

COVENTRY
Building Society



All together, better

Remuneration Policy



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1. Introduction

The Society's Remuneration Policy is designed to reward all employees for their skills, knowledge, responsibilities, and performance. When making any decisions about pay and benefits it is really important that we strike a balance between your needs as an employee, the needs of Members to ensure cost-efficiency and the requirements of our regulators. The ultimate objective is to offer a remuneration package (pay, benefits and non-financial rewards) that is competitive when compared to similar financial services organisations and as such helps us to recruit, retain and motivate high calibre people to work for the Society.

We benefit from working with the My Society employee forum and the trade union, UNITE, to ensure that your views are understood and represented. The policy follows the Prudential Regulation Authority (PRA)'s and Financial Conduct Authority (FCA)'s Code on Remuneration Practices and disclosure requirements but we make sure that we go beyond just complying with the regulatory requirements and align instead to the PRA and FCA's best practice guidelines.

Having a well designed remuneration policy is great, but it's only effective if it's implemented properly. The Risk and Audit functions review key reward activities that are linked to the policy (like the pay review) each year to check that we have complied with the policy.

The Remuneration Committee assists the Board in fulfilling its responsibilities to the Society's members by ensuring that remuneration policy and practices are appropriate. The Committee ensures that the approach taken to determining your remuneration aligns with the Society's mission, purpose and values and meets statutory and regulatory requirements.

1.1 Remuneration principles

The Society's remuneration policy is based on three key principles;

1. Our remuneration approach reflects the Society's values and the expectations of our Members

- Your performance is reviewed against agreed individual and shared goals each year.
- No employee is incentivised on the basis of individual or team sales targets. Variable pay is based on measures and targets that are stretching and aligned with Members' interests.
- Any variable payments made to Executives and Executive Directors will be reduced or not paid if the Remuneration Committee exercises its discretion and decides that individual or business performance has not met the required standard. The Remuneration Committee may also clawback variable payments already awarded in certain circumstances.

2. We want to recruit, motivate, engage, and retain our employees

- The aim is to make sure that employees are paid competitively when compared to similar roles in comparable financial services organisations.
- Our remuneration packages are designed to help recruit and retain high calibre employees who share the Society's values. We do this by offering the right mix of pay, benefits and working practices (like flexible working and focus on Wellbeing) for roles

at all levels of the Society that reflect individual skills, knowledge, responsibilities, and performance.

1. We will comply with the requirements and spirit of the PRA and FCA's Remuneration Code

The key drivers identified by the PRA and FCA as best practice are that the remuneration policy:

- Is in line with the Society's values, business strategy, shared goals and long-term interests
- Does not result in any conflicts of interests
- Does not present material risk to the Society's financial stability
- Promotes sound and effective risk management and does not encourage risk taking that is not consistent with the Society's low appetite for risk.

1.2 Risk appetite

We have developed this policy to comply with the regulations and guidance from the Remuneration Code (SYSC 19D). The Society will not adopt remuneration policies and practices which aren't consistent with the letter and spirit of the Remuneration Code.

The Remuneration Policy is linked with our risk appetite in that it aligns with the Mission, Purpose, Strategy, Values and long-term interests of the Society and also reflects the PRA and FCA's Remuneration Code. In particular, the Remuneration Policy is consistent with the overall financial stability of the Society, promotes sound and effective risk management and does not encourage excessive risk taking.

1.3 Scope

The Remuneration Policy applies to all employees and directors (including non-executive directors) across the whole Society, including all operations and legal entities.

1.4 Remuneration elements covered by this policy

Base salary: This is the pay you receive for performing the activities set out in your role profile and goals. It's based on market rates of pay for your role and reflects skills, knowledge, performance, and experience. We benchmark our salaries against those of comparable financial services organisations.

Pension and other benefits: We aim to provide a competitive pension plan for your retirement, as well as other important benefits that promote wellbeing. Everyone has access to the pension plan and core benefits detailed in sections 6 and 9 of this policy.

Success Share: Success Share is a key element of your remuneration package. It is a discretionary variable pay plan that enables you and all other employees to share in the Society's success. The scheme is designed to help the Society to be competitive in attracting and retaining high calibre employees, whilst operating in a sustainable way that maintains the long-term financial stability of the Society.

Executive Variable Pay Plan (ExVPP): The ExVPP is a key element of the Executive remuneration package. It is structured to align the remuneration package of Executive Directors and Executives fully with the Society’s long term performance and members’ interests.

Other remuneration elements: Some elements of the remuneration package are only available to certain grades, so your total remuneration will vary according to your role. The table below summarises the key elements of the remuneration package available for different grades. These are set based on market practices for these roles in similar financial services organisations.

| Role | Fee | Salary | ExVPP | Share success | Pension | Car/Car allowance | Private Medical Insurance | Health screen |
|---|-----|--------|-------|---------------|---------|-------------------|---------------------------|---------------|
| Non-Executive Directors | ✓ | | | | | | | |
| Executive Directors | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Executives | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Enterprise Leader or Functional Leader | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Lead Professional / Technical or Senior Mgr | | ✓ | | ✓ | ✓ | *1 | ✓ | ✓ |
| Employees at all other grades | | ✓ | | ✓ | ✓ | *1 | *2 | |

1. Company cars are allocated to roles graded Functional Leader and above unless business car usage has been identified as being essential for your role.
2. Your eligibility for private medical insurance and health screening is outlined in section 8 of this policy.

1.5 Conflicts of interest

The Society operates established processes and procedures designed to identify, document, and manage conflicts of interest. These apply to your remuneration as they would to all other areas of the business and include requirements for line manager oversight and individual voluntary disclosures to be made and recorded.

- Employees who work in control functions cannot influence their own pay, this is to make sure that their independence is not impacted in any way.
- Managers are supported by a robust framework of independent assessment led by the People function.
- No Director or employee is involved in setting their own remuneration or exercising discretion over judgements that could impact on the decision-making process with respect to their own remuneration.
- Remuneration structures are aligned to performance objectives, which are designed to support good member outcomes. Any conflict between individual objectives and members will be identified as part of the performance review process.

1.6 Waivers and exceptions

Any requests for exceptions to the policy should be made to the policy owner and escalated to the Remuneration Committee.

1.7 Compliance with Remuneration Code

All fixed and variable remuneration (with the exception of benefits in kind) is paid through the payroll for the entire company at pre-planned dates fixed in advance. No special arrangements exist for senior management or Code staff.

1.8 Responsibilities

Remuneration Committee

The Remuneration Committee has overall responsibility for remuneration matters delegated to it by the Board. The Committee's role is to consider the Remuneration Policy and its application to all employees, with particular scrutiny given to the remuneration of executive directors and executive managers. The policy is reviewed at least annually, or more frequently in the event of any significant change in strategy or approach to risk. The Committee continually assesses the adequacy and effectiveness of the policy.

The Committee is guided by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) Remuneration Code and oversees our compliance with remuneration disclosure requirements under the Capital Requirements Directive.

The Committee also oversees the implementation of measures in the remuneration policy to avoid potential conflicts of interest in the design of variable pay plans. This is to ensure that the interests of the Society, its employees and its members are aligned.

The Committee is chaired by a Non-Executive Director (NED) and consists exclusively of Non-Executive Directors. The Chief People Officer and the Head of Reward & People Services provide advice on remuneration policies and practices and are invited to attend meetings, along with the Chief Executive. The Chair of the Committee regularly engages with representatives from My Society. The Chief Risk Officer and the General Counsel are invited to attend meetings where appropriate. The Committee also benefits from specialist advice from its independent remuneration advisor (currently Deloitte).

No Director or other attendee is present during any discussion regarding their own remuneration.

NED Remuneration Committee

The Society has a separate Non-Executive Director Remuneration Committee with overall responsibility for NED remuneration. This is chaired by the Chief Executive.

Chief People Officer

The Chief People Officer is responsible for the design and implementation of the Society's reward strategy for all employees below Executive level. This ensures that the remuneration approach set out by the Remuneration Committee is incorporated into the Society's remuneration practices. The Chief People Officer is supported by the Head of Reward & People Services in the design of all remuneration practices.

Executives

The Executive team are responsible for implementing the remuneration policies and practices determined by the Remuneration Committee within their business areas. This includes making decisions on employee pay awards that align with the policy and as such the Society's Mission and Values.

Reward Team

The Reward team provides managers with expertise and support on remuneration issues, giving consideration to legislation and best practice. This ensures consistent implementation of reward practices and facilitates the implementation of the annual pay review, updates and reviews of salary benchmark data and management information.

The Board

In relation to Remuneration Risk, the Board approves changes to the Remuneration policy.

Risk Function

The Chief Risk Officer has responsibility for co-ordinating the oversight of implementation of the Remuneration Policy, Remuneration Code and other remuneration and incentives arrangements. The Regulatory Risk team is an integral part of the Risk function and have responsibility for oversight of the Remuneration Policy on behalf of the Chief Risk Officer. This includes ensuring that the Society establishes, implements, and maintains adequate policies and procedures that comply with applicable Regulatory Standards. The Risk function have input into the development of remuneration policies and the sign-off of year end outcomes - specifically the risk adjustment recommendations for the Remuneration Committee that determine if malus and/or clawback should be applied.

Internal Audit

The Internal Audit function provides independent assurance that the Remuneration Policy is being implemented Society-wide and operating effectively, through its independent review of the overall risk management framework.

2. Remuneration governance

The Chair of the Board

Recommendations for the remuneration of the Chair of the Board are made to the Board and will include an assessment the Chair's performance. The Chair of the Board is not present during any discussion regarding their own remuneration.

Executive Directors and Executives

Salaries of Executive Directors and Executives are considered by the Chief Executive, who takes proposals for review by the Remuneration Committee. Salaries are typically reviewed in April each year. The Society takes the same approach and guiding principles to the remuneration of Executive Directors and Executives as it does for all employees.

Non-Executive Directors (NEDs)

Non-executive directors (NEDs) receive a standard fee for their NED duties; they also receive an additional fee for chairing a Committee and/or holding the position of Senior Independent Director or Deputy Chair. Fees are set at a level that reflects the market and is sufficient to attract individuals with appropriate knowledge and experience to support the Society in progressing its strategy. NEDs are reimbursed for reasonable expenses, paid in accordance with the Society's policy.

NED remuneration is managed by the NED Remuneration Committee, which is independent from the Non-Executive Directors. The Committee consists of the Chair of the Board, Chief Executive and Chief Financial Officer, with the Chief People Officer and General Counsel attending as needed. The Committee sets and reviews the remuneration of Non-Executive Directors, who do not take part in the discussion of their own remuneration.

NED fees are reviewed annually, taking into account a number of factors like market data, individual experience and performance, annual pay increases awarded, the economic environment and the Society's performance. Non-Executive Directors do not participate in Success Share, pension arrangements or other benefits.

All other employees

The broad approach to annual pay awards is approved by the Remuneration Committee and includes engagement with the Union. Managers and Executives are responsible for deciding individual pay increases, in line with the pay review approach. Pay is usually reviewed in April each year.

Members

As a mutual organisation, we believe it's right to understand and be guided by the views of our Members. Consequently, the Remuneration Policy is considered by Members on an advisory basis every three years (or earlier if significant changes are made to it).

2.1 Code staff / Material Risk Takers

The PRA's and FCA's Remuneration Code identifies particular categories of roles as Material Risk Takers (MRTs); these roles must comply with specific remuneration regulations. The Society will provide confirmation to the PRA that all Material Risk Takers have been identified and listed. A record of MRTs is maintained and reviewed at least annually by the Chief People Officer and Head of Reward & People Services and approved by the Remuneration Committee.

Identification

Material Risk Takers are defined as:

- Employees who meet one or more of the criteria as laid out in the RTS (Regulatory Technical Standards) issued by the EBA (European Banking Authority) and updated with the Capital Requirements Directive V (CRDV).

MRTs include all employees within BIPRU (Prudential Sourcebook for Banks, Building Societies, and investment firms) regulated entities with managerial responsibility for their ability to influence the Group's overall risk profile. This is assessed using qualitative and quantitative criteria, which are prescribed for us, and which broadly capture:

- Board members, NEDs, and Executives
- Senior Risk employees
- Senior Finance employees (including Treasury)
- Those colleagues who are a voting member of a committee responsible for specific risk categories and/or product development
- Specific roles responsible for Financial Reporting, Legal, Information Security, Information Technology, and designing or implementing remuneration policy
- Any other role the Society deems to have a significant impact on the Society's risk profile

If you have been identified as a Material Risk Taker we will write to you and make you aware of the requirements of the PRA Remuneration Code and how they affect you.

Deferral

MRTs are subject to regulations, which may affect the structure of their pay. At the Society, most MRTs are currently exempt from the PRA Remuneration Code's requirements and are termed as "MRT's below the proportionality threshold".

As an MRT, you are exempt from the Code's requirements if:

- a) Your variable remuneration is no more than 33% of your total remuneration
- b) Your total remuneration is no more than £500,000
- c) Your variable pay is less than £44,000

MRTs who qualify for the Executive Variable Pay Plan (our Executive Directors and Executives - subject to eligibility) are subject to the Remuneration Code's remuneration requirements.

The following rules apply to Executive Directors who are termed as “Higher paid MRTs”:

- deferral of 60% of any variable remuneration over a period of 7 years
- retention of 50% of variable remuneration for a further 12 months after vesting and payment in the form of an equivalent share like instrument
- consideration as to whether there is a need to reduce (malus) and/or require repayment (clawback) of variable remuneration in certain circumstances.

Executives who fall below the “Higher paid MRT” rule are termed “Non-higher paid MRT’s” and are subject to deferral of 40% of variable remuneration for a further period of 5 years from date of assessment and are subject to the rules on retention (50% of variable remuneration for a further 12 months), malus and clawback outlined in section 8.

Any retained variable pay will be made as a cash payment but may be subject to downward adjustment during the retention period. Maximum levels of variable pay are currently limited to 80% of salary (60% ExVPP and 20% Success Share), which is within the fixed to variable pay cap defined in the Capital Requirements Directive (CRDV).

The Remuneration Committee monitors all awards made under our variable pay schemes to ensure adherence to regulatory requirements.

Anti-Hedging

Variable pay awards to MRTs are offered on condition that recipients will not use personal hedging strategies or take out any other form of insurance contracts that undermine the risk alignment that is intended by the award. If this condition is breached then the individual’s awards will be void.

2.2 Control functions

“Control functions” are defined under regulations as the People, Legal, Risk, Information Technology, Compliance, and Internal Audit functions. For control functions, remuneration is not determined within the business unit alone in order to avoid conflicts of interest. The Remuneration Committee is responsible for setting and overseeing the remuneration for senior officers in the Risk and Internal Audit functions.

As part of the annual pay review, salaries of senior employees in control functions are reviewed against peers who carry out similar roles in other organisations.

If you are employed in one of these functions, you will be eligible to participate in the Success Share Scheme as the Society believes that it does not affect your independence in any way.

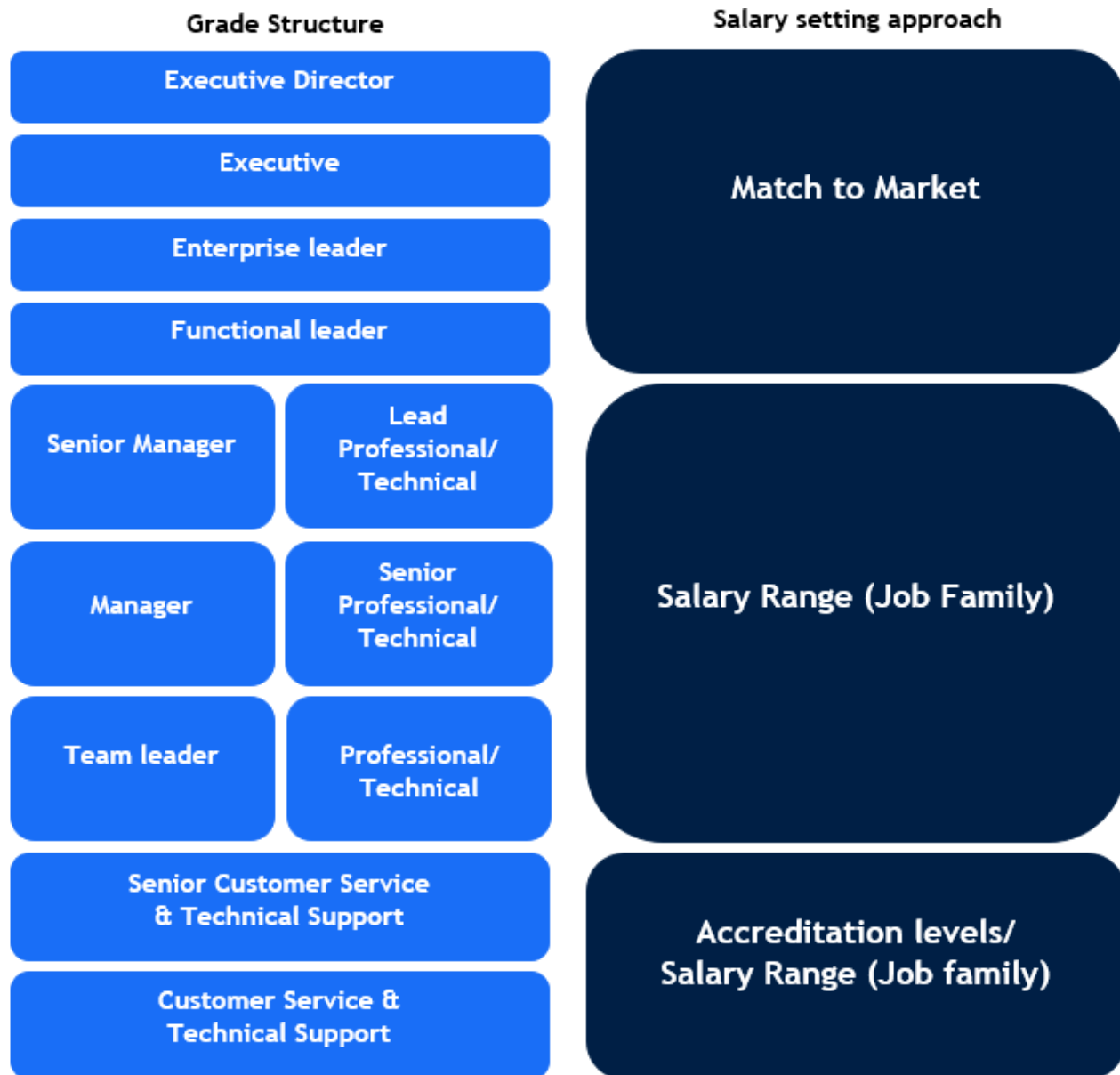
2.3 Contingent workers

The Society engages contingent workers for limited periods; generally to undertake project work, to provide a key skill or to meet an immediate resource requirement.

In engaging contingent workers, we are mindful of the principles of the Remuneration Policy. However, they are not employees of the Society and so are not eligible for any benefits or other variable pay outlined in our Remuneration Policy. The same applies to intermediaries and individuals staffing regional agencies.

3. The Grading Structure

We re-designed the Grading structure in 2019 to be simpler, more transparent, and straightforward to use. All our roles across the Society have been mapped to one of 9 levels in our grade structure. The grade reflects the size of the role and the skills, technical knowledge and specialisms required to do the job effectively.



Each role is then mapped to one of 20 job families; these are groupings of roles that have a similar purpose and require similar skills to perform. Your job family is used for benchmarking the salary range for your role (rather than your business area) with distinct groups of roles across the Society sharing the same salary range. Our more unique Functional Leader and Enterprise Leader roles aren't grouped together - instead they are individually matched to market.

To ensure the fairness and consistency of roles mapped to the grading structure the Reward team review any new and amended roles with the Enterprise Leader from the business area and their Lead People Partner. Enterprise Leaders from across the Society will be consulted in cases where the role being evaluated may have an impact on similar roles in their business area.

3.1 Salary Ranges and Broad Bands

A salary range is the range of salaries that an organisation is able to pay for each role, based on its value in the external market. The Society's salary ranges are aligned to the median salary paid by other financial services organisations for a similar role at the same level.

Each job family and grade have different salary ranges within them, depending on the number of different roles and their benchmarked market rate of pay. Most of our salary range maximums are at around 120% of market rate, with the minimum around 80%. Where you are positioned within your salary range depends on your level of competency in your role, your long-term performance, and the salaries of your peers.

- If you are paid below the minimum of your range, your salary will be increased to the minimum of the range straight away (unless in exceptional circumstances)
- If you are paid above the maximum of your range, you may continue to receive salary increases until you reach the maximum of your broad band

Broad bands are based on more generic market data specific to that job family and are significantly wider than salary ranges. They represent the range of salaries that the Society is able to pay for roles in that grade level and job family. There can be multiple salary ranges within the same broad band, depending on how roles with similar market rates are grouped together.

- Salary ranges can't extend outside the minimum/maximum of the broad band
- If you are paid below the minimum of your band, your salary will be increased to the minimum of the range straight away (unless in exceptional circumstances)
- If you are paid above the maximum of your band, you will only receive further increases as non-consolidated payments (for further explanation see p.14)

3.2 Remuneration benchmarking

We participate in salary surveys focused on the financial services sector each year to ensure that our pay and benefits package remains competitive. This process is called benchmarking and allows us to analyse the standard rate paid for similar roles across the market, including comparing our pay against our main competitors.

When benchmarking our remuneration packages, we have to make sure that the costs of running the Society remain sustainable and are in line with those of its competitors.

Each role has a salary range; this allows your salary to increase in line with the market and your experience. Some areas of the business have accreditation schemes, where you move between set pay points (known as Accreditation levels) when you have consistently met pre-set performance goals.

4. Individual Performance

The Society believes that you should share in the success of the organisation, and this forms an important part of our desire to attract, engage and retain high calibre employees. But if you do not perform to the required standard, then your pay awards and any payments under the Success Share scheme or other variable pay scheme will not be made.

Aspire is the Society's performance framework designed to give you the opportunity to shine. It's one of the ways we can work together to achieve the Society's ambition, strategy, and purpose.

Working together towards a set of shared goals is fundamental to our long-term and sustainable success. Sometimes we can get caught up in our own functions and roles, but we need to think about the bigger picture too and work together, supporting and empowering each other. And the shared goals will help you focus on the right things and how you set your own goals.

Aspire is all about the great, everyday conversations between managers and employees. Performance and development is driven by you and these conversations help us to get the right support, keep engaged and ensure we're on track to achieve our goals.

To be ambitious, we need to look forward and dream big and Aspire does just this through focusing on performance and goals for the future, rather than looking back. It creates the opportunity to be more flexible and agile so that areas of the Society can own the performance process in a way that suits them. As part of Aspire, there aren't any performance ratings so performance will be assessed through regular check-ins and reflections.

5. Fixed Pay Policy

5.1 Annual pay review

In April each year we conduct a review of everyone's pay. The size of the available pay award is based on a number of different factors:

- the Society's ability to fund a pay award - the overall pot for which is set by the Board through the annual budget process
- measures of inflation based on the Consumer Price Inflation and House Price Index (CPIH)
- market conditions which impact on employee attraction and retention
- the relative position of our salaries compared to market rates
- making sure that gender and equal pay principles are being funded
- any other factors highlighted by UNITE As part of the process of setting the pay review approach, we engage with the UNITE Union who are recognised to negotiate on your behalf.

As an employee of the Society you are eligible to be included in the annual pay review process, except in the following circumstances:

- if you are a new starter who joined the Society after 31 December
- if you are on a specific training scheme (e.g. formal Graduate schemes and Apprentices) and receive scheduled salary reviews outside the main pay review process

- if you have had a salary increase since 01 January for any reason other than a change in hours, receiving an acting up allowance, or a responsibility payment
- if you hand in your resignation on or before the April payday

If you are on maternity leave or long-term sick, you will be eligible for a pay award and will be considered alongside employees who are actively at work.

If you are promoted in April or May, we will take into account any pay award you received in the pay review process.

All Society employees are covered by the collective bargaining agreement, unless you are in one of the following grades: Enterprise Leader, Functional Leader, Lead Professional/ Technical, and Senior Manager. If you are in the People function or Executive Secretaries, then you are also excluded. The Chief People Officer is responsible for recommending the pay review approach and size of the pay award to the Remuneration Committee.

Non-consolidated pay

If you receive a pay award that takes your salary above the maximum of your broad band, you will receive a non-consolidated payment rather than a salary increase. Non-consolidated payments are pensionable and will be paid to you each month until your next annual pay review, when they may cease. These payments are not taken into account in the calculation of your other pay elements like shift pay, overtime or Success Share. They also don't count towards any future pay awards.

Leavers

If you hand in your resignation on or before April payday, you will be excluded from the pay award process - even if your leave date is after the April payday.

Additional pay elements

Depending on your working arrangements and requirements of your role, you may receive some additional pay elements. They could include shift pay, acting up allowance (if you are on a secondment), or responsibility payments. If you are eligible to receive them, they will be detailed in your contract of employment. We may withdraw or amend these payments if your circumstances change.

6. Pension Arrangements

Group Personal Pension (GPP) scheme

The Society considers your pension to be an extremely important benefit. Legal & General Assurance Society Limited is our pension provider for the Group Personal Pension scheme and is the qualifying scheme for Pensions Auto-enrolment.

All employees can join our Group Personal Pension (GPP) scheme and you will be automatically enrolled if you meet the auto-enrolment criteria.

Employee pension contributions

If you join the pension scheme you will need to contribute at least 5% gross (4% net) of your basic salary to your pension, the Society will make an employer contribution based on your grade and length of service, shown in the table below.

| Grade | Society Pension Contribution | | |
|---|------------------------------|-----------------------|--------------------|
| | 0 - 5 years' service | 5 - 10 years' service | 10+ years' service |
| Executive and Executive Director | 10% | | |
| Functional Leader and Enterprise Leader | 7.5% | 10% | |
| All other grades | 5% | 7.5% | 10% |

The new reward framework was implemented on 1 October 2019. The Society pension contribution for all Executives and Executive Directors appointed after this date align with the maximum contribution available to any employee of the Society (i.e. 10%).

Salary sacrifice

You can choose to pay your pension contributions through the Society's salary sacrifice scheme, called Paywise, this arrangement means that you will pay less tax and National Insurance.

Pension matching

If you want to put more money into your pension the Society will match any additional pension contributions, up to a maximum overall employer contribution of 10%. If you have already reached the maximum employer contribution you can still top up your pension pot through additional voluntary contributions (AVCs). The Society won't match your AVC, but you will still receive tax relief on them.

Annual pension allowance

The Annual Allowance restricts the amount of tax-free pension savings you can make in the tax year, currently £60,000. If your adjusted income is over £260,000 your Annual Allowance in the current tax year will be reduced. For every £1 of earnings you're over £260,000, your annual allowance will reduce by 50p. The minimum reduced Annual Allowance is £10,000. Your earnings are taken to be your taxable income plus the value of your employer pension contributions.

It is not necessarily a bad thing to exceed your annual allowance, as the benefits of pension savings may outweigh the tax charge depending on your requirements for income in retirement. To assess your personal situation you may want to discuss this with an independent financial advisor.

Lifetime pension allowance

The Lifetime Allowance restricts the amount of tax-free pension savings you can make in your working life. In April 2024 the Government removed the Lifetime Allowance.

Early retirement

If you are a member of the GPP scheme, you may access your savings from age 55 in line with Government regulations. Your income in retirement is determined by the amount of savings you have at the time of your retirement. You could access them in the form of an annuity, drawdown, cash or a combination of these options. If you want to access your savings at an early age, you should take into consideration that your savings may not last for the full period of your retirement.

If you were a member of the final salary scheme (SSF) you can access your benefits before age 60 (65 for ex-Stroud & Swindon members) but you will have your benefits reduced based on the advice of the scheme actuary. You may access your pension scheme in line with Government regulations (currently minimum age 55).

7. Variable Pay policy

7.1 Success Share

Success Share is a key part of your total reward. It is a discretionary plan which enables all employees to share in the Society's success, without affecting the sustainability or cost-efficient running of the Society in the longer term. It also helps the Society to be competitive in attracting and retaining high calibre employees.

The same scheme applies to all eligible employees with the same measures being used to calculate their payments. This includes; Executive Directors, Executives and 'Material Risk Takers' - including staff in 'control functions'. It does not apply to Non-Executive Directors or contingent workers.

No employee is incentivised on the basis of individual or team sales targets.

Balanced Scorecard targets

Your Success Share payment is based on the Society achieving a number of challenging balanced scorecard targets linked to strategic measures like; growth, capital strength, costs, profitability, project delivery, control of risk, customer experience and employee engagement. At the end of the Scheme year, the Remuneration Committee assess the Society's performance against the Scorecard and determines the right payment. The Committee may apply its discretion in reducing any award if it determines that acceptable standards or performance levels have not been met.

Payment

Your payment is calculated as a percentage of your basic annual salary and acting up allowance for the period between 01 January and 31 December. If the scheme pays out, you will receive your payment the following year after the Report and Accounts have been approved by the Board. Payments to Executive Directors and Executives will be subject to deferral, retention, malus, and clawback rules, in compliance with the PRA's Remuneration Code.

Leavers

If you leave the Society before the payment date due to retirement, redundancy, ill-health / disability, or death - you are considered to be a 'good leaver'. You will receive a prorated Success Share payment based on the number of eligible days you were in the scheme.

If you hand in your resignation on or before the payment date, are dismissed, or leave for any reason other than the ‘good leaver’ reasons listed above - you are not considered to be a ‘good leaver’. You will not receive a Success Share payment, even if your leave date is after the payment date.

7.2 Executive Variable Pay Plan

The Remuneration Committee operates an Executive Variable Pay Plan (ExVPP) for Executive Directors and Executives to ensure that their remuneration package is strongly linked to the Society’s long term performance and members’ interests. This is aligned with the Prudential Regulation Authority’s preference to link reward to long-term performance.

The Plan also helps to recruit and retain high calibre Executive Directors and Executives, and to ensure that their remuneration packages reflect their responsibilities, performance, and experience.

Balanced Scorecard targets

Payment is based on the achievement of the same challenging balanced scorecard targets as the Success Share scheme. Under the ExVPP, participating Executive Directors and Executives are eligible to receive a performance related payment based, on the achievement of challenging targets over a one year performance period. The same balanced scorecard applies to both the ExVPP and Success Share plans, but Executives have a 70:30 weighting between the balanced scorecard and individual goals.

To protect the interests of the Society’s members, the Remuneration Committee may withhold or reduce any payment if it considers it appropriate, in light of either our overall performance or economic conditions. In assessing this, the Committee focus on the Society’s balanced scorecard, which includes strategic measures like; growth, capital strength, costs, profitability, project delivery control of risk, customer experience and employee engagement. These are considered alongside individual and business unit performance and conduct, and any other factors or events the Committee considers to be relevant.

Payment

Payments under the Executive Variable Pay Plan are subject to a maximum and are paid in stages. Subject to meeting the required performance targets, the ExVPP would provide a cash payment of up to a maximum of 60% of salary for Executive Directors and up to a maximum of 30% of salary for Executives.

The Plan is designed to make payments following the end of the performance year, in several stages over a period of up to seven years, providing that consistent and strong performance is achieved against the Plan.

PRA Remuneration Code

All variable pay is subject to the PRA’s Remuneration Code rules, these rules include; deferral, retention, malus and clawback. How these requirements impact on individuals within the Society is outlined in the Material Risk Taker section of the Remuneration Policy (section 2.2). The arrangements will be applied to current and future variable pay schemes, subject to amendment as required by regulators.

Leavers

If you leave the Society before the payment, provisions are as outlined above for Success Share.

8. Malus and clawback

In compliance with the Remuneration Code on performance adjustment, we are required to have measures in place to ensure that any variable remuneration is paid or vests only if it is:

- sustainable according to the financial situation of the firm as a whole; and
- justified on the basis of the performance of the Society and the individual

In the interests of ensuring sound risk management for the benefit of the Society as a whole, and in order to ensure that we are compliant with our regulatory obligations, all variable remuneration is subject to malus and clawback provisions. These conditions are set out in our contracts for senior employees and all bonus documentation for senior employees. This policy is designed to provide certainty and clarity on the circumstances which trigger malus and clawback and define the process which will apply when those circumstances arise. It is our aim to ensure that colleagues can be confident of an objective basis for the assessment of malus and clawback, and a fair and transparent decision-making process.

Details of the clawback and malus procedure are set out in a separate policy document.

9. Other remuneration and benefits

Holiday entitlement

Your holiday entitlement is based on your grade and length of service, as detailed in the table below.

| Grade | 0 - 5 years' service | 5+ years' service |
|--|---------------------------|---------------------------|
| Customer Service & Technical Support, Senior Customer Service & Technical Support | 25 days & 8 Bank holidays | 28 days & 8 Bank holidays |
| All other grades | 28 days & 8 Bank Holidays | |

Holiday trading

You also have the option to purchase up to ten additional days' holiday or sell up to five days' holiday at the start of each new holiday year. This is providing that you take the legal minimum of 28 days leave - including bank holidays.

Recognition schemes

The Values in Practice (VIP) Award scheme was set up to recognise anyone who displays the qualities and actions that we want to encourage and promote, in order to put members first. The scheme does not include awards or incentives to recognise individual or team sales performance.

We also want to celebrate when you reach important length of service milestones (5, 10, 20, 30 and 40 years' service).

Childcare allowance

You can claim childcare allowance for each of your children until the September after your child turns 4, provided that you are earning a full-time equivalent salary of less than £49,749 per year. Your payments will vary depending on the number of hours you work.

Life assurance

You are covered by the group Life Assurance scheme, so should the worst happen your nominated beneficiaries will receive a cash payment of six times your annual basic salary (subject to meeting certain conditions detailed in the scheme documentation on the Base).

Car and car allowance

The Society provides a car or car allowance for those roles where it is appropriate. This can either be because:

- You are an Essential Car User, where your job requires that you travel on Society business more than 8,000 miles per year, or
- You are a Non-Essential Car User, where a car or a monthly car allowance is part of your remuneration package

Non-Essential cars and car allowances are only provided for roles where providing a car is usual market practice. As a Non-Essential Car User you may opt to take the cash alternative instead of a Society car, the monthly car allowance amount is based on the grade of your role.

If we provide a Society car, all car-related costs are met by us, including road fund licence, insurance, repairs and servicing, breakdown recovery services and costs of petrol for business mileage.

As part of its Environmental, Social and Governance (ESG) and Net Zero commitments, the Society has provided all permanent employees with the opportunity to lease an electric or hybrid vehicle (EV) through a salary sacrifice scheme. The scheme allows you make significant savings on the cost of an EV lease, due to the income tax and national insurance savings associated with paying through a salary sacrifice arrangement.

Sick pay

We recognise that it is important to support you during spells of sickness absence. Your sick pay eligibility is based on your length of service detailed in the table below.

| 0 - 6 months' service | 6 - 12 months' service | 1 - 4 years' service | 5 + years' service |
|-----------------------|------------------------|----------------------|--------------------|
| 0 weeks full pay | 6 weeks full pay | 12 weeks full pay | 26 weeks full pay |

Group Income Protection (GIP)

Should you be unable to work due to long-term sickness you will continue to receive 50% of your base salary for a period of up to 5 years through our Group Income Protection scheme.

Private medical insurance (PMI)

PMI is offered to roles in certain grades as detailed in the table below. If you are not in an eligible grade, you will become eligible after you have completed 10 years' service. In addition, once in the scheme you are able to pay to protect your family at the company rate.

| Grade | 0 - 10 years' of service | 10 + years' of service |
|---|--------------------------|------------------------|
| Lead Professional/Technical, Senior Manager, FL, EL, Executive & Executive Director | Eligible for PMI | |
| All other grades | Not eligible for PMI | Eligible for PMI |

Health screening

Health screening is offered to roles in certain grades as detailed in the table below. The service is offered every 2 years, or every year if you are aged 50 and over.

| Grade | Eligible for health screening? |
|---|--------------------------------|
| Lead Professional/Technical, Senior Manager, FL, EL, Executive & Executive Director | Yes |
| All other grades | No |

If you are not in an eligible grade, you can still pay to have a health screen, the cost can be paid in instalments from your salary.

Wellbeing Programme and Employee Assistance (EAP) Helpline

Our Wellbeing programme gives you access to a wide variety of activities, support, and information about managing and improving your physical, mental and financial wellbeing.

One of the benefits funded by us is the Employee Assistance Helpline, which provides professional, independent, and confidential help to support your wellbeing.

Full details of the range of benefits available to you under the Wellbeing programme are available on the Base.

Aviva Wellbeing

A health and fitness app designed to promote wellbeing by encouraging you to make small simple changes to your day to day life. The app helps you to track your fitness activities, take on fun challenges and make personalised action plans. It rewards points for healthy actions that can be used on a range of offers that complement health and lifestyle goals.

Aviva Digital GP

A service that offers you quick, around the clock access to GP video consultations and repeat prescription services.

'My Lifestyle'

You can choose to take advantage of our voluntary benefits scheme, 'My Lifestyle'. The scheme offers discounts such as shopping vouchers, holiday deals, insurance products, spa vouchers, cinema tickets, and many other opportunities to save money.

Sponsorship for further education

We recognise that professional qualifications play an important part in your individual learning and development, so we may sponsor your professional development where it is relevant to your role or career progression.

10. Executive recruitment and retention

The Society has set out rules governing exceptional awards for the recruitment and retention of Executive Directors and Executives that are in line with regulatory guidance and safeguard the Society's interests. Details of the procedures for buyouts, guaranteed variable pay, retention, sign-on awards, and relocation are set out in a separate Executive recruitment and retention policy document.

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