



Melton Building Society

**Summary Financial
Statement 2023**



Inside our 2023 issue

Notice of AGM	04
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Information on Candidates for Election as a Director	08
---	-----------

Summary Financial Statement	11
------------------------------------	-----------

Independent Auditor's Statement	19
--	-----------

Directors' Remuneration Report	21
---------------------------------------	-----------

Notice of Annual General Meeting

Notice is hereby given that the 147th Annual General Meeting (AGM) of the Melton Mowbray Building Society will be held on 26 April 2023 at Mutual House, Leicester Road, Melton Mowbray, Leicestershire, LE13 0DB at 10.00am for the following purposes:

- 1 To receive the Auditors' Report for the year ended 31 December 2022

Ordinary Resolutions

- 2 To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2022
- 3 To consider and, if thought fit, pass an ordinary resolution to re-appoint BDO LLP as Auditor until the conclusion of the next annual general meeting
- 4 To consider and, if thought fit, approve the report on the Directors' remuneration

Election of Directors

- 5 To consider and if thought fit:
 - a To elect Elizabeth Anne Lockwood
 - b To re-elect Susan Margaret Douthwaite
 - c To re-elect Jonathan George Farrington
 - d To re-elect Andrew John Lumby
 - e To re-elect Judith Anne Mortimer Sykes
 - f To re-elect Fiona Ann Pollard
 - g To re-elect Simon James Taylor
 - h To re-elect Simon George Thomas

By order of the Board of Directors

D R Watts – Society Secretary

13 March 2023

To register your interest in joining the AGM by Microsoft Teams, please e-mail agm@mmbs.co.uk

Notes

1 These notes form part of the notice of meeting.

2 Re-election/Election of Directors

The Board is committed to complying with best practice in corporate governance. So in line with the UK Corporate Governance Code, all the Society's Directors are standing for election or re-election at the AGM. The biographical details of all Directors are set out on pages 8 to 10 of this document.

The details include their skills, experience and qualifications and why their contributions are, and continue to be, important to the Society's long-term sustainable success. The Board confirms that all the Directors seeking election or re-election continue to be effective with a strong commitment to the role.

Non-Executive Directors can serve up to a maximum of three three-year terms. Any extension is subject to a rigorous review, and be explained giving due consideration to the continuing independence and objectivity of the Non-Executive Director. The Remunerations & Nominations Committee makes recommendations to the Board concerning the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having due regard to their performance and ability to continue to contribute to the Board in light of the required knowledge, skills and experience.

The Board is mindful of the UK Corporate Governance Code recommendation that a Chair of the Board should not remain in post beyond nine years from the date of their first appointment to the Board.

Subject to her successful re-election at this year's AGM, the Society's Chair of the Board, Fiona Pollard, will, in October 2023 have completed nine years as a Non-Executive Director. She was first appointed to the Board as a Non-Executive Director in October 2014 and was first elected by members at the 2015 AGM. She was appointed to the position of Chair of the Board in 2021. In line with the UK Corporate Governance Code, Fiona had intended to step down from the Society's Board at the 2024 AGM.

However, the Society has asked Fiona to extend her term of office and is pleased to report she has agreed to remain as Chair until no later than the 2025 AGM (subject to re-election by members at the 2023 and 2024 AGMs). The Code allows for an extension of the Chair's tenure for a limited time to support effective succession

Notes (continued)

planning and the development of a diverse board. Extending Fiona's tenure as Chair would enable her to conclude her oversight of several ongoing strategic projects that are nearing completion. It would also help make a smooth transition to a new Chair in due course. The Society's regulator, the PRA, has been informed of the proposal and considers it sensible, particularly with the various strategic projects under way in the Society.

The Board considers that Fiona's skills and experience are fundamental to the Society in helping to deliver the successful completion of various strategic projects over the next 18 months and that her ongoing contribution continues to be extremely valuable. The Board therefore recommends Fiona's re-election.

The Society's new Chair of Risk, Elizabeth Lockwood joined the Board in 2022 and seeks election.

The Board has considered (in the absence of each relevant director) that the performance of all directors seeking election and re-election at the AGM continues to be effective and that they demonstrate the necessary commitment to the role.

3 How to get a copy of the rules

Copies of the Society's Rules may be obtained from the main office, one of our branches or the Society's website.

4 How to appoint and use a proxy

If you are unable to attend and vote at the meeting, you may appoint a proxy to attend and vote for you by using the enclosed proxy voting form or by completing it online.

You may appoint the Chair of the meeting or anyone else as your proxy. Your proxy does not have to be a member of the Society. Your proxy may vote for you at the meeting but only on a poll. A poll is a formal written vote, for example, the election of directors will be by poll. Your proxy may speak at the meeting and may demand or join in demanding a poll.

You may instruct your proxy how to vote at the meeting. Please read the instructions on the proxy voting form. To be valid, proxy voting forms must be signed and returned (or submitted electronically) so as to reach Civica no later than 5.00 pm on 21 April 2023.

5 Voting qualifications

You can vote if you:

- a) are at least 18 years old on 26 April 2023; and
- b) (i) held shares to the value of not less than £100 in the Society on 31 December 2022 and have continued to hold shares at all times between 31 December 2022 and the voting date; or
(ii) owed the Society not less than £100 in respect of a mortgage debt on 31 December 2022 and owe the Society not less than £100 in respect of a mortgage debt on the voting date;
- c) are the only or the first named account holder in our records for the relevant share or mortgage account.

The 'voting date' referred to above is:

- a) 21 April 2023 if you are voting by proxy (whether using the enclosed form or completing it online); or
 - b) 26 April 2023 if voting in person at the meeting.
- 6 In addition, **you can vote only once** as a member, irrespective of the number of mortgage and savings accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee).

7 Identification

- a) We ask shareholding members attending the meeting to produce their passbooks or other evidence of membership.
- b) We ask borrowing members attending the meeting to have their account number available as evidence of membership.
- c) If you are appointing a proxy, other than the Chair of the meeting, to attend the meeting and vote on your behalf, please make sure that your proxy brings an appropriate form of identification to the meeting.

Information on Candidates for Election as a Director



Fiona Ann Pollard – Chair of the Board

I was appointed to the Board of Directors on 9 October 2014 having had a career in investment banking with various financial institutions including NatWest and Goldman Sachs. I sit on a number of Boards including Monument Bank and Visit England – the national tourist board. I also run my own events company and like to renovate beautiful old buildings. I am married with four children and live in the west country.



Judith Mortimer Sykes – Chair of Remuneration & Nominations Committee and Senior Independent Director

I was appointed to the Board of Directors on 1 May 2021. I am an experienced Non-Executive Director having worked on a range of boards in the past decade, including a 9-year term with Harpenden Building Society. At Melton, I am Vice Chair and Senior Independent Director with the responsibility of Whistleblowing Champion. I am Chair of the Remuneration & Nominations Committee and a member of the Audit Committee.

My work in financial services spans over 40 years with an executive career in corporate banking at Bank of America in the 1980s, followed by 18 years at Nationwide Building Society on both the commercial and retail side, including six years as Head of Lending Control.

I am married with one daughter and live in Northamptonshire.



Elizabeth Lockwood – Chair of the Risk Committee

I was appointed to the Board of Directors on 1 July 2022 and am Chair of the Risk Committee. I was appointed to the Board of Directors of Nexa Finance on 6 October 2022. Alongside my Non-Executive role at Melton, I sit on the Board of Directors of Cambridge & Counties Bank. I also volunteer as an external expert member of the Audit and Risk Committee for Samaritans and am a qualified executive coach and therapeutic counsellor.

I joined the Melton Board after 25 years in banking as a risk management specialist, spending 15+ years covering corporates and financial institutions at Deutsche Bank in the UK before holding a number of senior and executive risk roles in commercial, retail and private banking at RBS/ NatWest in the subsequent decade.

I am married with two adult children and a rescued Belgian Shepherd dog and live in Surrey.



Simon Thomas

I am a Chartered Accountant and trained with Price Waterhouse. I have over 30 years' experience in financial services and retired from my most recent role as Group CFO of Provident Financial Group PLC in March 2020.

Before that, I was Group CFO of Just Group PLC, a FTSE 250 financial services company, for approximately 12 years. I also spent 10 years at Nationwide, where I started working in the financial systems area and ultimately became their Group Financial Controller.

I am married with one son and live in Surrey.



Jonathan Farrington – Chair of Audit Committee

I was appointed to the Board on 1 March 2018 and serve as Chair of Audit. I have worked in the oil, pharmaceutical and retail sectors including Mobil Oil Corp and Alliance Boots plc. I served as Group Chief Executive of the Dr Max Group in Central Europe, Finance Director of Boots Retail International and Group Director of Corporate Development (Europe, Middle East and Africa) for Alliance Boots, working internationally for over 20 years and spending time living overseas.

I am based in the East Midlands, and I am married with three children. As well as being a company director, I am an investor and corporate finance advisor to various entities.



Sue Douthwaite

I was appointed to the Board of Directors on 1 May 2021 and Chair of Nexa Finance Ltd on 1 January 2022.

My background is as a Chartered Banker and I have enjoyed an extensive career in financial services working in Retail, Corporate and SME Banking. Previous roles include Managing Director of Santander Business in Santander UK, and Head of SME Strategy for Virgin Money.

I have been involved in transformational fintech projects and alliance partnerships in the UK and Europe and the successful delivery of new operating models, systems and culture.

Other roles include the Chair of the NHS Business Services Authority, and non-executive director of British Business Investments Ltd. I am also Chair of the International Advisory Board for Queen's University Management School, Queen's University Belfast.

Information on Candidates for Election as a Director (continued)

Executive Directors



Simon Taylor – Chief Executive Officer

I joined the Society in June 2020 as Chief Executive and I have worked in financial services for over 30 years. Previously I was Chief Operating Officer for the Nottingham Building Society for almost 8 years. I have held a number of senior roles at Lloyds and Barclays and was a Regional Director for Lloyds Banking Group before joining the Building Society Sector.

I am an Associate of the Chartered Institute of Bankers, I hold an MBA and am an alumnus in Advanced Strategic Management from Kellogg North-Western Business School in Chicago.



Andy Lumby – Chief Financial Officer

I joined the Society in July 2021 as Chief Financial Officer. I am a chartered accountant and started my career with PricewaterhouseCoopers before moving into the mutual sector. I have over 19 years' experience in financial services and have held a number of senior finance positions at building societies, including Head of Finance at Nottingham Building Society and Finance Director at Tipton & Coseley Building Society.

I am responsible for the Society's Finance and Treasury management functions along with implementation of our financial strategies.

I am married with one daughter and live in Leicestershire.



Summary Financial Statement 2023

This financial statement is a summary of information in the audited annual accounts, the Directors' report and annual business statement, all of which will be available to members and depositors free of charge at every office of Melton Building Society from 31 March 2022 and at www.themelton.co.uk.

Approved by the Board of Directors on 15 March 2023 and signed on its behalf by:

F A Pollard
Chair

S J Taylor
Chief Executive

A J Lumby
Chief Financial Officer

Summary Directors' Report

Solid performance in challenging times

I would like to thank all my colleagues for their outstanding efforts over the year in serving our members and other stakeholders, and for supporting each other in a demanding year. Also, thank you to our members: we are grateful for the trust you place in the Society and it is a responsibility that we do not take lightly or for granted.

2022 has been a year of challenge for our Society. The first part of the year was still marked by the effects of the Covid pandemic as well as the dreadful events that unfolded in Ukraine. The second half of the year brought economic and political difficulties, including interest-rate rises and three prime ministers in as many months as political uncertainty at home become even more apparent.

The Bank of England has raised interest rates eight times in 2022, resulting in borrowing costs that many mortgage customers have never previously experienced. The mini budget in September further unsettled the markets, leading to many financial institutions withdrawing their products altogether and a very uncertain period for borrowers and savers alike.

UK growth remains very weak and talk of recession continues. While the housing market enjoyed significant house price inflation in the first half of the year there has been evidence of reductions in values over the last quarter of the year and the volume of transactions has started to reduce.

Unemployment remains low and there have been some signs of better-than-expected trade numbers in January. But the economic outlook remains fragile and the cost-of-living crisis is difficult for many of our members and our colleagues.

I am pleased to report that your Society has produced a solid financial performance against this challenging economic backdrop.

Focus on our members and communities

The hard work to support our members has resulted in a number of awards that we are proud to receive, in particular where we have consistently achieved the same award for our expertise and knowledge.

Awards include:

- Best Self Build Lender for the fourth year running in the What Mortgage Awards 2022

- Highly Commended for Best Self Build Mortgage Lending at the Personal Finance Awards 2022

- Winner of Best Local Building Society for the second year running at the Mortgage Finance Gazette Awards 2022

- Winner at the British Bank Awards for Best Savings Provider in the UK 2022

Our members have also supported our results and provided us with a great measure of how we are doing. Our Net Promoter score, which measures the loyalty of our customer relationships, was +81.7% for 2022, an increase on the 2021 score of +79.4%. The score for 2022 compares well to the Building Society and wider Financial Services benchmark.

We continued to support our members across the year, and I am particularly proud that we have continued to maintain our high service standard even when we moved to working remotely in Q4 2022 as the refurbishment of Mutual House began.

We introduced our 'Tea and Talk' sessions for members covering a broad range of topics including, scam awareness and retirement planning. Feedback from members was positive and we will look to add more topics in 2023.

On mortgage and savings we have retained existing members well when they come to the end of their product. We have done this by making it easier for customers and our intermediary partners to find another suitable product when needed.

Our Charitable Foundation has supported a broad range of local charities this year, donating £25k including supporting Leicester Children's Holidays, Hearing Dogs for Deaf People, The Farming Community Network, Belvoir Cricket & Countryside Trust and Kesteven Rideability. When you include colleague fundraising and Society donations to local charities and communities, the figure rises to £53k.

Supporting our colleagues and sustainability

Our colleagues are at the heart of everything we do. We have ensured that our own people are supported through these tough economic times. This has included both an additional payment to support the increases in the cost of living they are experiencing and pay rises to ensure everyone working for the Society earns at least the Real Living Wage, which has been much appreciated by them.

The pandemic has created changes in how our colleagues work. Recognising this we are in the process of refurbishing our head office to ensure that it better suits the needs of a hybrid workforce. We hope the new space will allow us to hold more member events and reinforce our position at the heart of our community.

We seek to attract, develop and retain talent and aim to support colleagues through their work with the Society. We have prioritised leadership training and a focus on wellbeing this year to empower colleagues to make the right decisions for themselves and the Society.

In 2022, we received two awards for our commitment to our colleagues. We were awarded the Living Wage Accreditation for paying the Real Living Wage across the whole Society. We also gained the 'Thriving Workplace Certification' from New Possible, which recognises organisations that give colleagues an outstanding experience and requires very high standards to achieve it. We are eager to maintain this certification in future years.

We are committed to ensuring that the Society remains a great place to work, continually looking at ways to innovate and improve. In our independent colleague surveys completed in 2022 we are cited as having a 'healthy culture' with a wellbeing score in line with the Financial Services benchmark. Also our flexible working and opportunities to learn have resulted in nine out of 10 people recommending us as a great place to work.

As a responsible business we are obliged to operate in a way that reduces our impact on the environment. We are committed to acting as good corporate citizens, with the Board leading the Society forward to protect the legacy of the Society for many more years.

During 2022 we have made good progress in protecting the planet for future generations. Two areas of work are among those now in place:

- We signed up to the United Nations Sustainable Development Goals, a blueprint that sets clear targets to achieve a better and more sustainable future for all. We work with Support the Goals, an initiative that rates and recognises businesses for their contributions towards the global goals. We achieved a four-star rating for our efforts across the year, something only 11% of businesses have achieved.
- Society Green strategy – assessing and addressing the risks of climate change and exploring opportunities to assist our members.

Good strategic progress

The Society remains true to its core purpose of supporting people onto the housing market and being a trusted provider of savings accounts. Despite economic uncertainty in 2022, the housing market remained buoyant and contributed to growth of some 15% in our mortgage assets. Our recently created business – Nexa Finance – has supported developers in building much-needed houses and we are proud to have done that along with other Societies.

We continue to support our savers by launching market-leading deposit products including a fixed rate bond paying 4.30% which was very well received. Our deposit balances have increased by over £65m in the year. We have listened to our members and now offer monthly as well as annual interest.

The Society is very aware of the need to continue to be a relevant modern mutual. Part of that includes ensuring that our systems and processes are fit for purpose in an increasingly digital marketplace. During 2023 we will continue our digital transformation that is essential to ensure we remain a well-governed mutual prepared for the future and relevant to a wide audience including newer savers and borrowers. This is both a time consuming and costly exercise. This will be supported by increased profit before tax.

Our financial performance

The Group reported profit before tax of £4.0m, a significant increase compared to the £1.7m reported last year and higher than originally budgeted. Profitability was helped by several factors including the favourable fair-value movement in derivatives (a way of hedging our mortgages). Excluding the fair value gains of £1.8m and one-off strategic costs of £0.4m, profit before tax was £2.6m, an increase from last year.

Group mortgage assets increased by £74m to £555.8m and total assets increased to £714.8m. Group net interest margin also increased to 1.99%, up from 1.75% in 2021, helped by strong growth in the mortgage book and the rising interest rate environment.

The increased income generated has enabled us to continue investing towards our strategic goals. As a result of the increased investment, the management expenses ratio has increased to 1.75% from 1.59%. We remain conscious of balancing the need to invest with operating as efficiently as possible for the benefit of members.

The uplift in performance was largely driven by the Society, which recorded a profit before tax of £3.6m (2021: £1.3m). The Society advanced £134.4m (2021: £106.1m) of new mortgages during the year with total loans and advances outstanding at the year-end increasing by 15% to £484.8m (2021: £420.1m).

The Society also has three important subsidiaries, which form the Group. They enable us to offer a broader range of products and services to existing and new customers. I am pleased with the full-year performance, in particular with Nexa Finance Limited reporting strong results since its start-up in August 2019.

Future outlook

The continued positive response from our members and communities encourages us to continue to work hard. This will help us to provide the best services and products that we can.

During 2023 we will execute our strategy, with continued major investments planned to simplify and digitise the Society. This will help us to fuse technology with the high service standards we already offer today. We also aim to increase the number of branches we operate to support more communities.

The year ahead will bring challenging trading conditions and overall economic uncertainty. However, your Society is well positioned to move forward, evolve and invest in the Society for today's members and future members.

Fiona Pollard
Chair
15 March 2023

Results for the year	Group 2022 £'000	Group 2021 £'000
Net interest receivable	13,295	10,575
Other income and charges	2,750	917
Administrative expenses	(11,683)	(9,563)
Loss on revaluation of investment property	(120)	(90)
Impairment losses	(230)	(135)
Provisions	-	5
Profit for the year before taxation	4,012	1,709
Taxation	(765)	(841)
Profit for the year	3,247	868
Financial position at end of year		
Assets		
Liquid assets	137,385	125,818
Mortgages	555,757	481,752
Derivative financial instruments	9,786	1,193
Fixed and other assets	8,331	7,137
Retirement benefit asset	3,575	6,404
Total Assets	714,834	622,304
Liabilities		
Shares	508,581	439,204
Borrowings	158,968	139,027
Derivative financial instruments	1,291	190
Other liabilities	4,185	3,636
Reserves	41,809	40,247
Total Liabilities	714,834	622,304
Summary of key financial ratios	Group 2022	Group 2021
As a percentage of shares and borrowings:		
Gross capital	6.26%	6.96%
Liquid assets	20.58%	21.76%
As a percentage of mean total assets:		
Profit for the year	0.49%	0.14%
Management expenses – Group	1.75%	1.59%
Management expenses – Society	1.59%	1.40%

Notes to the Summary Financial Statement

The Summary Financial Statement is prepared on a Group basis.

- The gross capital ratio measures the Group's capital as a proportion of its shares and borrowings. Gross capital comprises the general reserves, the revaluation reserve and the fair-value reserve. Capital provides a financial buffer against any losses that might arise from the Group's activities and therefore protects investors.
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- The liquid assets ratio is a measure of the proportion of the Group's shares and borrowings that are in the form of cash or readily realisable into cash. Liquid assets enable the Group to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
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- The ratio of profit for the year as a percentage of mean total assets measures the proportion that the profit after taxation for the year represents in relation to the average of total assets for the year. The ratio is similar to a company's return on assets. The Group needs to generate a reasonable level of profit each year to fund the continued development of its business and maintain its capital ratios at a suitable level to protect investors.
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- The ratio of management expenses as a percentage of mean total assets measures the proportion that administrative expenses as reported in this document (which includes depreciation and amortisation) represents in relation to the average of total assets for the year. It is widely used to measure administrative efficiency.
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Independent Auditor's Statement

Independent auditor's statement to the members and depositors of Melton Mowbray Building Society

Opinion

On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2022 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We have examined the Summary Financial Statement of Melton Mowbray Building Society ('the Society') for the year ended 31 December 2022, which comprises the Income statement and the Financial Position at the end of the year, together with the Summary Directors' report.

Basis for Opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2022, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2022.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Our report on the Society's full annual accounts is unqualified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report

Directors' Responsibilities

The directors are responsible for preparing the summary financial results within the Summary Financial Statement, in accordance with applicable United Kingdom law.

Auditor's Responsibilities

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Results within the Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our 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 such a 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 as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Ariel Grosberg (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London, UK
15 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Directors' Remuneration Report

The Board has established a Remuneration and Nominations Committee ('the Committee') that comprises three Non-executive Directors, including the Chair of the Board, and is supported by a non-member HR Advisor to the Board. This report describes how the Society complies with the FCA's Remuneration Code for dual-regulated firms and explains how the Group has regard to the principles of the UK Corporate Governance Code 2018 ('the Code') on remuneration (pay and benefits).

Remuneration Policy

The Committee is chaired by Judith Mortimer Sykes, a Non-Executive Director and the Society's Vice Chair and Senior Independent Director. Its key purpose is to ensure that the Group Remuneration Policy supports the achievement of the business strategy by rewarding the right behaviours and outcomes consistent with the Society's risk appetite and the long-term interests of its members.

The Group Remuneration Policy has a number of key principles relevant to the Code:

- Attract and retain directors and senior managers with the right skills and competences by offering a fair and competitive total reward benchmarked against the external market;
- Recognise the importance of total reward including benefits and flexible working in attracting, engaging and retaining a diverse and talented workforce;
- Recognise the business benefits of promoting diversity and inclusion;
- Reward colleagues based on both the Group and individual performance with a focus on demonstrating the right behaviours in carrying out their performance;
- Ensure good and effective risk management and promote the highest standards of professional conduct; and
- Take into account the Group's strategic and business plans ensuring that the objectives and long-term interests, including strengthening its capital base, are not compromised.

The Group has a clear strategy, vision and mission. It encourages four key values for all colleagues: respect for the individual; trust matters; everyone should have a sense of belonging; and we all strive to achieve. These values underpin everything we do to support the culture of the Group and are reflected in their remuneration and benefits package. In assessing the performance of Directors, culture and values are an explicit component of their annual appraisals. This includes each Director affirming that they are acting in accordance with the fit and proper conditions required by regulation and attesting that they fully understand and can evidence that they have fulfilled their prescribed responsibilities.

The remuneration of individual Directors is detailed on page 26.

Level and components of remuneration

Executive Directors' remuneration

Executive Directors' remuneration reflects the Director's specific responsibilities, experience and performance. It comprises a number of elements: basic salary, pension, annual bonus and other taxable benefits as detailed below:

Component	Level	Basis
Basic salary	Set annually following review by the Remuneration and Nominations Committee.	Based on job-specific responsibilities using financial services market benchmarking for similar roles.
Pension	Contribution of 10% of base salary (before salary sacrifice) for all colleagues or paid as a cash allowance as an alternative.	Executive directors are invited to join the Group's defined contribution scheme.
Annual bonus	<p>The annual bonus will only be awarded if the minimum threshold criteria are achieved, linked to delivery of the Group's strategic objectives.</p> <p>On-target performance will result in a bonus award of 20% of base salary with the ability to earn up to a maximum of 30% for over-performance.</p> <p>50% of any bonus awarded in the year is deferred for three years.</p>	<p>Variable pay is linked to the delivery of the Group's strategic objectives with both financial and non-financial targets alongside individual performance to safeguard against poor conduct or risk-taking outside the Group's agreed risk appetite.</p> <p>The Board Risk Committee has a power of veto over any variable remuneration payments. They may be reduced or withdrawn if there is an item of material importance or relevance that significantly influences the Society's regulatory status, financial performance or financial statements.</p>
Other benefits	The Group provides other taxable benefits including a car allowance and healthcare provision.	Set at a level considered appropriate for each Executive Director by the Committee in line with market practice.

Both Executive Directors are employed on permanent service contracts. The Chief Executive has a service contract terminable by the Society giving 12 months' notice or by the individual giving 6 months' notice. The Chief Financial Officer's service contract requires 6 months' notice from either party. There are no special terms in the event of amalgamation, transfer of engagements or transfer of business where employment is to be terminated.

2022 performance and awards

The Summary Directors' Report on pages 11 to 15 describes 2022 as a year of strong financial performance and strategic progression against a background of continued uncertain public health and economic environments.

It is in this context that performance-related pay awards to Executive Directors have been determined and are detailed in this report.

Non-Executive Directors

The Chair and other Non-Executive Directors (NEDs) each receive an annual fee for their services. It reflects the time commitment and responsibilities of their roles and is in line with those paid by other Societies of a similar size and structure. Fees are structured that NEDs with the additional responsibility of chairing a board committee or chairing a subsidiary board are paid an additional fee. They do not receive any salary, performance incentives or pension.

Non-Executive Directors are reimbursed for reasonable expenses incurred during the course of their work on Group business.

The Society's Rules limit Non-Executive Director remuneration to 2.5 times the annual salary of the lowest paid full-time clerical employee.

Procedure for setting remuneration

The Remuneration and Nominations Committee meets at least four times each year and reports its key decisions directly to the Board. The Committee reviews annually the Group Remuneration Policy, including Director Remuneration frameworks.

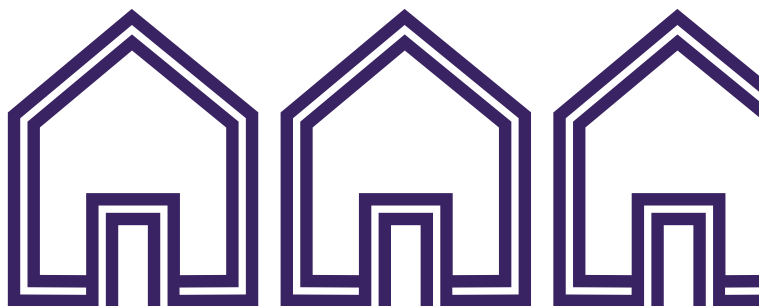
The overall level of remuneration of Executive Directors is considered by the Committee. In setting remuneration, the Committee takes account of the salaries, fees and benefits offered by similar financial organisations (including

other Building Societies) to ensure that the salary and benefits packages offered align with those available in the marketplace and enable the attraction and retention of Directors of high calibre and diversity in line with the business strategy. The Committee uses the services of independent consultants, third-party surveys and peer-group benchmarking to ensure remuneration levels are appropriate and in line with the external market. The Committee has authority to override formulaic remuneration outcomes when considering the performance of the Society, both regulatory and financial. The Committee will, before its recommendation to the Board for approval of any payments, refer to the Risk Committee to ascertain whether that committee wishes to exercise its power of veto.

The Chief Executive appraises the individual performance of the Chief Financial Officer and other members of his executive team and makes recommendations to the Committee. The performance of the Chief Executive is appraised by the Chair of the Board with input from fellow board members.

The determining measures, targets and rules of the Group's Executive Incentive Plan and Bonus Scheme for colleagues are aligned to each other. Quarterly update sessions with all team members ensure all colleagues are made aware of how Executive team members, remuneration aligns to the Group's wider pay policy generally. The Group's Remuneration Policy is available to view on the Society's website.

Members of the Committee are unable to determine their own remuneration. Remuneration of the Chair of the Board is considered by the Chair of the Remuneration and Nominations Committee together with the Society's Chief Executive. The remuneration of the Non-Executive Directors is considered by the Chair of the Board following proposals made by the Executive Directors. Fees are approved by the Board on the recommendation of the Committee.



Non-Executive Directors (audited)	2022 Total fees £'000	2021 Total fees £'000
A J Capps (retired 30 September 2022)	25	40
A L Craft (retired 30 September 2021)	-	29
S M Douthwaite (appointed 1 May 2021)	34	17
J G Farrington	34	37
E A Lockwood (appointed 1 July 2022)	14	-
J A Mortimer Sykes (appointed 1 May 2021)	34	20
F A Pollard	45	40
K O Romney (retired 28 April 2021)	-	8
S G Thomas (appointed 1 May 2021)	27	17
Total	213	208

Executive Directors (audited)	Salary	Annual Bonus ¹	Benefits	Other	Sub-total	Pension Contri- butions ²	Total
2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000
S J Taylor	245	37	34	-	316	-	316
A J Lumby	154	23	11	-	188	19	207
Total	399	60	45	-	504	19	523

Executive Directors (audited) 2021	Salary £'000	Annual Bonus ¹ £'000	Benefits £'000	Other ³ £'000	Sub-total £'000	Pension Contri- butions ² £'000	Total £'000
S J Taylor	239	36	35	-	310	-	310
S E Gant (resigned 23 April 2021)	38	-	3	-	41	6	47
A J Lumby (appointed 1 July 2021)	73	12	5	13	103	8	111
Total	350	48	43	13	454	14	468

¹ The annual bonus figure reflects the amounts awarded in the year which have not been deferred. The remaining element, which is subject to deferral, will be disclosed in the year of payment.

² S J Taylor, with agreement from the Society, took his pension contributions as cash.

³ A J Lumby received £13,000 in compensation for the variable pay forfeited from his previous employer following his resignation.

The unpaid deferred elements of the annual bonus scheme are detailed below:

Executive Director	Due in April 2025 Earned in 2021 £'000	Due in April 2026 Earned in 2022 £'000	Total Deferred £'000
S J Taylor	36	37	73
A J Lumby	12	23	35

Judith Mortimer Sykes
Chair of Remuneration & Nominations Committee
15 March 2023



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