

Risk Management report (continued)

Climate risk

We recognise the physical and transition risks arising from climate change create risk exposures for the Group in several of the principal risk categories above. We therefore manage these risks through the ERMF to ensure they are properly considered alongside the other risks we face.

Further detail on how we manage climate change risk can be found in the 'Building a greener society' section.

Stress testing

Stress testing is a proactive risk management tool used throughout the Group to better understand the potential vulnerabilities in our business model and to derive effective management actions. Stress testing is presented to a range of forums and Committees including the ALCO, the GRC and the Board. 2023 demonstrated the importance of stress testing with continuous economic and market volatility.

The key uses of stress testing are:

- To test the robustness of our financial plan and exposure limits to adverse economic conditions
- Scenario analysis of our recovery plan and contingency funding options
- To support the production of the internal capital adequacy assessment ('ICAAP') and internal liquidity adequacy assessment ('ILAAP') processes, which inform our regulatory capital and liquidity requirements
- Keeping up to date with market movements through daily testing of funding and liquidity and market risks
- To provide performance management information to support mortgage trading decisions
- To assess new products and initiatives
- To understand, through the Group's annual reverse stress tests, how to prevent risks crystallising.

We have also modelled the impact of the Bank of England's Annual Concurrent Stress test ('ACS'). This allows us to evaluate how the Group performs under this scenario and relative to the organisations that are part of this process. The test showed that we are well positioned to withstand a stress event such as that defined in the ACS.

DIRECTORS' REMUNERATION REPORT

About the Remuneration Committee

The members of the Remuneration Committee consist of Non-Executive Directors and include members of the Society's Group Risk Committee:



Debra Davies

Independent Non-Executive Director and Committee Chair and member of the Group Risk Committee.



Alison Hutchinson

Senior Independent Non-Executive Director and Vice Chair as well as member of the Group Risk Committee and Non-Executive Director for Workforce Representative.



Dina Matta

Independent Non-Executive Director



Jennelle Tilling

Independent Non-Executive Director

A word from the Chair of the Remuneration Committee.

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

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

Directors Remuneration report (continued)

A word from the Chair of the Remuneration Committee (continued)

Looking back at 2023

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

To support our colleagues with the continued pressure seen on personal finances we agreed to award a 6% core pay increase for all eligible colleagues as part of the 2023 annual pay review, supplemented by an additional 1% which leaders were able to allocate on a discretionary basis where further adjustments were felt necessary. The Committee also approved the introduction of a **new minimum salary of £22,000 for all colleagues**, regardless of the role they perform (pro-rated for part time colleagues). This further supported our commitment to pay in line with or above the Real Living Wage.

The Society has delivered strong financial performance in 2023 with Core Profit Before Tax of £445.9m against a target of £359.8m. In addition, the Society continued to provide excellent service to our members as demonstrated by a Net Promoter Score for the year of 61 against a target of 55. This combined performance, supported by an effective risk environment has resulted in all eligible colleagues being awarded with a 10% bonus payment, the maximum available under our scheme.

In March 2023 we welcomed our Chief Executive, Susan Allen. Susan has made a real impact since joining the organisation, demonstrating her tremendous passion for providing the best products and excellent service to our members. Susan brings a wealth of banking experience and significant operational and technical knowledge

that will be paramount as the Society delivers its purpose of real help with real life, in a challenging external environment. The remuneration package for the new CEO is in line with our Remuneration Policy and was set taking into consideration market levels of remuneration as well as her extensive financial services experience. As normal in these circumstances, we have agreed to compensate Susan for the loss of deferred bonus forfeited on her resignation from Barclays; these replacement awards are no more generous than the original awards and will be paid in line with prior vesting schedule. The full remuneration details for Susan are outlined in this report.

Directors' remuneration outcomes for 2023

The Committee believes the Executive Directors have continued to deliver real benefits for the Society, including improvements to customer journeys across multiple channels and the streamlining of key processes which have helped to improve customer experience. This is further demonstrated by ensuring significant investment in member value through our savings propositions, the strong financial performance of the Society and progress against our community and diversity objectives. It is on this basis that we have granted variable pay awards to our Executive Directors in respect of the 2023 performance year.

The Society's Building Together bonus scheme paid out at the maximum level of 10% for all eligible colleagues, including Executive Directors. Executive Directors are eligible to receive an additional bonus award as part of the Senior Leadership element of the Building Together bonus scheme. The value of this additional award is determined by their level of performance as measured against their individual scorecard.

Executive Directors are also eligible to participate in the Leading for Value bonus scheme. The Leading for Value scheme includes in year performance targets set against

our longer-term objectives, serving to protect the Society's financial strength whilst focusing on delivering long term member value. All of the scheme underpins for 2023, which included upgrades to our operational risk capability have been met, which has unlocked a bonus award on this scheme. Performance against the scorecard areas - Transformation, Member Value and ESG metrics has resulted in an overall outturn of 72% for eligible participants on this scheme.

This meant eligible Executive Directors received an average total bonus of 88% of their salary when combining the awards granted to them as part of the Building Together and Leading for Value bonus schemes. We have included full details of how remuneration is awarded to Executive Directors and the amounts later in this report.

In 2023 the Committee carried out a review of how the multi-year Leading for Value scheme had performed against its objectives since its introduction in 2021. 2023 is the final year of the Leading for Value scheme in its current construct. The Committee looked back at performance over the 3-year period and concluded that the scheme had met its intended aim of rewarding key strategic milestones and delivery of long-term value to members. Over the duration of the scheme, member value has been created through offering rewarding rates to those saving with us. This was achieved through the development of member loyalty propositions, which provided competitive rates, and through passing on increases to our variable-rate customers when the Bank Rate increased. In 2023 the rates we provided were on average 1.01 percentage points higher than the market average, which equates to c.£441.1m additional interest paid to our savers.

For more information, please see the member value section of the Strategic report.

As the Society evolves, we continue to review the wider market, adjusting where required to ensure the Society is able to attract the talent and capability required at all levels in the organisation. An example of this is within the Commercial Lending team, which saw the introduction of a new bonus scheme in 2023. This brings the Society more in line with the wider market remuneration offering for this type of business which has helped the Society to attract and retain the required calibre of colleague to deliver our ambitious plans.

2024 Remuneration Policy

The Remuneration Policy for our Executive Directors will be subject to an advisory member vote at the 2024 AGM, in line with our commitment to have a Remuneration Policy vote at least every three years.

As a mutual, our approach to remuneration reflects the needs of our members and is consistent with our purpose and strategy. During 2023 the Committee undertook a comprehensive review of the Remuneration Policy, applicable to Executive Directors and the wider colleague population, to ensure it remained aligned to the Society's purpose and strategy. The Committee refined the peer group against which it considers market pay levels, to ensure remuneration is positioned at a level that supports the attraction and retention of the required talent and capability.

Following the review, a new variable pay scheme has been developed and the all colleague scheme has been refined to support the Society's objectives. These included the creation of an ambitious culture, and the fostering of an environment where high performance is recognised and rewarded. For Senior Leaders, the remuneration approach has been simplified, with variable pay now delivered through a single incentive plan. Whilst Senior Leaders will no longer participate in Building Together, key measures of profit and customer satisfaction will continue to be assessed within the new plan alongside other measures focused on the delivery of the Society's purpose and strategy. This approach is intended to aid transparency for members and participants, whilst also recognising the regulatory expectations of a Proportionality Level One Firm. The maximum opportunity for Executive Directors will remain unchanged within the new scheme.

Full details of the proposed changes can be found in the Remuneration Policy section of this report.

Looking forward to the year ahead

The Committee have reviewed the Society's plans for continued transformation in 2024 and have proposed changes to the Remuneration Policy to ensure that the structure and performance measures of the remuneration components continue to provide long term member value and financial sustainability for the Society.

If the proposed changes to the Remuneration Policy are approved, the Committee will continue to monitor and review these throughout 2024 to ensure they are operating as intended (adjusting where required). We will also continue to review our remuneration policies to ensure they are aligned to the regulatory expectations of a Proportionality Level One firm.

On behalf of the Committee, I recommend that you endorse and vote in favour of the proposed Remuneration Policy changes and the 2023 Directors Remuneration report at the forthcoming AGM.

Debra Davies
Chair of the Remuneration Committee
28 February 2024



Directors Remuneration report (continued)

Basis of Preparation

For the 2023 financial year we have applied the principles and complied with the provisions of the Code published in July 2018 (available on the Financial Reporting Council's website www.frc.org.uk) as far as they apply to Building Societies (as set out in the Building Societies Association (BSA) Guidance available at www.bsa.org.uk) other than where stated in the Corporate Governance report.

Executive Directors remuneration for 2023

All remuneration in the 2023 performance year has been awarded in line with the Society's Remuneration Policy.

Details of the full policy relevant for 2023 can be found at www.ybs.co.uk.

The table below shows the single total figure table of remuneration for the Executive Directors of the Society for the years ended 31 December 2023 and 31 December 2022. This information has been audited by our independent auditors, PwC.

Single total figure of remuneration for each Executive Director (audited)

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

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

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

Base salary

In 2023 Alasdair Lenman and David Morris were both awarded a pay increase of 5%, which took effect from 01 May 2023. These uplifts are commensurate with those provided to all colleagues and in line with our analysis of the broader market. Upon hire, Susan Allen was awarded an annual salary of £785,000 and there was no further base salary increase during 2023.

Variable pay

This section explains the underpins and mechanics of the variable pay schemes in operation by the Society in 2023. The underpins used for the Building Together schemes are the same for all colleagues (including Executive Directors).

Financial performance

The first performance measure is Profit Before Tax, which is adjusted for bonus purposes to exclude items, both positive and negative, where they do not reflect underlying commercial performance – i.e. timing differences and or accounting treatment, this is referred to as the Society's Core Profit Before Tax (Core PBT). For Building Together this is used to both unlock and determine the variable pay pool. For Leading for Value Core PBT is only used to unlock the variable pay opportunity.

The Committee has scope to adjust the calculation of profit within the variable pay plan, for example to reflect the need to increase our capital (in the event of Society growth) or to reflect significant deviation from cost management plans.

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 Society. For example, one-off investments or projects that were not included in the plan profit number against which actual performance is judged.
- Removal of both positive and negative impacts from non-core actions that do not reflect management of the Society. For example, any unplanned profits (or losses) on the sale of property would not be included in the Core PBT figure used to calculate variable pay award levels.

In line with the principles above, the overall Core PBT figure achieved in 2023 was £445.9m against a reported statutory figure of £450.3m. This represents a performance level above both the target £359.8m and stretch £414.6m metrics for the Society's bonus schemes and sets the financial element of the variable pay earning potential. The Committee were satisfied, based on analysis presented, that the business outperformed even when the impact of the Bank Base Rate changes during the year were excluded.

Customer experience

The second performance measure is the customer 'Net Promoter Score' ('NPS') which measures how likely our members and customers are to recommend us.

NPS unlocks the Building Together variable pay pool which is then moderated up or down from target based on the NPS outcomes.

Our 2023 Society NPS construct and targets were:

	Weighting on Society NPS	2023 target
Savings Customer	40%	46
Mortgage Customer	25%	51
Digital NPS	10%	41
Broker Residential	20%	82
Broker buy-to-let	5%	75
Society NPS	Total	55

The overall NPS figure achieved in 2023 was 61, which represents a performance level above both the target of 55 and stretch metric of 60 for the Society's 2023 bonus schemes.

Financial sustainability review

In addition to the above, before any variable pay awards are granted, a number of reviews are completed to ensure the level of capital held by the Society remains sustainable and compliant with regulation as well as an assessment which determines that the Society's cost management practices are robust.

Building Together

The Society's performance against the Core PBT and NPS targets determines the core variable pay award, which is underpinned by a financial sustainability review. All need to be achieved before any variable pay award will be granted. For Executive Directors, as well as the Senior Leadership Team ('SLT'), an additional percentage of variable pay may be awarded based on individual performance. The assessment of individual performance is measured against the achievement of their individual scorecard, which contains both financial and non-financial measures.

Leading for Value

2023 is the final year of the multi-year Leading for Value scheme. The scheme operated in addition to the Building Together scheme, with performance assessed against the delivery of measurable and targeted financial value for members, achievement of key strategic milestones and ESG performance against colleague engagement, inclusion and diversity and social impact targets. Targets for 2023 were set by reference to the long-term strategy, in order to support long-term value creation and to align with remuneration regulatory expectations.

The Executive Committee and the Chair of the Board carry out a pre-grant assessment before determining individual eligibility for this scheme and consider both personal (e.g. individual performance and compensation levels compared to the market) and the Society's performance (e.g. Capital, Liquidity and risk plus financial measures). The outcome of this pre-grant assessment determines the maximum opportunity that will be available to the individual, subject to the overall maximum level set within the scheme. The Remuneration Committee oversee this process before agreeing to any proposals.

Directors Remuneration report (continued)

Leading for Value (continued)

Payment is also underpinned by gateway metrics including the achievement of Core Operating Profit and NPS being at a level in line with threshold for Building Together, and upgrades to our operational risk capability. Following the year-end, the Remuneration Committee assesses performance against each metric to determine the variable pay outturn. For the 2023 performance year, the Remuneration Committee agreed a 72% outturn for the plan, based on the overall achievement of target or above against the Transformation, Member Value and ESG metrics. All variable pay awards are subject to the operation of a Business Controls Overlay (BCO) Process as outlined in the *Remuneration Policy*.

How Leading for Value was calculated for Executive Directors

Measures		Levels of achievement			
Transformation 40%	<ul style="list-style-type: none"> Aligning account opening times and availability of digital services with customer needs Improved payments service for savings customers Improving access to mortgage lending Improved mortgage decisions Simplification of services for Savings accounts 	24%			
	Member value 30%	<ul style="list-style-type: none"> Improving savings returns for members 	30%		72%
ESG 30%	<ul style="list-style-type: none"> Financial education and increase awareness in local communities Creating a more diverse and inclusive organisation Maintain high levels of colleague engagement 	18%			

How variable pay is awarded for Executive Directors

In line with relevant remuneration regulations, variable pay awards for Executive Directors are subject to deferral over a multi-year period.

This table below shows the years in which the 2023 performance year payments to Executive Directors vest, with 50% delivered in cash and 50% via Share Equivalent Instrument ('SEI'). Payments made via SEI are subject to a holding period. For further details on deferral please refer to the Deferral and Share Equivalent Instrument ('SEI') section.

Executive Director	Role	Total Award			Deferral schedule															
		% of salary	Cash	SEI	2024		2025		2026		2027		2028		2029		2030		2031	
					£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Susan Allen*	CEO	99.00	388.5	388.5	155.4	155.4	-	-	-	-	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	46.6	
Alasdair Lenman	Interim CEO / CFO	78.42	189.0	189.0	75.5	75.5	-	-	-	-	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	
David Morris	CCO	86.00	155.6	155.6	62.2	62.2	-	-	-	-	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	

* The bonus awarded to Susan Allen for the 2023 performance period under the Building Together and Leading for Value bonus schemes has been calculated based on her annual salary as at 31 December 2023.

Payments for loss of office

There were no payments to Directors for loss of office in 2023.

Payments to past Directors

There were no payments made to past Directors in 2023 that have not already been disclosed in previous reports.

Colleague considerations in relation to remuneration

Our aim is to build a working environment where colleagues feel engaged and committed to the Society's journey, ensuring they feel valued and respected to give their best. Our reward offering is integral to that, with an approach founded in our mutuality and values. Our Remuneration Policy is in place to support our colleagues in working together for the benefit of the Society and our members and customers. This has been reviewed for 2024, with changes made to support the Society's new strategy, including the creation of an ambitious culture, and to foster an environment where high performance is recognised and rewarded.

Colleague listening

The Society actively seeks views of colleagues through a variety of sources, including through our recognised trade union, Aegis. Our Colleague Forum and Performance and Reward Committee are other examples of where we gain direct colleague input into the design and ongoing development of the Society's remuneration framework. Alison Hutchinson, a member of the Remuneration Committee, and the Committee Chair until September 2023 has held the role of Non-Executive Director for Workforce Engagement since 2019, with Angela Darlington taking over this position in January 2024. The views of colleagues have been taken into consideration as part of the Society's Remuneration Policy, however consultation on specific policy amendments has not been undertaken.

Supporting colleagues in 2023

It is important to us that our colleagues feel recognised, valued and fairly rewarded for the contributions they make to providing essential services to our customers and the effective running of our operations.

In 2023 we made a significant investment in base pay, providing eligible colleagues with a 6% salary increase which was accompanied by an additional 1% discretionary allocation for leaders to allocate where further adjustments were needed to address areas such as colleagues who had significantly developed in their role or to support market alignment. We also recognised the cost of living and inflationary pressures felt by some of our lowest paid colleagues and introduced a Society-wide minimum full-time equivalent salary of £22,000. We also maintained our commitment to pay all colleagues and contingent workers at or above the Real Living Wage.

CEO pay ratio reporting

We continue to publish the ratio of the Chief Executive's pay to the wider colleague population. This ratio compares the total remuneration of the CEO against the total remuneration of the median colleague and those who sit at the 25th and 75th percentiles (lower and upper quartiles).

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 year's calculation is based on a combination of earnings from Alasdair Lenman and Susan Allen, who have both held the position of Chief Executive (or Interim Chief Executive) in 2023. For Alasdair Lenman, this includes his fixed earnings up to and including the 01 March 2023, as well as a proportion of his variable earnings for 2023 (pro-rated to the period in which he was performing the role of Interim CEO). For Susan Allen this includes her fixed and variable earnings from 02 March 2023 paid in respect of the 2023 performance period, as well as the value of the replacement awards granted upon hire.

Directors Remuneration report (continued)

CEO pay ratio reporting (continued)

We have used 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. The total Remuneration calculation for the colleagues identified at each quartile was taken as at 31 December 2023.

Year	Defined Method	25th percentile	50th percentile	75th percentile
2023*	Option B	148:1	110:1	68:1
2022	Option B	28:1	21:1	14:1
2021	Option B	29:1	21:1	14:1
2020	Option B	39:1	28:1	20:1
2019	Option B	40:1	35:1	22:1

* The CEO pay ratio for 2023 includes the replacement awards which have been granted to Susan Allen upon joining the Society. If these replacement awards were not included in the calculations, the median CEO pay ratio would reduce from 110:1 to 44:1.

Recent resignations from the CEO and Interim CEO position over the last few years have contributed to a relative reduction between the level of pay awarded to the CEO and that of the wider colleague population. The appointment of a new permanent CEO now provides a more representative view of CEO pay compared to the wider colleague population.

The total remuneration values and base salary values for the 25th, 50th and 75th percentile employees for 2023 are:

Year	25th percentile	50th percentile	75th percentile
Total	£28,461.93	£38,489.83	£61,687.04
Salary	£23,444.30	£32,860.53	£50,571.34

* 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 variable pay.

Non-Executive Directors

Chair of the Board and Non-Executive Directors

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

Non-Executive Director fees (annual equivalents)	Annual fees as at 1 July 2023	Annual fees as at 1 July 2022
	£000	£000
Chair of the Board basic fee	216.2	202.0
Vice Chair of the Board basic fee	81.5	76.1
Non-Executive Director basic fee	57.5	53.7
Additional fee for:		
Audit Committee - Chair	23.4	21.8
Audit Committee - Member	9.7	9.0
Remuneration Committee – Chair	19.1	17.8
Remuneration Committee – Member	7.0	6.5
Group Risk Committee - Chair	23.4	21.8
Group Risk Committee - Member	9.7	9.0
Board Governance & Nominations Committee Member (N.B. Additional fee does not apply to the Chair or Vice Chair)	7.0	6.5

Single total figure of remuneration for each Non-Executive Director

The Non-Executive Directors basic and committee fees earned in 2023 are outlined below. Non-Executive Directors do not receive any benefits, but are reimbursed for any expenses incurred, such as travel and subsistence. This information has been audited by our independent auditors, PwC.

Non-Executive Director	2023			2022		
	Basic Fees £000	Committee Fees £000	Total £000	Basic Fees £000	Committee Fees £000	Total £000
John Heaps (Chair)	209.1	-	209.1	201.5	-	201.5
Alison Hutchinson*	78.8	24.0	102.8	75.6	23.3	98.9
Guy Bainbridge	55.6	38.8	94.4	53.3	35.2	88.5
Mark Parsons	55.6	18.8	74.4	53.3	18.1	71.4
Dina Matta	55.6	6.8	62.4	53.3	6.5	59.8
Jennelle Tilling	55.6	6.8	62.4	53.3	6.5	59.8
Angela Darlington	55.6	32.0	87.6	35.7	18.8	54.5
Debra Davies**	24.8	10.3	35.1	-	-	-
Annemarie Durbin***	8.3	-	8.3	-	-	-

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

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

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

Directors Remuneration report (continued)

2024 Remuneration Policy

The following pages set out the proposed Remuneration Policy for our Executive Directors and Non-Executive Directors. The proposed key changes applicable to Executive Directors are highlighted within the following tables, with no changes being proposed to the Remuneration Policy for Non-Executive Directors. We will seek member approval for the policy at the Annual General Meeting ('AGM') on 23 April 2024 and, if approved, the policy is intended to apply for three years to the AGM in 2027. It is intended that no payments to Directors will be made outside of this policy, unless required as a result of regulatory change.

Review of Remuneration Policy

During 2023 the Committee undertook a comprehensive review of the Remuneration Policy, considering input from a number of colleagues in the Society, while appropriately managing any conflicts of interest arising. This included the Board, the Executive Committee, People Leaders, the Performance and Reward Committee as well as assessing feedback from the Colleague Forum and colleague engagement surveys. In addition, to support the review, the Committee engaged Deloitte LLP to provide market insight and best practice.

Being a mutual, how we deliver for our members is of the upmost importance; this was a key focus throughout the review. Simplicity was also a key theme to ensure that the new remuneration framework is transparent and well understood by participants, while also supporting the delivery of the Society's strategy and creation of long-term value for members.

The starting point of the review was to consider our Reward Principles, to ensure they remained aligned to and supported the Society's strategy; the Committee believe the existing Reward Principles remain fit for purpose and therefore did not propose any changes.

Our Reward Principles

We follow five key principles to support us in achieving our long-term aspirations which apply to all colleagues within the Society. These help us know when we are doing the right things and set out what we believe good reward practice for all of our colleagues looks like.

Our five reward principles developed with our colleagues are:

- 1 Attract and retain talent**
Aligned to our mutual values and forward thinking to ensure relevance in a changing world.
- 2 Focused on total reward**
Recognising that reward is more than just pay, it is part of a broader Employee Value Proposition.
- 3 Reward decisions are clear and transparent for colleagues**
Delivered through effective and open communication.
- 4 Flexible within a framework**
To ensure a consistent approach whilst responding to different challenges, supported by education to help managers balance doing the right thing for both the Society and their people.
- 5 Recognising contribution**
Our reward arrangements are reflective of society, team and individual achievements, with the ability to recognise the contribution all colleagues have made to our success.

Our reward principles are applied consistently regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience.

As outlined in the Our strategy section of the Strategic report the Society starts a new strategic cycle in 2024, and has outlined ambitious plans to scale up and change at pace, while remaining anchored to its purpose, to guide towards a Society that is future-ready and fit to serve generations to come. Following the review of the Reward Principles and the Society's strategy, the Committee focussed their review on the variable pay schemes in operation for colleagues across the Society, including Executive Directors.

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

The review also included a market benchmarking exercise, and the Committee reviewed and defined a new competitor peer group for this purpose. The refined peer group includes Building Societies and Category One UK Banks to ensure remuneration is positioned at a level that supports the attraction and retention of the required talent and capability.

Overview of changes to Variable Pay Schemes for 2024

All Colleague Scheme

The existing all colleague scheme has been in operation since 2019. It was designed to support collaborative working, with all colleagues receiving the same percentage of salary award when the Society achieved its performance goals.

The all colleague scheme will continue to be underpinned by performance against Core Profit Before Tax and Net Promoter Score metrics, retaining the commitment to long term financial sustainability and exceptional customer service. The all colleague scheme is also subject to the Society's Business Controls Overlay process, which includes a financial sustainability review. Subject to performance levels being met, all colleagues (excluding Senior Leaders) will be eligible for the same percentage of salary award.

In recognition of the changes in the Society's strategy, some changes have been made to the operation of the scheme for 2024 to better recognise the contribution of colleagues who have role modelled exceptional behaviours. The scheme will now allow for additional individual discretionary awards once the core measures have been met.

New Senior Leader Bonus Scheme

To support the aim of simplicity, it is proposed that for 2024 onwards Senior Leaders, including Executive Directors, will no longer participate in Building Together nor Leading for Value, and instead these schemes will be replaced by a new single variable pay scheme.

The scheme has been designed to ensure that the remuneration of our Senior Leaders, including Executive Directors, has a direct link to the success of the Society, supporting delivery of long-term strategic objectives whilst protecting and enhancing member and colleague interests in line with our purpose. However, participation in this new scheme recognises the role and impact the Senior Leaders in the Society have on the delivery of the long-term strategy. There will continue to be a strong link between the all colleague scheme and the senior leader scheme with the same financial and customer underpins in place across both schemes. Prior to any award on either scheme, existing financial sustainability checks will remain to ensure the level of capital held by the Society remains sustainable and compliant with regulation as well as an assessment which determines that the Society's cost management practices are robust. The schemes will also continue to be subject to the Society's Business Controls Overlay process.

Maximum opportunity levels for Executive Directors are unchanged under the new scheme when compared to previous opportunity levels across both Building Together and Leading for Value.

Performance will be assessed on an annual basis based on a Society scorecard consisting of both financial and non-financial metrics, as well as performance against individual personal objectives. The Business Controls Overlay and risk adjustment processes will continue to apply as in prior years. The scorecard will be reviewed and approved by the Committee on an annual basis, and clearly linked to the long-term Strategy of the Society. An example of the proposed, simplified scorecard is outlined below.

Category	Performance measures	
	Core profit before tax	
	Cost	
Financial and strategic/ non-financial measures	Extend reach and deepen our impact	1. Member value 2. Mortgage propositions
	Create joyful experiences	1. Customer experience 2. NPS
	Build a future ready society	1. Building a greener society 2. Growing sustainably
	Cultivate an ambitious culture	Organisational health
Individual objectives		

Directors Remuneration report (continued)

Executive Director remuneration policy

Fixed remuneration – base salary		Change for 2024
Purpose and link to strategy	To enable the attraction and retention of high performing experienced Executive Directors by ensuring that they are appropriately rewarded for their role. The level of base salary awarded serves to reflect the contribution of Executive Directors in their role as defined by the combination of: <ul style="list-style-type: none"> Skills, knowledge and experience On-going performance Demonstration of the Society's behaviours and values. 	No change
In practice	Base salary is typically reviewed annually and determined with reference to: <ul style="list-style-type: none"> Role and responsibilities Skills, experience and individual performance & behaviours Comparison to the external market, supported by reference to the Society's grading structure, and the Career Framework Internal relativities and wider workforce base salary levels Affordability – the economic environment and overall financial position of the Society. 	No change
Opportunity	There is no 'maximum' base salary opportunity. We seek to target an appropriate external market position in relation to 'total remuneration'. To ensure that this is achieved base salary ranges are developed with reference to the total package including variable pay.	No change

Fixed remuneration – benefits		Change for 2024
Purpose and link to strategy	To provide a total remuneration package that enables the attraction and retention of Executive Directors of the required calibre.	No change
In practice	Executive Directors are eligible to receive a number of benefits, which may include: <ul style="list-style-type: none"> Private medical insurance Annual Health Assessment Life assurance (6x salary) Insured sick pay Provision of a company car, or cash equivalent Travel allowances. 	No change
Opportunity	There is no maximum value to the benefits provided. The level of benefit is regularly reviewed to ensure they remain appropriate for the role undertaken.	No change

Fixed remuneration – retirement benefits		Change for 2024
Purpose and link to strategy	The Society's pension arrangements support the attraction and retention of Executive Directors through the provision of competitive retirement benefits.	No change
In practice	The Society operates a single defined contribution pension scheme, and all colleagues have the opportunity to participate. Where participation in the scheme is tax inefficient, Executive Directors, in line with the approach for all colleagues, may be permitted to take a cash allowance instead of contributions to the plan.	No change
Opportunity	All Executive Directors receive a maximum pension contribution (or cash allowance) of 11% of base salary, the same as the contribution levels for all colleagues.	No change

Variable pay – Senior Leaders Bonus Scheme		Change for 2024
Purpose and link to strategy	To ensure that an Executive Director's remuneration has a direct link to the success of the Society and supports delivery of long-term strategic objectives in line with the Society's purpose and values.	No change
In practice	All Executive Directors are eligible to participate in this scheme which aims to reward the achievement of stretching annual Society and individual targets which are aligned to the longer-term strategy. Awards will be based on a Society scorecard of financial and non-financial metrics aligned to the Strategy together with individual performance. Payments under the plan are determined in the following way: <ul style="list-style-type: none"> For all metrics within the scorecard there would normally be specific targets set to reflect minimum threshold, target and maximum performance levels Scorecard metrics are weighted such that financial metrics and non-financial/strategic metrics (which may include metrics relating to member value, customers, ESG and risk) are weighted at 80% of the scorecard and individual performance is weighted at 20% Following the end of the financial year, the Remuneration Committee will assess performance across all performance metrics, including individual performance of each Executive Director, to determine the scorecard outcome Organisational financial performance, customer experience and risk gateways apply. Failure to meet these would normally result in zero variable pay awarded An individual compliance gateway, which would include an assessment of individual conduct, would also underpin the payment of any award. Failure to meet this would reduce any award (including potentially to zero). All awards are subject to deferral, payment in 'share equivalent instruments' and malus and clawback provisions in line with regulatory expectations.	Replacement of existing Building Together and Leading for Value schemes with one, simplified scheme for all Senior Leaders, including Executive Directors.
Opportunity	An 'on target' achievement against all performance criteria would result in a variable pay award of 75% of eligible pay for the Chief Executive and 50% of eligible pay for other Executive Directors. Maximum achievement against all performance criteria would result in a variable pay award of 125% of eligible pay for the Chief Executive and 100% of eligible pay for other Executive Directors.	No change to maximum opportunity levels. The on-target opportunity for Executive Directors, excluding the CEO, has been reduced from 60% to 50% of eligible pay.

Deferral and Share Equivalent Instruments

In line with relevant remuneration regulations, including the Remuneration section of the PRA Rulebook and the FCA's Dual-Regulated Firms Remuneration Code, all variable pay awards for Executive Directors are subject to deferral. Deferral ensures that the Society delivers variable pay over a multi-year period, in a manner that mitigates unnecessary risk taking, whilst achieving a level of sustainable performance.

Also required by regulation, is that 50% of each variable pay award will be delivered via a Share Equivalent Instrument ('SEI') which is subject to a further holding period following vesting.

For the 2024 performance year, an Executive Director whose remuneration exceeds the de-minimis limit will receive 20% of their total variable pay in 2025, with a further 20% delivered via SEI in 2026. The remaining 60% is deferred over seven years, with a 12 month holding period applying to the payments made via SEI.

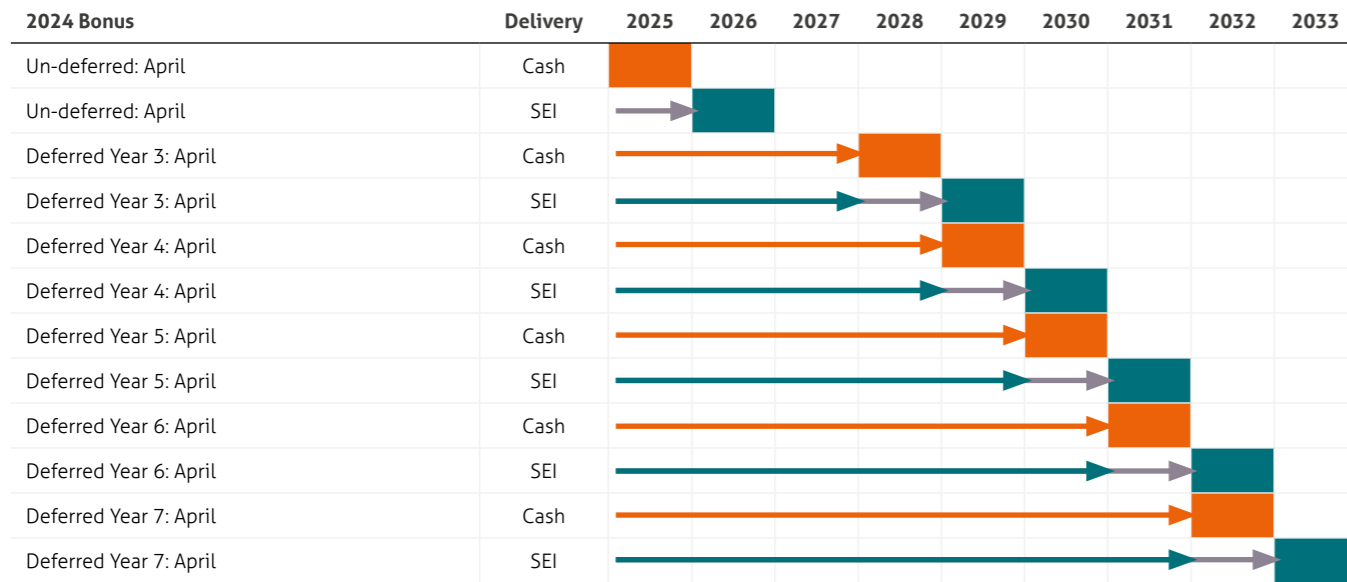
For example:

- Year 1** – 40% of any variable pay earned is paid out in the year following the relevant performance year. Half of this amount is paid in cash (in 2025) and the other half is delivered in a SEI and subject to an additional holding period prior to revaluation and payment (in 2026).
- 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 holding period prior to revaluation and payment. SEI valuations continue every 12 months until the variable pay schedule is complete.

Directors Remuneration report (continued)

Deferral and Share Equivalent Instruments (continued)

Length of time variable pay at risk



Key

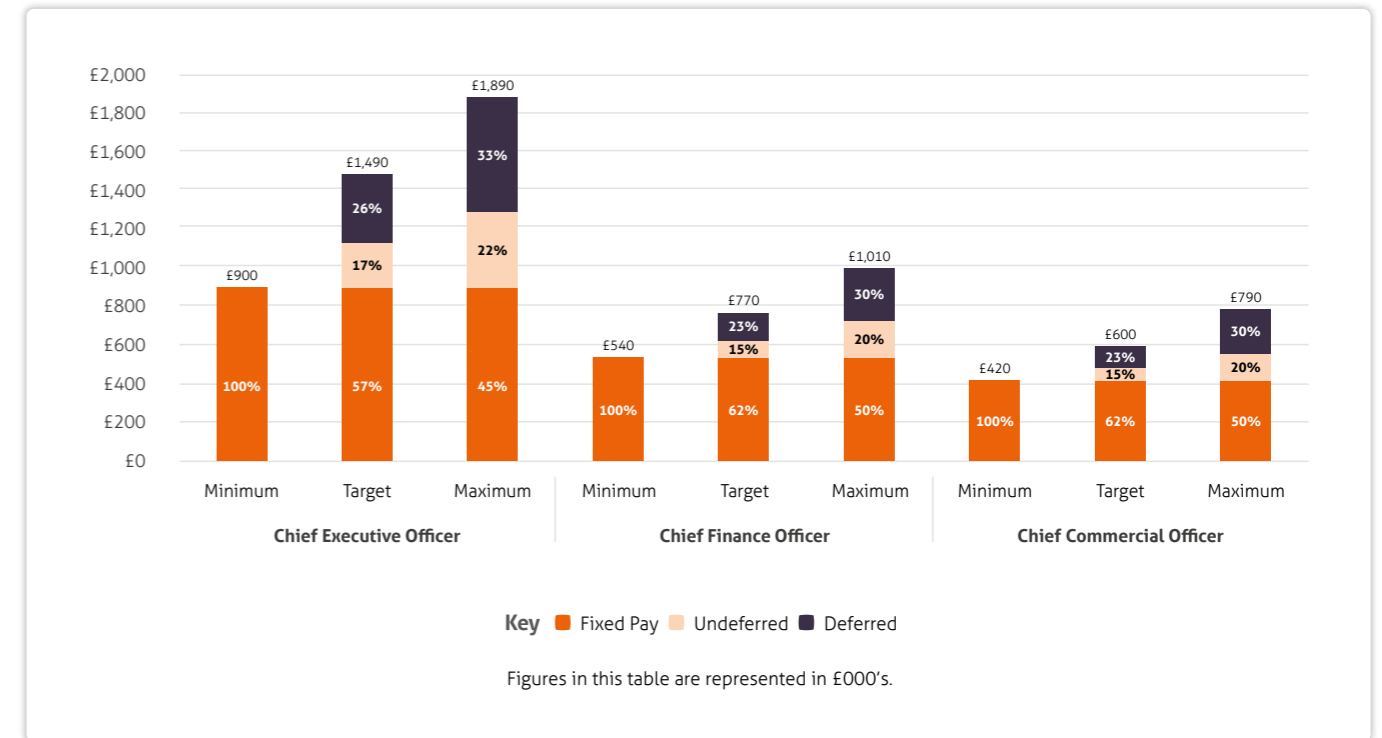
→ Cash bonus deferral → SEI deferral → SEI holding period

Variable pay – control framework		Change for 2024
Business controls overlay process	Variable pay awards are subject to the operation of a Business Controls Overlay ('BCO') assessment that considers current and future risks through a range of key metrics provided by the Society's control functions to evidence the robust management of the Societies controls e.g., audit actions and other metrics. Before any variable pay awards are granted, a number of financial sustainability reviews are completed to ensure the level of capital held by the Society remains sustainable and compliant with regulation as well as an assessment which determines that the Society's cost management practices are robust. This formal risk overlay process ensures key risk indicators are considered to provide assurance that no inappropriate risk-taking behaviours have taken place. In instances where issues are identified as part of the BCO assessment, the Remuneration Committee reserve the right to reduce the scorecard output, apply a malus adjustment (reduce variable pay award or lapse deferred elements) and / or apply clawback (recover variable pay awards already made) as applicable. Awards are subject to clawback for up to a maximum of ten years.	No change
Remuneration Committee discretion	The Remuneration Committee retains the discretion to adjust variable pay awards to ensure that it reflects a true view of the underlying performance of the Society and holds sufficient capital levels to support the payment of any variable pay award.	No change

Remuneration scenarios in relation to the Remuneration Policy in 2024

The chart below shows an illustration of the potential split of remuneration between fixed remuneration (base salary, benefits and pension) and total variable pay for the CEO and other Executive Directors aligned to the new policy. For the purposes of this illustration, we have used the data pertaining to the Chief Executive, the Chief Financial Officer and the Chief Commercial Officer under the following scenarios:

- **Minimum** – under certain performance conditions, variable pay can be zero.
- **Target** - represents a variable pay award (75% of eligible pay for the Chief Executive and 50% for the remaining Executive Directors) that would be paid if Society and personal performance measures are achieved in 2024.
- **Maximum** – the maximum variable pay award (125% of eligible pay for the Chief Executive and 100% for the remaining Executive Directors) that could be paid assuming stretch objectives and outcomes are fully realised in 2024.



Directors Remuneration report (continued)

Remuneration scenarios in relation to the Remuneration Policy in 2024 (continued)

New hires		Change for 2024
Remuneration package	<p>When agreeing the components of a remuneration package for the appointment of Executive Directors, the Remuneration Committee will apply the following principles:</p> <ul style="list-style-type: none"> The packages will be sufficient to recruit high performing individuals, in a highly competitive market, to lead the business and effectively execute the strategy for members; The Remuneration Committee will look to align the remuneration package offered with the Society's Remuneration Policy; and, The Remuneration Committee will ensure that the level of pay is necessary but not excessive. <p>In determining remuneration arrangements, the Remuneration Committee will consider similar positions in the market, the structure of the remuneration package and the experience of the candidate. This ensures that arrangements are in the best interests of both the Society and its members without paying in excess of what is necessary to recruit an Executive Director of the required calibre.</p>	<p>There are no proposed changes to the maximum opportunities which remain 125% for CEO and 100% for Executive Directors.</p> <p>The on-target opportunity for Executive Directors, excluding the CEO, has been reduced from 60% to 50% of eligible pay.</p>
Replacement awards	<p>The Remuneration Committee may make awards on hiring an external candidate to compensate them for any previously awarded variable remuneration and any other remuneration arrangements forfeited upon leaving the previous employer.</p> <p>In determining whether to approve any such replacement awards, the Remuneration Committee will consider the structure and form of the previous arrangements and will seek to ensure awards are made on materially similar terms to the arrangements being forfeited in terms of value, time horizons and the extent to which performance conditions applied to the original awards.</p> <p>Any replacement awards will be subject to the Society's malus and clawback provisions. The awards will be forfeited in the event of early departure from the Society.</p>	No change

Leaver arrangements and loss of office		Change for 2024
The Remuneration Committee shall apply the policy in relation to leavers, considering performance, conduct and commercial justifications, as summarised below:		
Notice period	<p>The standard notice period is 12 months from the Society and 12 months from the Executive Director.</p> <p>In normal circumstances, Executive Directors will be required to work their notice period. In the event Executive Directors are not required to fulfil their notice period, they may receive a payment in lieu of notice, or they may be placed on garden leave.</p>	No change
Termination payment	Typically, termination payments will consist of contractual payments for the notice period, the emphasis being to not reward failure.	No change
Annual variable pay – leaver provisions	<p>On termination of office, the leaver provisions as set out below will apply. These are also outlined in the Society's variable pay plan rules.</p> <ul style="list-style-type: none"> In the event of retirement, redundancy, ill-health or disability, any variable pay award will be pro-rated to reflect the time served during the performance period, with any payment remaining subject to relevant performance conditions and the Society's BCO assessment. Payment of any variable pay award would be at the normal time and deferral will continue to apply, in line with regulatory requirements. There would typically be no acceleration of payment or the vesting of deferred awards. For any unvested deferred awards which remain outstanding, these would typically be retained and would vest in line with the original vesting schedule. Malus and clawback provisions would continue to apply. In the case of death, any variable pay award will normally be pro-rated to reflect the time served during the performance period. The Remuneration Committee has the discretion to accelerate the payment of deferred variable pay ahead of its defined vesting schedule in exceptional circumstances. In the event of the resignation of an Executive Director who has unvested deferred bonus payments outstanding, they will not typically remain eligible to receive unvested awards. The Remuneration Committee has the discretion in certain circumstances to allow the colleague to remain eligible to receive the deferred bonus payments earned in previous years, subject to the rules of the scheme, including but not limited to the Society's BCO assessment and malus and clawback provisions. 	No Change

Remuneration Policy for Non-Executive Directors

Non-Executive Director Fees		Change for 2024
Purpose and link to strategy	Remuneration set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience to provide a meaningful contribution to the Society.	No change
In practice	<p>Fees are based on the level of fees paid to Non-Executive Directors and Chairs serving on boards of comparable organisations, the time commitment required, and contribution expected from the role.</p> <ul style="list-style-type: none"> Both the Chair of the Board and Non-Executive Directors fees are reviewed periodically, normally at least annually. The Chair of the Board is paid an all-inclusive fee. For Non-Executive Directors, a basic fee is paid, with additional fees payable for additional responsibilities, for example, the chairing or membership of a Board Committee. The Chair of the Board's fees are determined by the Remuneration Committee. Non-Executive Director fees shall be a matter for the Chair of the Board. The Chair of the Board and Non-Executive Directors fees are not subject to any specific performance measures; however, their overall performance is reviewed on a regular basis. Non-Executive Directors do not receive any benefits but are re-imbursed for any expenses incurred. Non-Executive Directors will not be involved in any decisions as to their own remuneration. 	No change
Opportunity	<p>There is no 'maximum' fee opportunity.</p> <p>Fees are set with reference to the level of fees paid to Non-Executive Directors and Chairs serving on boards of comparable organisations, the time commitment, and contribution expected from the role.</p> <p>Non-Executive Directors are not eligible to receive variable pay awards.</p>	No change

Our committees

To ensure our reward policies and procedures are robust and assured we have two main committees in place to support this: the Remuneration Committee and the Performance and Reward Committee. These committees play different roles in making sure our approach to reward meets our required levels of compliance, as explained below.

Remuneration Committee

The Remuneration Committee has specific responsibility for making sure we have the right policies and processes in place for Chief Officers (including those that are Executive Directors) of the Society, and individuals identified as Material Risk Takers (MRTs – senior decision makers), as well as the overarching Remuneration Policy and pay practices that impact all colleagues within the Society. The purpose of the Remuneration Committee is to oversee the Remuneration Policy in place for the Society, making sure this aligns to our business strategy and any regulatory requirements. Details in relation to the composition and the Terms of Reference of the Remuneration Committee can be accessed on the Society's website.

The Remuneration Committee oversees a broad range of activities within the Society such as:

- Setting of the Remuneration Policy for all colleagues within the Society.
- Reviewing and approving the individual remuneration arrangements for all Chief Officers (including those that are Executive Directors) and Chair of the Board.
- Ratifying the annual objectives of the Chief Officers (including those that are Executive Directors).
- Determining individual variable pay awards for other MRTs.
- Overseeing and approving the variable pay outturn for all bonus schemes
- The application of malus and / or clawback for MRTs if any evidence of risk taking or behaviour not conducive with our principles is identified.
- Overseeing remuneration processes and procedures in relation to MRTs, including ensuring MRTs do not undertake hedging strategies in relation to their variable pay opportunities.
- Responsibility for the Business Controls Overlay process.
- How remuneration is considered for all colleagues in the organisation, and the relativity of their remuneration to the Executives.

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

Directors Remuneration report (continued)

Our committees

The Committee met eight times during the year and covered the following activities:

- Reviewing the Society's Remuneration Policy for Executive Directors and all colleagues, ensuring it is fit for purpose in relation to Tier 1 firm
- Ensuring remuneration policies and practices remain appropriate and are operating as intended
- Ongoing work in relation to the Prudential Regulatory Authority's (PRA) Remuneration Code and how it applies to the Society
- Reviewing the Society's variable pay scheme structure and targets
- Overseeing performance and remuneration of the Society's Material Risk Takers
- Reviewing and monitoring the risk measures in place relating to Director performance
- Reviewing the Society's gender pay gap reporting
- Reviewing and approving the remuneration arrangements for MRTs
- Additional meetings were held in 2023 to support the review of the Directors Remuneration Policy.

Details of the number of scheduled meetings attended by each Committee member during 2023 can be found in the Attendance at Board and Committee meetings section of the Corporate Governance report.

Appendices

Appendix 1 – 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.

Non-Executive Director	2017	2018	2019	2020	2021	2022	2023
To approve the Directors' Remuneration Report	89.67%	90.29%	91.86%	91.32%	92.45%	91.77%	93.15%
To approve the Directors' Remuneration Policy	n/a	n/a	90.95%	n/a	91.58%	n/a	n/a

Appendix 2 - Aggregate remuneration data (Pillar 3)

For full details on the Society's full Pillar 3 disclosure, please visit www.ybs.co.uk/your-society/financial-results.

The Remuneration Committee draws on the advice of an independent external consultant to support it in performing its duties. During the year, the Committee sought advice on Executive Director salaries, variable pay structures and regulatory matters from EY. The Committee is satisfied that the advice received is objective and independent. EY's fees for advice provided to the Remuneration Committee in 2023 were £53,340 (including irrecoverable VAT).

Further to the advice received from EY, additional advice was obtained from Willis Towers Watson and Deloitte LLP, who provided support and guidance on the review of the Executive Directors Remuneration Policy. This included market benchmarking, as well as support and guidance relating to variable pay structures.

Performance & Reward Committee

The Performance & Reward Committee is in place to ensure effective governance and oversight of our Remuneration Policy with a focus on conduct and alignment to our business strategy. This committee also ensures that any variable pay arrangements that we offer colleagues drive the right behaviours towards risk taking and safeguard good customer and member outcomes. The Performance & Reward Committee comprises several senior leadership team members within the organisation with representation from the Customer Services, Commercial, People, Finance and Risk functions.

Our approach to risk management and governance of reward

Our reward provisions meet all the requirements of both our internal governance processes and external regulators. Our provision of reward and the associated policies, processes, procedures and practices relating to these are created in a way which ensures the appropriate level of governance is in place to mitigate any potential current and future risks to the Society, colleagues, members and customers. The variable pay scheme is subject to a Business Controls Overlay Process, under which the Remuneration Committee may adjust variable pay outcomes in the event risk issues are identified.

Our regulators

As a financial services provider we are regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority ('PRA'). The relationship with our regulators is important to us, and builds trust both inside and outside of the Society. This means that from a performance, reward and benefits perspective we ensure that our base salary, variable pay and benefits not only meet any necessary obligations of our regulators but are designed and provided in a way which develops a trusted relationship with them.

DIRECTORS' REPORT

This report contains the statutory disclosures required under the Building Societies Act 1986 ('the Act') and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('the DTR'). It also includes details of voluntarily applied disclosure requirements, including those in respect of the UK Corporate Governance Code ('the Code'), the Companies Act 2006 and the streamlined energy and carbon reporting ('SECR') rules.

Our directors

The names of the directors of Yorkshire Building Society ('the Society') who served during the year and up to the date of this report, their roles, previous experience and membership of board committees are described in the Our Board and Executive Team area of the Governance section. None of the directors had an interest in, or share of, any associated body of the Society at any time during the financial year. At our 2024 Annual General Meeting ('AGM') our directors will all retire and stand for election/re-election, with the exception of John Heaps who will retire from his role as Chair of the Board in April 2024.

Our strategy, future developments and Key Performance Indicators ('KPIs')

Information on the strategy of Yorkshire Building Society and its controlled entities ('the Group') can be found in the Our purpose and strategy section of the Strategic report. Details of future developments are included in the Looking ahead section of the Chief Executive's Summary and KPIs are set out in the Performance at a glance section.

Details of our corporate governance practices are included in our Corporate Governance report.

How we manage risks

Our business activity exposes the Group to a variety of risks, including retail and commercial credit, treasury, funding and liquidity, market, operational, model, capital, and compliance and conduct risk. We seek to manage all the risks that arise from our business activities and we have a number of committees and policies in place to do so.

Details of these risks are included in the Risk overview section of the Strategic report and the Risk Management report.

Our mortgage arrears

Details of the mortgage accounts that were 12 months or more in arrears at 31 December are as follows:

	2023	2022	2023	2022
	% of mortgage account/balances			
Number of accounts	194	217	0.07%	0.08%
Balances outstanding on accounts	£25.4m	£30.2m	0.05%	0.07%
Amount of arrears included in balances	£3.5m	£3.7m	0.01%	0.01%

Further details of the arrears position are set out in the Our Financial Review section of the Strategic report. Note 31 to the financial statements also details the various forms of support offered to borrowers experiencing difficulties in meeting their repayments.