Group Remuneration Policy

November 2023

Version Control

Date	Ref	Change	By
November 2012	2.0	Annual update and review at HR Committee	MR
November 2013	3.0	Annual update and review at HR Committee	MR
November 2014	4.0	Annual update and inclusion of specific conditions for the allocation of any bonus	MR
November 2015	5.0	Annual update	MR
July 2016	6.0	Amended to address change of personnel and enhanced explanation of identification of Material Risk Takers (MRTs).	RC
November 2017	7.0	Annual update and review at Remuneration & Nominations Committee	RC
November 2018	8.0	Annual update and review at Remuneration & Nominations Committee	MR
November 2019	9.0	Annual update and review at Remuneration & Nominations Committee	MR
November 2020	10.0	Annual update and review	PK
July 2021	11.0	Amended to reflect broader MMBS remuneration policy and changes to executive reward	PK
November 2022	12.0	Annual update and review	PK
November 2023	13.0	Annual update and review Amended to include list of current MRTs Amended to include changes to Executive Incentive Plan remuneration	TG

Contents

1. Introduction

This Policy outlines the overall approach and principles that 'The Group', comprising The Melton Building Society and its subsidiary companies Melton Mortgage Services Limited and Nexa Limited, adopts in managing remuneration for all colleagues and non-executive directors.

The Group is a dual regulated firm and seeks to apply remuneration best practice for senior managers who are subject to the Dual-Regulated firms Remuneration Code considering the appropriate guidance issued on proportionality.

The main entity in the Group is The Melton Building Society. Based on its capital, the Society falls within Proportionality Level 3. All companies within the Group have the same proportionality tier as the highest tier company.

2. Remuneration Principles

The Melton's approach to remuneration is to ensure it supports the business strategy by rewarding the right behaviours and outcomes consistent with the Society's risk appetite and the long-term interests of members.

The key principles that underpin this approach are policies and practices which:

- Attract and retain talented people with the right skills and competencies 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.
- Reward colleagues based on both Society and individual performance with a focus on demonstrating the right behaviours in carrying out their responsibilities.
- Ensure good and effective risk management and promote the highest standards of professional conduct.

3. Elements of Remuneration

The remuneration package for all permanent colleagues consists of four key elements as follows:

3.1 Base pay

Base pay is reviewed annually (or more frequently if required) based on individual performance, affordability, cost of living, internal relativities, and relevant external benchmark data. Our objective is to position base pay around the median of the market for similar sized organisations and roles. Recommendations on annual increases to base pay are reviewed and approved by the Remuneration and Nominations Committee at the start of the financial year.

3.2 Benefits

Benefits are considered an important element of our total reward offer to support the attraction and retention of talent. The key benefits include a defined contribution pension plan, life assurance, everyday healthcare expenses plan, membership of an employee retail discount club and a flexible holiday buy back arrangement. Benefits are reviewed on a regular basis for relevance and competitiveness versus the market.

3.3 Variable remuneration

All colleagues have the opportunity to earn an annual bonus being eligible to either the Society's Annual Bonus Scheme or the Executive Incentive Plan (EIP) in the case of Executive Committee members. Both the Bonus Scheme and EIP are discretionary and are designed to incentivise and recognise the contribution of colleagues to the achievement of business targets for the relevant year. Careful consideration is given to ensure the targets are relevant, balanced and include measures which safeguard against poor conduct or risk taking. The objective is to maintain an appropriate balance between fixed and variable remuneration.

The measures and targets of the Executive Incentive Plan and the Bonus Scheme are reviewed and approved annually by the Remuneration and Nominations Committee to ensure they are appropriate for the strategy of the Society. It should be noted that the rules and design of the EIP are aligned to the remuneration principles laid out in the dual regulated firm guidance under SYSC19.

4. Remuneration of Directors and Executive Committee members

The table below describes the Society's policy with respect to each element of reward specifically for Executive Directors and Executive Committee members

Element	Overview	Comments
Basic Pay	Reviewed annually (or more frequently if required) Set at a level commensurate with role and experience of the individual when compared to organisations of similar size	Annual pay increases will normally be in line with typical increases across the Society. The Committee may award increases above this level on an exceptional basis if there is a clear commercial rationale.
Variable Pay	Annual award of 20% of base salary for on target business and individual performance There is no deferral of the award, measures and targets reviewed annually to ensure they are relevant and have appropriate degree of stretch	Maximum annual award is 30% of base salary. Failure to meet business or individual performance thresholds can reduce bonus awards to zero if deemed appropriate. Targets include both financial and non-financial measures.
Pension	In common with all colleagues, Executives can join the Group Pension Scheme contributing 2.5% of base salary with the Society contributing 10%.	A cash allowance in lieu of the Society pension contribution is offered to Executive Directors as an alternative.
Benefits	In addition to the universal benefits for all colleagues, Executives receive private medical insurance and an annual health check.	Benefits are set in line with market practice and considered in the context of total reward Executive Directors also receive a company car cash allowance.

5. Remuneration of Non-Executive Directors

Non-executive directors receive fees for their services that reflect the market and are deemed sufficient to attract non-executives with the appropriate knowledge and experience. Fees are structured such that NEDs with additional responsibilities (e.g. Chairs of Society Committees) are paid a supplementary fee. Fees for NEDs are reviewed on a periodic basis as required, and in accordance with the rules of the Society which state that their remuneration should not exceed 2.5 times the annual salary of the lowest paid full time administrative employee. Fees are approved by the Board on recommendation from the Remuneration and Nominations Committee.

To avoid conflicts of interest, neither the Chair nor any of the non-executive directors are party to setting their own fees. The remuneration of the Board Chair shall be a matter for the Vice Chair and Chief Executive.

6. Service contracts

The terms and conditions of employment for Executive Directors are detailed in their service contracts. The contracts are subject to six months' notice by either party, with the exception of the Chief Executive, whose contract requires twelve months' notice from the Society or six months if given by the individual.

Terms and conditions of employment for Executive Committee members are set out in their Written Statements and are subject to six months' notice period by either party following the completion of the probationary period.

Non-executive directors do not have service contracts and instead have letters of appointment which set out their obligations and responsibilities. Appointments are for an initial three-year term and subject to review thereafter.

7. Leaver arrangements and loss of office

The guiding principle for all leavers is to pay no more than is necessary in line with contractual notice periods and any other relevant legal obligations.

In normal circumstances, eligibility to variable pay under current year bonus schemes would cease. Payment of any deferred awards would be subject to the rules of the relevant scheme and be subject to malus, claw back, and forfeiture as appropriate. In the case of misconduct or under performance, no variable remuneration payments will be due.

8. Risk Management and Governance of Reward

This Policy has been developed in full recognition of the guidelines and rules contained in the FCA's Dual-Regulated firms Remuneration Code. Commentary on the alignment of the Policy to each principle is contained in Appendix B.

From a governance perspective, the Remuneration and Nominations Committee has responsibility for considering all elements of remuneration to ensure that the Group can attract and retain executives of sufficient calibre in line with the business strategy. The design and structure of remuneration will always consider the Group's strategic aims and the long-term interests of members.

It is important to note that the Committee has the right to exercise complete discretion and apply judgements in making reward recommendations, in line with good corporate governance.

Disclosure relating to the Remuneration Policy and Remuneration Code Colleagues will be made in the Pillar 3 disclosures document which is available on request or via the Society's website.

9. Remuneration Code Colleagues

The Society is required to maintain a list of colleagues who are subject to the remuneration principles outlined in the dual regulated Remuneration Code (known as Remuneration Code staff). This list comprises of:

- Members of the Board in its management function (i.e. Executive Directors, namely the Chief Executive and Chief Financial Officer)
- Members of the management body in its supervisory function (i.e. Non-Executive Directors).
- The Senior Manager responsible and accountable to the management body for the activities of the risk management function (i.e. the Chief Risk Officer).
- Colleagues whose professional activities have a material impact on the firm's risk profile or the assets that the firm manages.

See Appendix A for full list.

APPENDIX A – Remuneration Code Colleagues List 2023

NAME	JOB TITLE	ENTITY
F Pollard	Non-executive director	Board
J Mortimer Sykes	Non-executive director	Board
J Farrington	Non-executive director	Board
S Douthwaite	Non-executive director	Board
S Thomas	Non-executive director	Board
E Lockwood	Non-executive director	Board
S Taylor	Chief Executive	Board
A Lumby	Chief Financial Officer	Board
N Walker	Chief Risk Officer	Executive Ctte
R Kolebuk	Chief Customer Officer	Executive Ctte
L Bullen	Director of Operations	Executive Ctte
D Flint	Programme Director	Executive Ctte
R Bullivant	Director of IT & Change	Executive Ctte
M Williams	COO & Director of Credit Risk	Executive Ctte
R Shaw	Head of Compliance	Certificated
N Jackson	Head of Treasury & Prudential Risk	Certificated
L Collishaw	Head of Finance	Certificated
T Gill	Head of HR	Certificated
A Bridgeman	Head of IT Planning & Operations	Certificated
D Atkinson	Head of Intermediaries	Certificated
J Hyland	Head of Product & Marketing	Certificated
L Harrison	Head of Partnerships	Certificated
S Smith	Head of Credit Risk	Certificated
A Deakin	Head of Lending	Certificated
J Birch	Financial Crime Manager & Deputy MLRO	Certificated
R Dewhurst	Senior Credit Manager (Nexa)	Certificated

APPENDIX B – comments on alignment of policy to dual regulated FCA remuneration principles

Principle 1- Risk Management and Risk Tolerance

The Remuneration & Nominations Committee has responsibility for considering all elements relating to remuneration such that the Group attracts and retains executives of sufficient calibre and that they are provided with appropriate incentives and a fair and reasonable reward for their contribution to the business.

Principle 2 – Supporting business strategy, objectives, values, and long-term interests

The design of remuneration policies and bonus/incentive schemes will always take into account the Group's strategy, business objectives and values ensuring that long term interests are not compromised.

Principle 3 – Avoiding conflicts of interest

The Remuneration & Nominations Committee will ensure that due consideration is given to conflicts of interest and that remuneration policies are designed to avoid them occurring.

Principle 4 – Governance

4.1 Remuneration Committee

The Group has a Remuneration and Nominations Committee, which incorporates the responsibilities of a Remuneration Committee within its Terms of Reference.

4.2 Implications for risk and risk management of the Group

Bonus and incentive plans include non-financial criteria to ensure that effective risk management is not compromised and is in line the Group's risk appetite.

4.3 Long-term interests of stakeholders

The design of remuneration policies and bonus/incentive schemes will always consider the Group's strategic and business plans ensuring that the objectives and long-term interests are not compromised. This includes the long-term interests of members.

4.4 Discretion

The Remuneration & Nominations Committee have the right to apply discretion to adjust the bonus payments and payments for individuals as deemed appropriate. Additionally, all variable pay awards including deferred payments under the Executive Incentive plan are subject to Risk Committee review and ultimately Board Approval.

Principle 5 – Control Functions

5.1 Independence & authority

Within the constraints of a relatively small organisation those performing control functions act independently. This is especially pertinent to those performing the risk and compliance and MLRO functions.

For those Remuneration Code Colleagues involved in risk and compliance, the Remuneration & Nominations Committee will ensure that due consideration is given to the split between fixed and variable remuneration.

Principle 6 – Remuneration and capital

The design of remuneration policies and bonus/incentive schemes will always 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.

Principle 7 – Exceptional government intervention

Not applicable

Principle 8 – Profit-based measurement and risk adjustment

The policy has paid due consideration to:

- ensuring that it is linked to profits (rather than revenues).
- how it is linked to other indicators of performance.
- the key financial performance measures that are used to determine the total pay-out for the scheme.
- how the bonus pool determination process takes account of situations where the firm's performance is weak or loss-making and who has the discretion to make adjustments.

Principle 9 – Pension policy

The current MMBS Group Pension Scheme applies to all colleagues with no supplementary contributions for Directors or Executive Committee members. This is in line with the guidance contained in the UK Corporate Governance Code. Executive Directors have the option of receiving a cash allowance in lieu of the Society pension contribution.

Principle 10 – Personal investment strategies

An annual declaration is obtained from all Remuneration Code Colleagues that they have not used personal hedging strategies to undermine any risk alignment effects in their remuneration arrangements.

Principle 11 – Non-compliance with the dual-regulated firms Remuneration Code

All variable remuneration and the methodology of payment must be approved in advance by the Group's Remuneration & Nominations Committee. Awards under the Executive Incentive Plan must be approved by Risk Committee and the Board.

Principle 12 – Remuneration structures

12.1 Measuring the performance of individuals

NEDs are reviewed annually by the Chair of the Society with the Chair being reviewed by the Senior Independent Director.

The Chief Executive is reviewed by the Chairman with all other Code Colleagues reviewed by their line manager in accordance with the Group's Performance Management framework.

All Colleagues, including Remuneration Code Colleagues, are set objectives which will consist of financial and non-financial measures. The outcome of performance reviews will be taken into account by the Remuneration & Nominations Committee when considering pay reviews and bonus payments for Remuneration Code Colleagues.

12.2 Guaranteed variable remuneration

The Policy does not include provisions for guaranteed payments. In the event that a payment for retention or hiring purposes (e.g. as compensation for loss of bonus when leaving a previous employer) was deemed necessary for business reasons, this would require approval from the Remuneration and Nominations Committee.

12.3 Leverage (ratio of fixed to variable remuneration)

The Policy sets 10% of annual base salary as the maximum that can be granted to any individual under the Colleague bonus scheme. This is increased to 15% of annual base salary for the manager level (band E), and up to 30% for members of the Executive Committee. Under the Executive Incentive Plan which applies to Executive Committee members, 50% of the award is deferred for 3 years before payment.

12.4 Payments related to early termination

The guiding principle is to pay no more than is necessary in line with contractual and legal obligations. In the event that such a payment was justified, it would require approval from the Remuneration and Nominations Committee.