of Financial Position. A reasonable level of profit is required each year to maintain the gross capital ratio at a suitable level to protect investors' funds.

The cost to mean asset ratios measure the proportion that the administrative expenses bear to the average of the total assets during the year.

This Summary Financial Statement was approved by the Board of Directors on 28 February 2023 and was signed on its behalf by:

G V Burr	Chair
S A Haire	Group Chief Executive
R S D M Ndawula	Group Chief Financial Officer

Statement of the Auditors to the Members and Depositors of Skipton Building Society

We have examined the Summary Financial Statement of Skipton Building Society for the year ended 31 December 2022 which comprises the 'Summary Directors' Report' on pages 2 to 8, and the 'Directors' Remuneration Report' on pages 10 to 24.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the auditable part of the Directors' Remuneration Report of Skipton Building Society for the year ended 31 December 2022.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full annual financial statements, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statement to the Annual Report and Accounts. Our audit report on the Society's Annual Report and Accounts and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements and the Directors' Remuneration Report of Skipton Building Society for the year ended 31 December 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Use of our report

This statement is made solely to the Society's members and depositors of Skipton Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

Ernst & Young LLP
Registered Auditors, Leeds
28 February 2023

Directors' Remuneration Report

Annual statement from the Chair of the Remuneration Committee

Dear Member,

On behalf of the Remuneration Committee, I am pleased to share the Directors' Remuneration Report for the year ending 31 December 2022. The Report sets out the details of pay, incentives and benefits received by the Directors of the Society.

The Committee

The members of the Remuneration Committee are all independent Non-Executive Directors of the Society and include members of the Board Risk and Audit Committees:

> **Heather Jackson,**
> Non-Executive Director (Chair)
>
> **Mark Lund,**
> Non-Executive Director
>
> **Helen Stevenson,**
> Non-Executive Director

Remuneration Report

In this Chair statement, we explain the key outcomes and decisions on remuneration taken by the Committee both in respect of the Executive Directors and across the Society as a whole. Following this, we have set out the Directors' Remuneration Report in two sections:

1. A summary of the Directors' Remuneration Policy, which was approved at the last Annual General Meeting (AGM) in April 2022. The complete policy is available in our Annual Report & Accounts 2021 on the Society's website.
2. The Annual Report on Remuneration in 2022, which explains how we applied our existing policy in 2022 and how we intend to apply the policy in 2023.

The Remuneration Committee's review of 2022

In 2022, the Skipton Group has led through a post-Covid environment which has seen UK socio-political turmoil due to the war in Ukraine, associated economic uncertainty and a cost of living crisis impacting members and colleagues. Our focus is to protect colleagues against financial hardship, stress and vulnerability. This helps our colleagues better serve our members and hopefully mitigates the impacts of absenteeism and attrition. At the same time, 2022 has been a period of consolidation for the Skipton Group following the acquisition in 2021 of Countrywide by Connells and the change in Group Chief Executive during the year. It is critical to our ongoing success to ensure that we have the right leadership in place to capitalise on the Group's diversified portfolio of businesses and navigate the challenges and opportunities ahead.

With the change in Group Chief Executive in April 2022, the Committee has spent considerable time managing the remuneration arrangements for the transition to a new Group Chief Executive. This has involved identifying a replacement with the talent and experience to drive our strategy and growth plans. We are delighted to have appointed Stuart Haire as our new Group Chief Executive. He takes over from Ian Cornelius who has acted as interim Group Chief Executive during much of 2022.

As a consequence of these leadership changes, the Committee devoted much attention to reviewing, challenging and approving the remuneration arrangements to support this transition. During 2022, the Committee took specialist advice from its adviser PwC to ensure alignment with best practice. Further details about these arrangements are provided in the Remuneration Report.

As explained in earlier sections of this Summary Financial Statement, the Group's performance has been exceptionally strong again this year. A key objective for the Committee is to ensure the remuneration of the Executive Directors is both aligned with and drives business performance across a range of measures taken from our Corporate Plan.

This alignment with performance is achieved through the Single Variable Pay Arrangement (SVPA), the incentive scheme in which the Executive team participates. The measures used to calculate outcomes under this scheme are selected because they directly support the Society's purpose, strategic priorities and Environmental, Social and Governance (ESG) goals. The targets set for each measure are agreed independently by the Committee to ensure that the Executive team is only rewarded for achieving demanding business goals. More details about the 2022 SVPA are included in section 2 on page 17.

The majority of measures and targets featured in the SVPA are cascaded across the incentive schemes covering all colleagues within the Society. This common structure helps build a shared 'OneTeam' commitment to our purpose and strategy and ensures colleagues at all levels in the Society are rewarded in a way that recognises our collective success.

Group profits, together with profits and the cost income ratio for the Mortgages and Savings division, comprise the SVPA's key financial measures and carry a significant weighting within the scheme. For each of these measures, performance has been exceptional and substantially ahead of target; this has helped to drive the incentive outcomes covered in more detail below.

In addition to strong financial results, performance against other measures has also generally been good. We continue to make progress against the Society's growth plans having exceeded the targets set for mortgages and savings balances. This result has been achieved because of our relentless focus on improving the experience in the moments that matter most to our customers. Our net customer satisfaction score underscores this focussed effort.

We note the under-performance against the Financial Advice direct income measure. We will ensure the Executive team continues to focus on delivering strong returns from this important area of our business, and demanding targets have been set against this measure for 2023.

ESG considerations are central to our purpose and culture. Employee engagement and our ongoing commitment to achieving a higher proportion of women amongst our senior leadership remain cornerstones for us. These measures are included in the SVPA and performance has been ahead of target in both cases, which represents incremental progress since 2021. In addition, a new environmental measure was introduced into the SVPA for 2022. The specific measure chosen was the reduction of the Society's carbon footprint compared with 2021. I am pleased to report that performance against this measure has been exceptional, underlining our determination to recognise and address the profound environmental challenges facing us all.

We as a Committee, along with our Board colleagues, see sustainability and ESG becoming ever more important to our purpose as a Society. As a consequence, we have expanded the range of ESG measures in the SVPA for 2023.

Overview of Executive Director remuneration

Executive Directors were awarded salary increases in April 2022. As explained in last year's report, the former Group Chief Executive received an increase of 3%. The other Executive Directors were each awarded increases of 2.5%.

In addition to his salary, Ian Cornelius was awarded an interim allowance of £163,320 p.a. to provide him with a total annual salary equivalent to £500,000. This allowance was paid to him from 26 April 2022, when he was appointed interim Group Chief Executive, to 31 December 2022, when Stuart Haire joined the Society as Group Chief Executive. This allowance has been taken into consideration in determining his SVPA award for 2022 but has not influenced his pension entitlement or any other benefits.

At the end of the year, the Committee reviewed the annual performance of the Executive Directors under the SVPA. The incentive outcomes for 2022 take into account the strong performance of the Society as well as each Executive Director's performance against personal and strategic team objectives. The incentives awarded were between 41.2% and 41.9% of salary where the maximum potential bonus under the scheme is 50% of salary.

In arriving at the decision on SVPA awards, a full risk assessment process was undertaken, during which the Committee considered a range of factors and input from the Board Risk Committee. Having completed this assessment, the Committee decided that no adjustments were necessary at the point in time.

Joining arrangements for the new Group Chief Executive

Stuart Haire was appointed as Group Chief Executive on 31 December 2022, joining us from HSBC on a salary of £690,000. The Group Chief Executive role has grown significantly in recent years as the Group has grown. His salary reflects this breadth of role, the extensive experience he brings to the Society, fully benchmarked market comparators for individuals in similar roles, and the level of compensation at his previous employer.

The benefits Stuart receives are in line with our remuneration policy, and include a pension allowance of 10% of salary, a car allowance of £15,000 p.a., private medical insurance, life cover and group income protection. Stuart has been granted use of Society-owned accommodation close to our head office provided by the Society. His family home remains in Scotland.

As a result of his resignation from HSBC, Stuart has forfeited deferred awards of variable pay made to him in respect of financial years prior to 2022, as well as the opportunity to earn a bonus for 2022. In line with standard practice in the financial sector, the Society has granted replacement awards that will compensate Stuart for these forfeited awards, the value of which is shown in the 'other' column in the single figure table on page 15. The total amount is £1,147,686 and is made up of:

- £802,686 of deferred awards to compensate for the deferred awards Stuart forfeited on leaving HSBC; these have the same value and vest on the same dates as the awards forfeited; and
- an award of £345,000 to replace the incentive opportunity lost by Stuart for 2022.

Both of the above are subject to deferral, malus and clawback.

Overview of Society colleague remuneration

As we explained in our report last year, the Society had already taken the decision to make a significant investment in base pay in 2022 for colleagues below the Executive Committee. This was to ensure colleagues are paid fairly and in line with market benchmarks, and to ensure the Society can attract and retain talent and skills. I am pleased to report that this investment resulted in average pay awards of 12.9% for colleagues. To ensure maximum impact from this investment, the effective date for these increases was brought forward from April to January for 2022. Going forward, we will maintain the effective date of 1 January for salary increases for all colleagues other than the Executive Committee.

Bonus awards for 2022 made to colleagues below the Executive Committee reflect the strong business performance against the measures and targets that are common across the Society's schemes. The average Senior Leader bonus award was 21.6% and the average all-colleague bonus award was 9.8%.

During the course of 2022, the general economic environment continued to evolve in ways which were difficult for any of us to have predicted at the beginning of the year. In particular, the rapid rise in inflation and interest rates has caused the cost of living for all colleagues to increase significantly, having most impact on those at junior levels. To help colleagues cope with these cost pressures, the Society took the decision to award a one-off cash payment of £1,500. The award was paid in September to all colleagues below senior leader level on an equal basis regardless of grade, service, or contract terms.

2023 will be a year of great change for the Society as we welcome our new Group Chief Executive. Against a backdrop of ongoing cost of living challenges, recession and pressures across public spending and delivery, the wellbeing of our people and members will remain a critical focus. We need to continue to attract, retain and motivate the right calibre of people as they are critical to our performance and to providing our customers with compelling solutions that help secure their financial futures.

Conclusion

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the remuneration policy in 2022. The Committee recommends that members vote in favour of the 2022 Directors' Remuneration Report at the AGM.

Heather Jackson
Chair of the Remuneration Committee
28 February 2023

1. Summary of Directors' Remuneration Policy

Overview of Remuneration Policy for Executive Directors in the Society

The current Directors' remuneration policy was approved at the AGM on 25 April 2022 and, in line with corporate governance standards, is expected to apply until the 2025 AGM, when members will be asked to approve a revised Directors' remuneration policy.

The Committee is comfortable that the current policy is operating as intended and that the overall 2022 remuneration paid to Executive Directors, as set out in the Annual Report on Remuneration, is appropriate.

This section summarises the current Directors' remuneration policy and how it aligns with the Society's strategy. The complete policy is available in our Annual Report & Accounts 2021 on the Society's website.

The table below outlines the key elements of remuneration for Executive Directors and how each element operates and supports our strategy.

Element How element supports our strategy	Operation	Maximum potential value
Base salary • Supports the recruitment and retention of Executive Directors, reflecting their individual roles, skills and contribution.	Base salary reflects the size and responsibilities of the role and the skills and experience of the individual. In setting appropriate salary levels, the Committee takes into account data for similar positions in comparable organisations. The data is independently commissioned and the Society aims to position Executive Directors competitively within this reference group. When appointing an acting or interim Executive Director, the Committee may decide to pay a temporary allowance (as opposed to a permanent uplift to salary). The amount will be agreed by the Committee and may be included for the purposes of calculating benefits, pensions and the annual incentive award.	Increases to base salary are determined annually by the Committee taking into account: • The scope of the role • Pay levels in comparable organisations; and • Pay increases elsewhere within the Group
Pension • Supports recruitment and retention of Executive Directors at a cost that can be controlled by the Society.	Generally, the Society contributes to a defined contribution pension scheme for the Executive Directors. The contribution can instead be paid in cash (which is excluded from incentive calculations) if the Executive Director is likely to be affected by the limits for tax-approved pension saving. All new appointments to executive roles fully align to the pension arrangements available to all other colleagues.	The maximum for new Executive Directors is 10% of base salary. This is in line with the policy for all colleagues. Current Executive Directors receive 10% of base salary except for Andrew Bottomley who receives 15%.
Benefits • To attract, retain and provide security for Executive Directors; and • Provide a competitive level of benefits to assist Executive Directors to carry out their roles effectively.	A number of benefits are provided to Executive Directors, including a car or car allowance, private medical insurance, life insurance and group income protection benefits. The Committee reviews benefits from time to time and may make changes, for example, to reflect market practice or the needs of the business.	The Society bears the cost of providing benefits, which may vary from year to year.
Single Variable Pay Arrangement (SVPA) • Supports the attraction and retention of Executive Directors. • Supports the development of a high-performance culture.	A combination of financial and non-financial measures and targets are set with a weighting which will not exceed 50% of the total incentive opportunity for financial measures and which will not exceed 60% for non-financial measures. The performance measures and weightings are determined by the Committee from year to year, falling typically in the following categories: • Financials	The maximum incentive which may be earned for any year by means of the SVPA is 50% of base salary. On-target performance generally attracts an incentive of 60% of the maximum.

Element How element supports our strategy	Operation	Maximum potential value
• Rewards performance within the context of achieving corporate goals and objectives as set out in the corporate plan; and • Encourages the right behaviours in respect of sustainable performance that supports the achievement of strategic goals.	• Customer Growth • ESG • Strategic Team Objectives • Personal Objectives For each performance measure, the Committee determines a threshold, target and maximum level of performance. No incentive is payable for performance below the threshold level, with varying levels of pay-out for performance between threshold and maximum. On-target performance generally attracts an incentive of 60% of the maximum. Performance against the measures is reviewed and approved by the Remuneration Committee. All awards are subject to risk adjustment, deferral, malus and clawback and are delivered as a combination of cash and instruments in line with regulation.	

Committee's discretion in relation to the SVPA

The Committee has the discretion to reduce, defer or recover payments under the SVPA in accordance with the Society's Policy on malus and clawback. Malus refers to the reduction or withdrawal of deferred awards, and clawback is the repayment of amounts already paid. The Committee also has the discretion to cease or amend the operation of the arrangements where this is necessary to ensure they continue to meet the Committee's overriding remuneration principles and risk criteria. This might include, for example, amending the deferral arrangements to comply with changing regulation.

Summary of strategic alignment of the SVPA

The Strategic Report in the Annual Report & Accounts 2022 provides a comprehensive explanation of the Society's purpose and strategy. We deliver this through our four strategic priorities: *Absolute Customer Focus, Brilliant People, Powered by Digital, Technology and Data, and Financial Strength*. In addition, the Group Responsible Business Report in the Annual Report & Accounts 2022 explains how sustainability and ESG is woven through every part of our strategy. The table below highlights how the measures in the SVPA have aligned with strategy, sustainability and ESG in 2022.

	Strategic Priorities				
SVPA Measures	Absolute Customer Focus	Brilliant People	Powered by Digital, Technology and Data	Financial Strength	ESG and Sustainability
Group PBT (adjusted)				✓	
Mortgage and Savings division PBT (adjusted)				✓	
Mortgages and Savings cost income ratio				✓	
Mortgage year end balances	✓			✓	✓
Savings year end balances	✓			✓	✓
Financial Advice direct income	✓			✓	✓
Net customer satisfaction	✓		✓		✓
Colleague engagement	✓	✓	✓	✓	✓
Women in Finance Charter		✓			✓
Reduction in Society's carbon footprint from 2021 YE					✓
Personal objectives	✓	✓	✓	✓	✓
Strategic team objectives	✓	✓	✓	✓	✓

Directors' service contracts and notice periods

The Executive Directors are employed on rolling service contracts which can be terminated by either the Society or the Director giving one year's notice. Non-Executive Directors do not have service contracts.

2. Annual Report on Remuneration in 2022

Executive Directors' Remuneration

The total remuneration of each Executive Director in 2022 and 2021 is set out in the single figure tables below:

2022 Audited								
Executive Directors	Role	Salary £000	Benefits[4] £000	Pension £000	Total fixed renumeration £000	SVPA Award £000	Other £000	Total remuneration £000
Stuart Haire[1]	Group Chief Executive	3	-	-	3	-	1,148	**1,151**
David Cutter[2]	Group Chief Executive	197	5	20	222	-	-	**222**
Andrew Bottomley	Customer Director	317	12	48	377	132	-	**509**
Ian Cornelius[3]	Commercial & Strategy Director	446	12	33	491	188	-	**679**
Bobby Ndawula	Group Finance Director	367	12	37	416	155	-	**571**
Total remuneration		**1,330**	**41**	**138**	**1,509**	**475**	**1,148**	**3,132**

Notes

1. The remuneration shown for Stuart Haire covers the period from his joining date of 31 December 2022. As a result of his resignation from HSBC, Stuart has forfeited deferred awards made to him in respect of financial years prior to 2022, as well as the opportunity to earn a bonus for 2022. The figure in the table therefore includes an award of £345,000 to replace the forfeited bonus opportunity and this will be subject to deferral, malus and clawback in accordance with the SVPA scheme. It also includes £802,686 of replacement deferred awards which reflect the value of the HSBC deferred cash and share awards forfeited. The replacement deferred awards, which will be made in the form of cash and instruments, will be subject to the same conditions that applied to his HSBC deferred awards and will mirror the vesting schedule over the period from March 2023 to March 2030.
2. The remuneration shown for David Cutter covers the period from 1 January to 26 April 2022.
3. The 2022 salary figure for Ian Cornelius includes an interim Group Chief Executive allowance of £163,320 p.a. paid pro-rata from 26 April 2022 until 31 December 2022.
4. Includes all taxable benefits.

2021 Audited								
Executive Directors	Role	Salary £000	Benefits £000	Pension £000	Total fixed renumeration £000	SVPA Award £000	Other £000	Total remuneration £000
David Cutter	Group Chief Executive	599	15	73	687	622	-	**1,309**
Andrew Bottomley	Customer Director	310	12	47	369	133	-	**502**
Ian Cornelius	Commercial & Strategy Director	325	12	32	369	141	-	**510**
Bobby Ndawula	Group Finance Director	356	12	36	404	155	-	**559**
Total remuneration		**1,590**	**51**	**188**	**1,829**	**1,051**	**-**	**2,880**

Base Salary

Pay awards for the Executive Directors were made in April 2022. David Cutter received a 3% base pay increase as explained in last year's report. For the remaining Executive Directors, the adjustments shown in the table below were made to base salaries, effective from 1 April 2022.

Executive Director	Role	% increase	April 2022	April 2021
David Cutter	Group Chief Executive	**3.00%**	**£640,588**	£621,930
Andrew Bottomley	Customer Director	**2.50%**	**£319,250**	£311,460
Ian Cornelius	Commercial and Strategy Director	**2.50%**	**£336,680**	£328,470
Bobby Ndawula	Group Finance Director	**2.50%**	**£369,710**	£360,690

Directors' defined benefit pension

David Cutter was a deferred member of the Skipton Building Society (2015) Group Pension Plan ('the scheme') which is a defined benefit fund registered with HM Revenue and Customs under the Finance Act 2004. The scheme is closed to the future accrual of benefits and no member contributions were made during the year. Following his departure, David decided to transfer his entire accrued pension entitlement out of the scheme as reflected in the table below.

Audited 2022	Normal retirement date	Member's contribution for the year ended 31 December 2022	Accrued pension entitlement at 31 December 2021	Accrued pension entitlement at 31 December 2022	Value of remuneration for the year ended 31 December 2022
		£000	£000 pa	£000 pa	£000
David Cutter	**1 January 2027**	**-**	**97**	**-**	**-**

Audited 2021	Normal retirement date	Member's contribution for the year ended 31 December 2021	Accrued pension entitlement at 31 December 2020	Accrued pension entitlement at 31 December 2021	Value of remuneration for the year ended 31 December 2021
		£000	£000 pa	£000 pa	£000
David Cutter	1 January 2027	-	97	97	-

Variable Pay

Single Variable Pay Arrangement (SVPA)

The SVPA is designed to ensure variable remuneration for the Executive Committee members is aligned with sustainable performance across a range of measures. The table below summarises the measures, performance range, outcomes and weightings underlying the SVPA:

Measure	Performance target range: Threshold - Maximum	Performance relative to targets	Outcome	Weighting Group Chief Executive	Weighting Executive Directors
Group PBT (adjusted) (£m)[1]	211.4 - 298.4	Above Target	309.4	32%	12%
Mortgages and Savings division PBT (adjusted)(£m)[1]	133.1 - 187.9	Above Target	230.5	-	20%
Mortgages and Savings cost income ratio (%)	55.6% - 53.1%	Above Target	44.9%	10%	10%
Financial Advice direct income (£m)	11.5 - 16.2	Below Threshold	9.6	5%	5%
Mortgage year end balances (£bn)	24.7 - 25.7	Above Target	25.3	5%	5%
Savings year end balances (£bn)	20.9 - 21.8	Above Target	22.5	5%	5%
Net customer satisfaction	84% - 89%	Below Target	85%	5%	5%
Colleague engagement	83% - 89%	Above Target	87%	5%	5%
Reduction in Society's carbon footprint from 2021 YE	5% - 20%	Above Target	84%	3%	3%
Women in Finance Charter	A Spot Target - no threshold or maximum set. A rolling average of at least 40% female representation across Senior Management by end of 2022		At Target	2%	2%
Strategic Team Objectives - a set of objectives aligned to the Society's Corporate Plan. For 2022 these included bolstering the Society's financial strength, enhancing the talent and skills base of our people and reviewing the operating model to transform efficiency and digitising the FA advice journey.				14%	14%
Personal Objectives - performance has been assessed against both the delivery of the Society performance scorecard as well as individuals goals, conduct and behaviours.				14%	14%

Note

1. For bonus purposes, the Group and Mortgages and Savings division PBT figures are adjusted as outlined in the Audit Committee Report in the Annual Report & Accounts 2022.

At the end of the year, the Committee reviewed the annual performance under the SVPA for all the Executive Directors. The incentive outcomes for 2022 are based on the performance relative to target for the SVPA measures. They also reflect the Committee's assessment of performance achieved against the Strategic Team and Personal Objectives, taking into consideration the views of the non-executive members of the Board.

Based on this overall assessment, the outcomes for the Executive Directors were between 41.2% and 41.9% of salary reflecting the strong performance of the Society over the year.

Risk considerations

To ensure that rewards are based on sustainable performance, the Remuneration Committee conducts a 'sustainable performance assessment' for senior schemes (SVPA and Senior Leaders), one year after the original performance year. The review also considers feedback from the Board Risk and Board Audit Committees provided as part of the annual risk assessment process. The sustainability review conducted for the 2021 SVPA and Senior Leaders' schemes demonstrated that 2021 performance levels had been maintained in 2022. The Committee therefore concluded that no adjustment to the 2021 awards was required at the point in time.

The Society has a Risk Adjustment Policy which sets out its approach to ex-ante and ex-post risk adjustment, including malus and clawback. Where the Remuneration Committee determines that risk adjustment is required, payments due from the schemes and deferred payments may be postponed, reduced, or cancelled for some, or all, participants. In certain circumstances, the business may need to apply clawback arrangements and require repayment of an appropriate amount of variable pay relating to the event which has occurred.

The Remuneration Committee, after consultation with the Board Risk and Board Audit Committees and consideration of performance against risk appetites, did not make any risk adjustments for 2022 at the point in time.

Deferral and payment in instruments

In line with the relevant regulatory requirements, the SVPA scheme requires:

- 60% of awards made to Executive Directors to be deferred; and
- the deferral to be over a period of 7 years, with first vesting occurring no earlier than the end of year 3, then no faster than pro-rata on an annual basis; and
- all payments to be subject to malus and clawback.

In addition, the regulations require that at least half of annual variable pay is paid out in shares or an equivalent 'instrument', and that these are retained for a further 12 months at the end of the deferral period. In line with these requirements, the Executive Directors receive half of each portion of the SVPA award in cash and the other half in instruments (12 months after vesting).

The table below sets out the percentage of the Executive Directors' 2022 SVPA awards which will be paid in each year, made up of payments in cash and instruments.

	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31
	Non-deferred			Deferred					
Cash	20%	-	-	6%	6%	6%	6%	6%	
Instrument	-	20%	-		6%	6%	6%	6%	6%

Payments to former directors

There were no payments to former directors made in the financial year.

Payments for loss of office

David Cutter stepped down from the role of Group Chief Executive on 26 April 2022. As disclosed in last year's report, David received a total payment for loss of office of £880,647. The Society continues to provide private medical cover for David up to 24 April 2023.

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

Non-Executive Directors' remuneration

Non-Executive Directors' base fees (excluding those of the Chair) are normally reviewed annually by the Non-Executive Directors' Remuneration Committee, in line with the Directors' Remuneration Policy.

After due consideration by that Committee, the annual fees payable for Non-Executive Director roles remained unchanged in 2022 as shown in the table below:

	2022 £	2021 £
Non-Executive Directors	**54,700**	54,700
Audit Committee, Risk Committee and Remuneration Committee Chairs	**15,300**	15,300
Deputy Chair	**7,200**	7,200
Connells Non-Executive Director	**35,000**	35,000

The actual total fees and benefits for the Non-Executive Directors in 2022 and 2021 are set out in the table below:

	2022				2021			
Audited	**Fees £000**	**Committee Chair fees £000**	**Taxable benefits[1] £000**	**Total £000**	Fees £000	Committee Chair fees £000	Taxable benefits[1] £000	Total £000
Gwyn Burr[2] (Chair)	139	-	-	139	-	-	-	-
Robert East[3] (Chair)	63	-	4	67	184	-	1	185
Mark Lund[4] (Deputy Chair)	97	-	1	98	90	-	-	90
Amanda Burton[5]	30	-	-	30	95	-	-	95
Richard Coates[6]	55	15	-	70	54	15	-	69
Denise Cockrem	-	-	-	-	13	-	-	13
Iain Cummings[7]	27	-	-	27	-	-	-	-
Denis Hall[8]	55	15	1	71	54	15	1	70
Heather Jackson[9]	55	10	-	65	54	-	-	54
Philip Moore[10]	78	-	1	79	54	-	-	54
Helen Stevenson[11]	55	10	1	66	54	15	-	69
Total	654	50	8	712	652	45	2	699

Notes

1. The taxable benefits shown in the table above relate to the reimbursement of travel and subsistence expenses between home and Skipton head office, including for attendance at Board and Committee meetings.
2. Gwyn Burr was appointed to the Board as Chair effective from 27 April 2022 on an annual fee of £205,000.
3. Robert East retired from the Board on 26 April 2022.
4. Mark Lund is also a Non-Executive Director of Connells Limited, for which he receives an annual fee of £35,000.
5. Amanda Burton retired from the Board on 26 April 2022. Amanda was also a Non-Executive Director of Connells Limited up until 26 April 2022 for which she received an annual fee of £35,000. The fees for both roles are included pro-rata in the table above.
6. Richard Coates is Chair of the Audit Committee.
7. Iain Cummings was appointed to the Board as a Non-Executive Director effective from 1 July 2022.
8. Denis Hall is Chair of the Board Risk Committee.
9. Heather Jackson chaired the Remuneration Committee from April 2022.
10. Philip Moore was appointed as a Non-Executive Director of Connells Limited, effective from 21 April 2022, for which he receives an annual fee of £35,000, included pro-rata in the table above.
11. Helen Stevenson retired from the Board on 31 December 2022.

Statement of implementation of Remuneration Policy in 2023

Executive Director base salaries and fees for Non-Executive Directors

Base salaries for Executive Directors and fees for Non-Executive Directors will be reviewed in 2023 in line with policy.

Benefits including pension

Executive Directors will continue to receive benefits in accordance with the Directors' Remuneration Policy.

SVPA

The SVPA scheme has been reviewed for 2023 and some minor changes made to further strengthen alignment of the scheme with our strategy and purpose. The Mortgages and Savings cost income ratio has been replaced with a specific cost reduction target to provide the Executive with a more demanding and focused efficiency measure. The 'ESG' element of the scheme has been expanded to reflect the wider ESG dashboard.

The measures and weightings for 2023 are set out in the table below:

Measure	Weighting Group Chief Executive	Weighting Executive Directors
Group PBT	32%	12%
Society PBT	-	20%
Cost reduction	10%	10%
Financial Advice direct income	5%	5%
Society mortgage year end balances	5%	5%
Society savings year end balances	5%	5%
Net customer satisfaction	5%	5%
ESG Dashboard	10%	10%
Strategic team objectives	14%	14%
Personal objectives	14%	14%

The maximum bonus opportunity will remain 50% of base salary and the target opportunity will be 30% of base salary.

Remuneration in the Society

Cascade of remuneration in the Society

The Society has wellbeing at the forefront of its culture and continues to support colleagues physically, mentally and financially. Our reward platform, 'Select', which is used by all colleagues, builds awareness, and enables personalisation and choice of the benefits on offer. One of the many features is a total reward statement allowing an individual to understand how their package is constructed and reflect on the true value when all elements are included. The table below summarises colleague participation by seniority in the Society's range of remuneration programmes.

Remuneration Cascade	Executive	Leaders	Colleagues
Base Salary	✓	✓	✓
Annual Bonus	✓	✓	✓
Pension	✓	✓	✓
Life Cover	✓	✓	✓
Group Income Protection	✓	✓	✗
Private Medical Insurance	✓	✓	✗

Remuneration Cascade *(continued)*	Executive	Leaders	Colleagues
Company Sick Pay	✓	✓	✓
Annual Health Check	✓	✗	✗
Other Benefits	✓	✓	✓

How does executive remuneration for 2022 align with the wider workforce?

The table below provides an overview of average salary increases and bonus awards by level across the Society.

	Salary Average pay increase	Bonus Average award
Group Chief Executive	3.0%	41.9%
Executive Directors	2.5%	41.7%
Other Executive Committee members	2.5%	40.2%
Senior leaders	7.2%	21.6%
All other colleagues	13.1%	9.8%

Note

The average pay increase percentages reflect the one-off investment in salaries for all colleagues other than the Executive Committee to achieve alignment with market as well as a cost of living award for 2022.

A set of fair pay principles has been developed taking into consideration the views of colleagues from across the Society. These underpin the Society's current and future reward strategies. The Committee considers remuneration arrangements for the wider colleague population when determining remuneration for the Directors.

CEO Pay Ratio

In line with the regulations applicable to listed companies, the Board has agreed to voluntarily publish the CEO pay ratio for the Society only. Given the diversity of the wider Skipton Group, the Society measure is deemed to be more appropriate as it provides a more meaningful comparison with our peers in financial services.

The pay ratio calculation uses the Society's April 2022 gender pay gap data. Based on this data, we have identified those individual employees whose total remuneration sits at the 25th, 50th (median) and 75th percentiles of all Society employees for comparison with the Group Chief Executive. This methodology is referred to in the regulations as 'Option B'.

The table below sets out the results of this comparison of total remuneration between the Group Chief Executive and the employees identified at the 25th, 50th and 75th percentiles.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	32:1	21:1	14:1
2021	Option B	54:1	38:1	22:1
2022[(a)]	Option B	74:1	55:1	39:1
2022[(b)]	Option B	29:1	21:1	15:1

Note

During 2022, the Group Chief Executive position has been held by three incumbents. In this situation, the regulations stipulate that the total remuneration for each incumbent as shown in the 2022 single figure table is added together to cover the full year and this is shown as row 2022(a) above. To aid comparison, the table above includes an alternative calculation of the ratio, shown as row 2022(b), which excludes the amount for Stuart Haire which appears in the column headed 'Other' in the 2022 single figure table (replacement of forfeited bonus and deferred awards).

The total remuneration and salary values for the 25th, 50th (median) and 75th percentile employees in 2022 are:

Gender Pay Data	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary (£)	23,396	31,484	44,402
Total remuneration (£)	25,666	34,538	48,709

Notes

1. As recognised by the BEIS, those companies with multiple subsidiaries and payrolls can opt to use Option B.
2. Employee data includes full time equivalent total remuneration for Society employees as at 31 December 2022.

Material Risk Takers

Material Risk Takers (MRTs) are those employees whose professional activities have a material impact on the Society's risk profile. We have identified the MRTs in the Society and in the Group subsidiary companies who meet this definition by using the criteria set out in the relevant PRA rules. These individuals are in scope of the PRA and FCA remuneration rules.

The Remuneration Committee is responsible for approving remuneration policies, maintaining oversight of the remuneration of MRTs and for ensuring that remuneration is paid to them in accordance with regulatory requirements.

Details of the MRTs' remuneration arrangements for 2022 are included in the Pillar 3 document which is available at skipton.co.uk/about-us/pillar-3-disclosure.

Remuneration Committee – Remit and Activities

The members of the Remuneration Committee are all independent Non-Executive Directors of the Society and include members of the Board Risk and Audit Committees:

Heather Jackson,
Non-Executive Director (Chair)

Mark Lund,
Non-Executive Director

Helen Stevenson,
Non-Executive Director

In addition to Committee members, regular attendees at Committee meetings include the Chief People Officer, the Company Secretary and PwC, our independent external consultants. The Group Chair has a standing invitation to all meetings of the Committee. The Group Chief Executive, Group Chief Risk Officer and the Head of Reward and Governance attend meetings by invitation.

The purpose of the Remuneration Committee is	
To determine, on behalf of the Board, the Remuneration Policy	Ensure that remuneration arrangements support and encourage desired behaviours and culture
Maintain policies that are compliant with governing laws and regulations	Ensure appropriate governance of remuneration practices across the Society and its subsidiary companies and exercise effective oversight of these
Ensure that remuneration policies, principles and practices are appropriate to enable the business to attract, retain and reward people with the right skills, experience, knowledge and behaviours to support achievement of business goals and objectives	

The Committee ensures that clear remuneration principles for the Society and the Group subsidiaries are set and agreed annually. For the PRA and FCA regulated businesses, the principles set out appropriate standards for remuneration design, governance, risk management, and, where applicable, remuneration for MRTs. The Committee receives reports from the Group Remuneration Oversight Committee on the implications of the remuneration policies within the Group and compliance with the principles. The Group Chief Risk Officer updates the Committee on risk related matters and provides information and insight as part of the risk adjustment process.

The full terms of reference of the Remuneration Committee and the Remuneration Principles are available on request from the Secretary. The terms of reference are also available online at skipton.co.uk/about-us/governance/board-committees.

The Remuneration Committee met eight times during 2022. In discharging its duties, the Committee reviews and considers independently produced data in relation to similar financial services organisations. Remuneration consultants advising the Committee are independent from the Group.

Heather Jackson succeeded Helen Stevenson as the Remuneration Committee Chair during the year.

Activities during 2022

During 2022, the Committee:

- Approved awards in respect of the 2021 SVPA, taking into consideration performance outcomes against the scheme measures and the strategic team and personal performance objectives.
- Considered the need to adjust, withhold or recover variable pay awards having taken account of the Group Chief Risk Officer's annual risk assessment and the sustainability review of 2021 performance.
- Approved the variable pay out-turns for the Connells Executive Directors in respect of 2021.
- Approved the environmental measure and targets, the strategic team objectives and personal objectives in respect of the 2022 SVPA.
- Reviewed the impact of the Society's investment in base pay in 2022 for colleagues below the Executive Committee.
- Assessed external benchmarking data as an input to ensure Executive remuneration remains fair and competitive.
- Approved the 2022 salary awards for the Executive Committee members and the Group Chief Internal Auditor.
- Approved the leaving arrangements for the former Group Chief Executive as detailed in last year's report.
- Approved the remuneration terms for the interim Group Chief Executive and the new Group Chief Executive.
- Approved the remuneration terms for the new Group Chief Internal Auditor and the new Group Chief Risk Officer.
- Approved the 2022 salary awards and bonus scheme measures and targets for the Connells Executive Directors.
- Considered member feedback in response to the 2022 AGM mailing on matters relating to remuneration.
- Reviewed the scope of the PRA and FCA remuneration rules for banks and building societies in relation to Skipton Group entities, and concluded that Connells, Jade and North West Investments are not in scope of these rules.
- Approved the measures, weightings and targets for the 2023 SVPA scheme.
- Approved the Directors' Remuneration Report.
- Provided feedback, challenge and guidance to management on the appropriate level of investment in colleague base pay awards and on the one-off cost of living cash award.

Independent Advisers

PwC were appointed by the Committee in 2015 following a review of potential advisers. PwC are a signatory to the voluntary Code of Conduct in relation to remuneration in the UK. Their remuneration team have continued to support the Committee in 2022 and have received £98,800 (net of VAT) in fees in respect of remuneration services provided. The Committee maintains oversight of remuneration policy and practices through an annual internal audit which is supported by other independent remuneration experts.

In addition to remuneration, PwC provide other services to the Society such as accounting, internal audit and tax advice.

Consideration of member views

The Committee has, for a number of years, invited members to vote (on an advisory basis) on the Remuneration Policy and annual Remuneration Report, and takes member feedback into account when determining policy and outcomes.

Statement of voting at the 2022 AGM

At the 2022 AGM the Directors' Remuneration Report was subject to an advisory vote of members, the results of which were as follows:

	Votes For	Votes Against	Withheld
2021 remuneration report	53,521 (90.77%)	5,417	1,324
2022 remuneration policy	52,836 (90.26%)	5,700	1,460

Heather Jackson
Chair of the Remuneration Committee
28 February 2023

We can provide documents in large print, Braille or audio if you need them. Please speak to a member of our team on 0345 850 1733 to find out more.