

YOUR  
SOCIETY

# 2020

*Welcome*



Review of the Year



Summary Financial  
Statement 2020



Meet your  
Directors



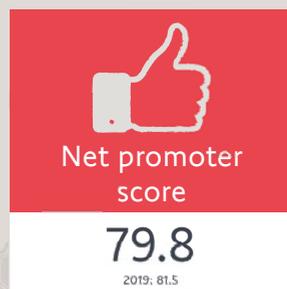
Notice of Annual  
General Meeting

## Building your future

 **Principality**  
Building Society  
Cymdeithas Adeiladu

Where home matters  
[www.principality.co.uk](http://www.principality.co.uk)

# Key highlights of 2020



The above measures, apart from statutory profit before tax, are Alternative Performance Measures (APMs). Further information on these APMs can be found in the Annual Report and Accounts, with definitions included within the glossary.

# Welcome

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Chief Executive's  
Review of the Year



## Review of the Year and Summary Financial Statement 2020

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Meet your Board  
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General Meeting



## Chair's Review of the Year

I sincerely hope this report finds each of you in good health after a very challenging 2020 for us all. The Board and I are proud that our colleagues across the business still helped to meet the needs of our Members during the COVID-19 pandemic, including helping to implement more than 15,000 mortgage payment holidays when people most needed our support. Colleagues adapted brilliantly, despite almost 800 of them who are based in our Cardiff headquarters working from home since March 2020.

A special thanks must go to hundreds of our branch colleagues who served their communities for essential transactions right throughout this pandemic, handling difficult situations with great sensitivity. All our colleagues continued to operate with the highest professionalism and empathy that makes Principality stand out as an award-winning business for customer experience. I am proud the business remained strong and resilient enough to have kept everyone in employment and pleased no one was furloughed. The crisis was a real test of our operational resilience which we passed.

### Performance

In terms of performance numbers, our assets have increased to more than £11bn and despite very challenging economic conditions, we achieved an underlying profit before tax<sup>1</sup> of £24.1m (2019: £39.8m) and statutory profit before tax of £19.9m



*Pictured: Laurence Philip Adams, Chair*

(2019: £39.6m), further strengthening our capital base which is what gives us the ability to trade through tough times whilst still allowing us to invest for the future.

As promised, we continued to invest previous profits back into the business to improve our technology so we could offer our Members improvements to their customer service.

I am pleased we have been able to boost the security measures around our accounts and have been able to offer some innovative savings and mortgage accounts to first time buyers thanks to improved online measures. Our improvements to our technology also mean we can now make much quicker mortgage offers to our Members. All of our investment serves to make our business more flexible to meet the demands and needs of our Members. The Board and I are pleased

<sup>1</sup> See reconciliation on page 14.

to see that we are adapting to ensure we futureproof Principality so we can provide greater customer service for our current Members, while making the business relevant for future generations of Members.

### Supporting our communities and Members

Our work in financial education has once again been outstanding as we have helped educate thousands of young people about managing their finances. Taking our support online is also the way forward, particularly in the current climate, although I know our colleagues will no doubt once again provide classroom support as they have done for thousands of children in Wales, once they are allowed.

Our colleagues have also raised £152,000, which includes the business match-funding, for our two charity partners Alzheimer's Society Cymru and Teenage Cancer Trust Cymru, during the second year of our three-year partnership. We are always pleased as a Board to see colleagues making a difference to people who need our help the most.

The decision to support our charities with an extra one off donation of £30,000 split evenly between the two charities once the pandemic had taken hold was the right thing to do because so many charitable organisations are struggling to stay afloat right now.

### Governance

Principality is a Member owned organisation. We particularly welcome feedback from all of our Members whether it is via our branches, by telephone, email, letter, Member forums or at the AGM. We are very focused on making sure we have insight into every aspect of our business with the highest standards of governance and that reflects the interests of all stakeholders.

*Pictured:  
Indigo Bevan, Fiver Challenge  
2020 Competition Winner*

*Pictured: Principality colleagues helped raise money  
for charity partners and community projects in 2020*



There are quite a few farewells and welcomes for me to mention this year. Firstly, I would like to thank Mike Jones who acted as interim CEO for most of 2020 and welcome Julie-Ann Haines as our new CEO. Julie-Ann knows our business inside out, having been our Chief Customer Officer for many years. Mike returns to his former role as Chief Risk Officer.

We say goodbye to two long-standing employees, Peter Hughes, who has been the Managing Director of our Commercial business for 18 years, and the mastermind behind the Mill in Cardiff, which will see more than 800 homes built on an old brownfield site, more than 400 of them affordable rented homes. It is farewell also to Mike Borrill, our Company Secretary who is stepping down after more than 30 years working for Principality. There isn't much that Mike doesn't know about our business and his encyclopaedic knowledge will be missed. On behalf of all our colleagues and Members, I want to say thank you for the enormous contribution you both have made to the Society.

I made a decision as part of our succession plans to step down from my role as Chair of the Board in April 2021 and I'm delighted Sally Jones-Evans will be appointed as my successor, subject to regulatory approval, and will be our first ever female Chair. Sally's 30 years of experience in retail banking which involved leading people mainly in areas directly serving customers, made her the ideal candidate to take over as Chair. She has been a prominent Non-Executive Director Board member for the past five years and has a deep knowledge of the business and what matters to our Members.

This is another proud moment in Principality's rich history as we now will have our first female Chair, joining Julie-Ann Haines our first female CEO, working in tandem to take our business forward.

## Future

On behalf of the Board I want to thank our wonderful colleagues for their continued contribution to another successful year in very stressful circumstances. I am fortunate as the Chair to meet so many of our committed, professional and enthusiastic people and I know from these meetings that the Society is in excellent hands. I'm so proud and privileged to have been part of this special organisation. Our business has grown from a balance sheet of £5bn to more than £11bn in the past eight years and has enabled us to grow our mortgage business. To double the size of our business over this period is a real achievement of which we should all feel very proud. Principality is in a robust position and will continue to provide a safe home for savings and help home owners get a home and stay in it for longer.

Finally, we would not be successful without the support of you, our loyal Members. I would like to thank each of you for continuing to choose Principality and wish you a healthy and prosperous future.



Laurence Philip Adams  
**Chair of the Board**  
 16th February 2021

# Chief Executive's Review of the Year

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In my first report as Chief Executive Officer, I would like to start by thanking our colleagues who have shown exceptional commitment to each other, our Members and communities over the course of the year.

Despite facing significant disruption and uncertainty this year, we maintained our award-winning customer service. During the first half of the year we had to deal with a number of operational challenges, not least enabling around 800 colleagues from our head office to work effectively from home. Our colleagues across the business helped more than 15,000 homeowners who needed a mortgage payment deferral, helping them to cope with the financial uncertainty created by the COVID-19 pandemic.

I want to thank all our senior teams who have worked hard to protect colleagues' physical and mental wellbeing to ensure that we could continue to provide essential services to Members in our local communities, with branches remaining open throughout. The strength and resilience of our business has allowed us to keep everyone in employment and not to furlough anyone.

## **Strong and resilient building society**

Providing a safe and secure home for our Members' savings is fundamental to the ongoing success of our business and our aim is to continue to build scale, strength and resilience. As a building society owned by our Members we are not under pressure



*Picture: Julie-Ann Haines, Chief Executive Officer*

to meet the needs of shareholders by maximising profits; rather we want our Society to focus on the long term needs of Members, communities and society, helping people to prosper in their homes.

Last year we signposted an expected reduction in profits in 2020 due to continued investment in technology to transform our core mortgage and savings operations. In addition, we have increased our provision levels by £9.1m (2019: release of £4.1m) to cover potential future losses arising from the economic downturn caused by the pandemic. Whilst no significant credit losses have been incurred to date, we recognise that some customers may experience financial difficulties over the next few years, and our conservative approach takes into account economic forecasts of factors including unemployment levels and property prices.

Principality has strong capital reserves but this conservative approach has had a significant impact on results for 2020, resulting in an underlying profit before tax of £24.1m (2019: £39.8m) and statutory profit before tax of £19.9m (2019: £39.6m). This is a creditable performance given the economic conditions we have been operating in and the continued investment we have chosen to make in our technology platforms.

We have continued to grow our mortgage book but at a reduced level than in previous years. This growth was funded by increased levels of Members' savings through a broader online product offering. Our retail mortgage lending increased by £182m this year (2019: £499m), taking total retail lending over £8bn for the first time, despite the UK housing market coming to a standstill for the best part of four months in the first half of the year. We have seen demand in the market increase during the second half of the year and we have a strong pipeline to start 2021.

The Bank of England base rate was reduced in March to an historical all-time low of 0.1% from an already low base. This has had implications on both mortgage margins and funding rates and as a result we have had to make some very tough decisions on savings rates to ensure that we continue to be financially sustainable, whilst continuing to invest in the Society. Despite this, we have increased the amount of savings we hold by £596m (2019: £599m), which has helped take our total assets above £11bn for the first time in our history.

Our Commercial team once again contributed in helping our communities, with work completed on the second phase of affordable homes at The Mill development in Cardiff. The team have now completed £55m of the £75m affordable housing fund established in 2018 and pleasingly this has seen take-up from housing associations across all corners of Wales. We continue in our efforts to make housing more environmentally sustainable and are delighted to be supporting a number

of house-builders through funding of solar powered and zero carbon homes.

### Continuing to invest in technology

It is important we look to the future and continue our programme of investment in technology to further improve our award-winning service and broaden the range of products we are able to offer to our Members.

I am pleased that as a result of improvements to our technology we are able to offer a wider range of products available online, such as our NHS Thank You savings and mortgages for NHS workers in Wales, and First Home Steps savings account to help people save for a deposit for their first home. Our enhanced online security has made Members' accounts more secure, whilst a new web chat function has been added to improve the customer experience. Our ambition is to move at pace in the next few years to continue to invest in technology to improve our proposition and offer greater flexibility to our Members. We will continue to complement this with the outstanding branch service we operate in Wales and along the borders with England.

### Stand out experience

For the third year running Principality has won the What Mortgage award for Best Building Society Customer Service and were also named as a Which? Recommended Provider for Savings Accounts, 2020. This is reflected in the Society's Net Promoter Score<sup>1</sup> which is well above the sector average at just under 80% meaning almost 8 out of 10 Members say they would recommend Principality to family or friends based on their level of satisfaction.

### Colleagues supporting communities

Our people are our greatest asset and we strive to create a friendly, open and inclusive culture. It was wonderful to be acknowledged once again as one of the best places to work in the UK by Great Place to Work<sup>®</sup>. Our colleagues continue to make us stand out in the sector and are renowned for their warmth, personal approach and empathy.

I am very proud of the efforts our colleagues have made to improve the lives of others. As a purpose led business, we will continue to work hard to help our communities deal with the many challenges they face. This has included helping communities during the floods across Wales in February and providing support to projects during the pandemic, as well as donating £1,000 each to 10 different local charities across Wales selected by our colleagues.

Principality colleagues continued to find innovative ways to raise money for charity this year. With match funding from the business, a total of £152,000 was donated, split equally between Principality's two charity partners Teenage Cancer Trust Cymru and Alzheimer's Society Cymru.

Principality has also partnered with Young Money for their Fiver Challenge which encourages the development of entrepreneurial and financial education skills for children, while raising money for local causes. 7,200 children signed up for this digital challenge through their schools and we hope to see many more take part in 2021.

### New Executive team

Since becoming CEO in September, a number of new colleagues have joined the Executive team and I am delighted that we could promote internally from our existing pool of talent, with Tony Smith appointed as our Chief Governance Officer and Vicky Wales as our Chief Customer Officer. Both bring extensive experience from across the finance sector to their roles. I also appointed a new Chief People Officer, Lorna Kerr and Head of Strategy, Ben Joakim, both of whom will be huge assets to the business. These new additions to the Executive team join a highly experienced group of Executive Board Directors and together we look forward to taking your Society from strength to strength over the coming years.

### Thank you

I would like to say farewell to our outgoing Chair of six years, Laurie Adams, who will leave us at the end of April. Laurie has played a big part in overseeing our plans to grow the business and the outstanding customer service we continue to provide. His wealth of experience and knowledge has helped us to achieve this. We are grateful for everything he has done for our Members and colleagues during his time at Principality and wish him all the best for the future.

### Outlook

We expect the economic environment to remain challenging in 2021 and beyond as the impact of the pandemic continues to be felt. In these difficult circumstances, I want to assure Members that Principality remains a safe home for their savings, and has the strength to resist the turbulence we are all facing. Our strategy and long term priorities remain unchanged and, while our immediate focus remains on helping Members, colleagues and communities through these uncertain times, we remain committed to developing and growing our business in a safe and secure way. I would like to thank you, our Members, for the continued support you have shown the Society in 2020 and hope that you and your families are keeping safe.



Julie-Ann Haines

### Chief Executive Officer

16th February 2021

<sup>1</sup> We continually survey our customers and brokers who have had a recent interaction with our colleagues across Retail, Connect, Regulated Sales and Customer Services. In 2020, we received over 15,000 completed surveys, in which we asked our customers and brokers to rate on a scale of zero to ten how likely they are to recommend us to their friends and family, and from this we are able to create a Net Promoter Score, which is a measure of their satisfaction and relationship with Principality.

The Net Promoter Score is calculated by taking the proportion of respondents classed as Detractors (those rating 0 to 6) from the proportion of respondents classed as Promoters (those rating 9 or 10). In 2020, there were 84.2% of respondents who were classed as Promoters with just 4.4% of respondents being classed as Detractors.

## Supporting our Members and Communities

### Community work

It has been a tough year for our communities as first the flooding in the early part of the year and then the COVID-19 pandemic has impacted enormously upon the welfare of families, vulnerable individuals and businesses, as well as the charities we support. Our wonderful colleagues have done their best to help those most in need of support.

### Charity partnerships

More than **£152,000** was raised for our two charity partners in 2020 – Teenage Cancer Trust Cymru and Alzheimer’s Society Cymru.

Since the partnerships started in 2019, colleagues have raised **£297,000** split equally between the two charities. All funding is going towards the Dementia Connect Service in Wales and the TCT Unit at the Heath Hospital in Cardiff.

Over **£2,000** was raised for BBC Children in Need 2020 with our CSR Manager taking part in the BBC Countryfile Rambles.



## Financial education

- Just over 10,000 children and young people have benefitted from our financial education activities in 2020.
- This figure includes the Fiver Challenge, with 7,200 primary pupils across Wales taking part, putting their entrepreneurial skills to the test and setting up their very own mini businesses with purpose. 2020 was our first year of sponsorship of the Fiver Challenge in Wales and we look forward to working with Young Enterprise again in 2021.
- Our sponsorship in secondary schools saw 1,466 school children across Wales gain the Level 2 Certificate in Financial Capability and Career Development with the London Institute of Banking and Finance (LIBF). This qualification is a GCSE equivalent.
- Another 1,172 children gained other LIBF qualifications, including Lessons in Financial Education (LiFE).
- Strade School in Llanelli became a recognised Young Money Financial Education Centre of Excellence in 2020. We funded their involvement in this programme which helps build a financial education culture across the school and the wider community.

## Volunteering

- Colleagues have volunteered more than 250 hours in 2020 to support community projects. The majority of this involved supporting schools before lockdown in March.
- Towards the end of 2020 we started helping our charity partner Alzheimer's Society Cymru with their companion call programme, which sees colleagues phoning people who live with dementia, to give them company.
- We tried to help in local communities as much as possible and in very different ways this year too. We donated three of our maintenance vans to good causes,

two going to homeless charities Llamau and The Wallich to help with their outreach activities, and another one going to the Free Bikes 4 Kids Community Project which aims to provide children, schools and key workers with bikes. We have also donated 100 new cycling helmets to the project on behalf of our branches in Newport and Cwmbran.

- During lockdown we donated 150 rugby balls and 41 footballs to children – to help them keep up their skills and health.
- We donated 26 tablets to help keep schools and people connected and support online learning.

## Sponsorship

Due to the pandemic the events we would normally sponsor, such as the Royal Welsh and Eisteddfod, were sadly cancelled. We understand this may have been a disappointment to some of our Members and are working on our plans for Summer 2021.

As proud partner to Welsh Rugby and sponsor of Principality Stadium and the National Youth Leagues for grassroots clubs in Wales, our Members did benefit from ticket competitions and access to tickets for the Guinness Six Nations games that took place at Principality Stadium before lockdown.

We felt it was important to bring cheer to our rugby communities running a competition for a virtual clubhouse quiz, hosted by Welsh World Cup referee Nigel Owens. Pembroke Panthers RFC were the lucky winners, with players winning prizes donated by the WRU, including tickets to Welsh internationals at Principality Stadium, signed rugby shirts and balls, and tickets for a tour around Principality Stadium when guidance permits.

Despite Principality stadium being used as a temporary field hospital, we felt it was important to acknowledge that Principality Stadium is – and will always be – the home of Welsh Rugby.

During the Autumn Nations Cup, we encouraged the nation to cheer on from their own homes, giving away supporters packs, designed to recreate a traditional match-day experience from home, to lucky Members, as well as rugby clubs in Wales who had been impacted severely by the floods in February 2020. It was our way of bringing a piece of Principality Stadium to homes across Wales and encouraging sofa supporters stretching from Cardiff to Conwy.

We hope 2021 will give us more opportunity for our Members to enjoy our sponsorships.

### Members

We pride ourselves on listening to our Members so colleagues can understand how to meet their needs and expectations. Members tell us that they value the friendliness and helpfulness of our colleagues.

The Member Forum is made up of volunteer Members who act as a collective voice for all Principality Members. They attend meetings on a quarterly basis to share their views and tell us what they think of our products, initiatives and to help us make the right decisions for all our Members. The forum has had significant and valuable input into the continuing strategy of the Society and we thank all of our forum Members for the advice and support they have given us this year.

Principality also engages with its Members in a number of other ways:

- At the Annual General Meeting, Members have the opportunity to vote and put questions to the Board. Our AGM this year was made available online for our Members to meet government social distancing guidance.
- In normal circumstances, Principality's senior leadership team holds regular Talkback events all over Wales and the borders but due to government guidance that wasn't possible. Instead we held a virtual update in December to introduce Members to our new CEO Julie-Ann Haines.

The background of the entire page is a repeating pattern of various teapots and teacups. The teapots feature different designs: some have polka dots, some have floral patterns, and one has the word 'MUM' written on its side. The teacups also have various patterns, including stripes and geometric shapes. The overall color scheme is a mix of light and dark teal/green.

# Summary Financial Statement

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# For the year ended 31st December 2020

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This Summary 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, on demand, at every office of Principality Building Society and on the internet at [www.principality.co.uk](http://www.principality.co.uk) by 9th April 2021.

## Summary Directors' Report

The Summary Directors' Report comprises the 2020 highlights, Chair's Review of the Year and the Chief Executive's Review of the Year.

Approved by the Board of Directors on 16th February 2021 and signed on its behalf by:

Laurence Philip Adams  
Chair



Julie-Ann Haines  
Chief Executive Officer



Tom Denman  
Chief Financial Officer



## Consolidated income statement

	2020 £m	2019 £m
Net interest income	108.6	111.4
Other income and charges	(1.4)	4.2
Operating expenses	(79.9)	(80.1)
Impairment provisions	(9.1)	4.1
Other provisions	1.7	-
<b>Profit for the year before taxation</b>	<b>19.9</b>	<b>39.6</b>
Taxation	(4.0)	(7.6)
<b>Profit for the year</b>	<b>15.9</b>	<b>32.0</b>

## Reconciliation of statutory profit to underlying profit

	2020 £m	2019 £m
Statutory profit before taxation	19.9	39.6
<b>Adjusted for:</b>		
Losses from derivatives and hedge accounting	4.1	0.2
Additional pension charge for GMP equalisation	0.1	-
<b>Underlying profit</b>	<b>24.1</b>	<b>39.8</b>

The purpose of the underlying profit measure is to reflect management's view of the group's underlying performance, presented to aid comparability across reporting periods by adjusting for items which affect statutory measures but are deemed to be either non-recurring or uncontrollable in nature. This aligns to measures used by management to monitor the performance of the business and inform decisions regarding variable remuneration.

## Consolidated balance sheet

	2020 £m	2019 £m
<b>Assets:</b>		
Liquid assets	1,807.9	1,569.6
Loans and advances to customers	9,204.9	9,033.1
Fixed and other assets	108.1	93.1
<b>Total assets</b>	<b>11,120.9</b>	<b>10,695.8</b>
<b>Liabilities:</b>		
Shares	8,187.5	7,588.5
Borrowings	2,200.1	2,378.1
Other liabilities	136.0	84.6
Retirement benefit obligations	2.7	-
Subscribed capital	-	61.2
Reserves	594.6	583.4
<b>Total equity and liabilities</b>	<b>11,120.9</b>	<b>10,695.8</b>

## Summary of key financial ratios

At 31st December:	2020 %	2019 %
<b>Common Equity Tier 1 capital ratio</b>	27.10	26.20
The ratio represents the relationship between the strongest form of capital (primarily accumulated profits that have built up over time) and assets, weighted by the level of risk they carry. Its purpose is to ensure that we are able to absorb unexpected losses.		
<b>Liquid assets as a percentage of shares and borrowings</b>	18.46	15.75
This ratio measures our ability to meet requests for savings withdrawals, to make new mortgage loans to borrowers and to fund general business activities.		
<b>Profit for the year as a percentage of total assets</b>	0.14	0.31
This ratio measures the profit made in the year relative to the average amount of assets held.		
<b>Management expenses as a percentage of mean total assets</b>	0.73	0.79
Management expenses are the cost of running the Society. This ratio measures how efficient we are being, with a lower number indicating greater efficiency.		
<b>Gross Capital as a percentage of shares and borrowings</b>	6.07	6.46
The ratio measures how much capital we have to protect our Members and other creditors against unforeseen eventualities.		

# Independent Auditors' Statement to the Members and Depositors of Principality Building Society

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We have examined the Summary Financial Statement of Principality Building Society for the year ended 31 December 2020 which comprises the results for the year, financial position at the end of the year and summary of key financial ratios together with the Chair's Review of the Year.

## Respective responsibilities of Directors and auditors

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

Our responsibility is to report to you our opinion on the consistency of 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.

## Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts, Annual Business Statement and Directors' Report. Our report on the Group and Society's full Annual Accounts describes the basis of our audit opinion on those full Annual Accounts.

## Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Principality Building Society for the year ended 31 December 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

## Use of our report

This report is made solely to the Society's Members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's Members those matters we are required to state to them in an auditor's report 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, for our audit work, for this report, for our audit report, or for the opinions we have formed.



Deloitte LLP  
**Statutory Auditor**  
Cardiff, United Kingdom  
16th February 2021

# Report of the Remuneration Committee

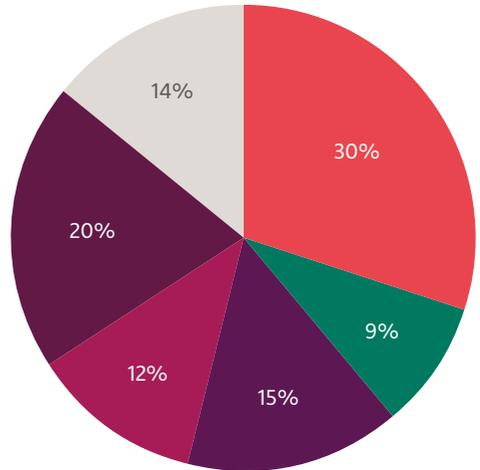
## for the year ended 31st December 2020

Membership of the Remuneration Committee during 2020 remained consistent and comprised:

- Sally Jones-Evans – Chair of the Committee and Non-Executive Director
- Laurence Adams – Chair of the Board
- Nigel Annett – Non-Executive Director
- Claire Hafner – Non-Executive Director

A significant proportion of the Committee’s time throughout 2020 has been dedicated to:

- Setting appropriate pay for Executive appointments, for both the permanent new Chief Executive Officer and Chief People Officer, and the Interim Chief Executive, Chief Risk and Chief People Officers.
- Ensuring benefits provision for Executives is fair and reflects the external market, with pension contribution levels for new appointments brought in line with those of the workforce, alongside the removal of car allowances for new appointments to both Executive and senior leadership positions.
- Tracking actions to improve the Society’s diversity and inclusivity.
- Understanding and overseeing the Society’s approach to supporting colleagues through the COVID-19 pandemic and into the future, with a particular focus on their wellbeing and support to work from home.



Proportion of time spent by the Remuneration Committee

- Oversight of Remuneration Across the Society
- Procedural Issues
- Regulatory Reporting
- Performance Award Outcomes
- Pay Strategy and Approach
- Impact of Covid-19 on Colleague Wellbeing

## Performance in 2020

As outlined in other sections of this report, the Society's financial performance has inevitably been impacted by the economic effects of the pandemic. Mortgage growth is lower than recent years and has been delivered in the most challenging of circumstances, with lockdown affecting the housing market for a significant part of the year. However, we saw demand increase during the second half of the year and we have a strong pipeline of applications going into 2021. Savings balances also increased during the latter part of the year, driven largely through our online channels and demonstrating the benefits of the investment we have made in our technology. Due to concerns over the ongoing economic effects of the COVID-19 pandemic, profitability levels have been reduced by provisions for future bad debts.

Notwithstanding this, the Society is in a strong position to endure an economic downturn. Our capital and liquidity levels remain strong and in excess of regulatory requirements, and we are well positioned to weather the current challenging economic and market conditions. With 160 years of heritage, we've survived difficult times in the past and our business is stronger for it. We continue to keep a close eye on external factors and react accordingly to protect our business for today and tomorrow.

As a mutual we are not motivated by short term profit and instead we make decisions for the long-term interests of the Society. A key focus has been supporting and reassuring our Members and despite the circumstances and challenges we've faced, feedback continues to be positive, resulting in high net promoter scores and external awards.

In 2020, we continued to invest in digital technology to further improve our award-winning service and broaden the range of products we offer. In March we launched our new and improved online platform, Your Account, which provides enhanced

functionality and new security features, and in August, we launched the first phase of our new mortgage platform to our broker customers. We will continue to invest in digital capability to ensure we remain competitive and relevant to current and future Members.

## Remuneration policy

Our Members tell us that the Society's people are special; we strive to be an employer of choice so that we can continue to attract and retain talented and passionate people. Therefore, the remuneration policy is deliberately designed to:

- Ensure that the business is run safely and successfully for our Members.
- Support the delivery of "Brilliant People", the central pillar of the overall business strategy.
- Recognise the principles of the Remuneration Code and Corporate Governance Code.

The remuneration policy aims to:

- Attract, motivate, reward and retain high quality people who can ensure that Principality continues to deliver value to Members and to be profitable in a competitive and often uncertain marketplace. This is done by positioning all aspects of pay and benefits, both in terms of total amount and structure (i.e. the balance of fixed and variable pay), at around market levels for similar roles within the UK mutual building society sector, as well as more broadly where this is appropriate.
- Promote the right behaviours that align with the Society's position on risk, as well as its culture as a Member owned mutual building society.
- Encourage sound conduct and risk management practices by setting capital and liquidity hurdles to be met before any variable pay award can be made and, for the executive team and senior leadership team, deferring an element of variable pay.
- Incentivise performance and share success by having a competitive variable pay

scheme which rewards all colleagues for the achievement of challenging objectives, where performance is judged against a minimum of two critical measures, including a financial measure and a customer measure.

During the year the Committee continued to use PwC to provide independent advice on executive remuneration and benchmarking information. PwC are also appointed to provide the Society with advice on

taxation matters and Derek Howell (Senior Independent Director) continues to act as a consultant for PwC.

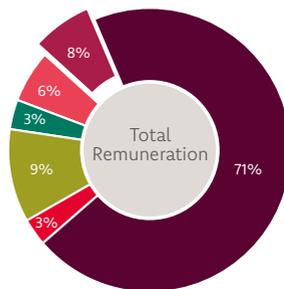
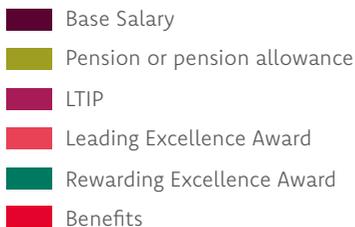
The Remuneration Committee is satisfied that the remuneration policy operated as intended throughout 2020.

### How this policy is applied

The table below provides a summary of the different elements of remuneration for Executive Directors for 2020:

Component	Purpose
<b>Base Salary</b>	To attract and retain experienced executives of calibre through the payment of competitive rates. Base salaries are reviewed annually (or more frequently if required).
<b>Benefits</b>	To ensure the Society is acting as a responsible employer and to assist in the performance of the job. Includes private medical insurance, critical illness cover and life assurance, plus legacy car allowance arrangements in some cases that have been phased out for new appointments.
<b>Pension or pension allowance</b>	To provide longer-term savings to fund retirement. Pension contribution of 8% of base salary or equivalent cash allowance, or in some cases legacy contributions of 15% that will change to 8% for new appointments.
<b>Rewarding Excellence Award (REA)</b>	Designed to share the benefits of teamwork, financial discipline and customer service with all colleagues. Providing a maximum award of 12% of base salary, with annual targets based on risk gateways, profit before tax and customer service measures.
<b>Leading Excellence Award (LEA)</b>	The LEA replaced the Long Term Incentive from January 2019. The LEA is an annual variable pay award with deferral, which has been designed to make targets set more meaningful and effective, enabling the Society to reward, attract and retain our most senior leaders.
<b>Long-Term Incentive Plan (LTIP)</b>	The LTIP has been replaced moving forward by the LEA, however transitional arrangements mean that an LTIP award will be made for the 2020 scheme year in 2021.

Note: The Chief Risk Officer and Chief Internal Auditor do not participate in any variable pay scheme.



Each of the elements outlined above are deliberately designed to align with our Remuneration Policy and the characteristics set out in the Corporate Governance Code in respect of clarity, simplicity, risk, predictability, proportionality and alignment to culture.

While the Corporate Governance Code’s focus is primarily on Executive remuneration, as the structure of reward at the Society is primarily designed for the workforce as a whole, we can be confident that the characteristics apply Society-wide and not just to the Executive team.

## Variable pay awards for 2020

### Rewarding Excellence Award (REA)

The REA is designed to share the benefits of teamwork, financial discipline and customer service with all colleagues across the Society. The two measures of Profit before Tax (PBT) and the Customer Service Net Promoter Score (Maze NPS) are equally weighted at 50% each, once the initial risk gateways are met, to provide a maximum award of 6% of basic salary for each measure, making a total maximum award of 12% of basic salary. In 2020, performance against the pre-set targets would have generated an award of 2.3%. However, the Remuneration Committee chose to exercise its discretion to increase this award to 3% in recognition of the extraordinary lengths colleagues have gone to throughout the pandemic to keep the Society safe and to deliver service to Members in the toughest of circumstances.

### Leading Excellence Award (LEA)

The Leading Excellence Award (LEA) is an annual incentive scheme for Executives and Senior Leaders, with an element of deferred payment, designed to make setting meaningful targets more effective and therefore enabling the Society to reward, attract and retain our most senior leaders over the medium-term.

The key features of the LEA are:

- 1) That it recognises and rewards our Executives and Senior Leaders for their contribution to the long-term goals of the Society.
- 2) Subject to capital and liquidity gateways, the level of award is determined by performance against four metrics: Financial (Return on Assets), Customer (Ipsos Mori NPS), People (Great Place to Work) and a Shared Strategic Business Objective.

3) Performance against these four metrics will determine a percentage factor. For Executives, the range will be 0% to 38% of individual salary, with the on-target award (OTA) being 19% of salary. For Senior Leaders, the range will be 0% to 18% of individual salary, with the OTA being 9% of salary.



Although the Financial Performance measure was not met, the Remuneration Committee chose to exercise its discretion to make an ‘on target’ award of 19% for Executives and 9% for Senior Leaders to recognise their immense efforts during a very difficult year to deliver good results under the other three areas. 60% of the award is payable in March 2021, with the remaining 40% deferred as follows:

2018	2019	2020	2021	2022	2023	2024
2018 LTIP			Payment in 2021			
	2019 LEA	60% payment in 2020	20% Executives 40% Senior Leaders	20% Executives		
		2020 LEA	60% payment in 2021	20% Executives 40% Senior Leaders	20% Executives	
			2021 LEA	60% payment in 2022	20% Executives 40% Senior Leaders	20% Executives

## Long-Term Incentive Plan

The Leading Excellence Award (LEA) replaced the Long-Term Incentive Plan (LTIP) in 2019 following a full review undertaken by the Remuneration Committee during 2018. There has been a transition period while the two schemes overlapped that ends this year. The table opposite illustrates how the 2018 LTIP ended on 31st December 2020, marking the final payment of this plan.

The award made under the 2018 LTIP, to be paid in 2021 as shown opposite, is based upon the results of the challenging targets set by the Board back in 2018 for two key measures: a financial measure and a customer measure. The award of 14% was based on the following performance against targets:

Measure	Proportion of award	Targets			Result	Award level
		Threshold	On target	Stretch		
Return on Assets	50%	0.301%	0.317%	0.333%	0.180%	0%
Net Promoter Score	50%	60th %ile	Top 25th %ile	Top 10th %ile	Top 10th %ile (6th of 56)	14%
<b>Total Award</b>						<b>14%</b>

## Annual report on remuneration

The business complies where appropriate with the Corporate Governance Code and aims to make the remuneration policy as transparent, clear and simple as possible. When designing aspects of remuneration, the Committee considers the appropriateness for a member owned organisation and alignment to our culture, whilst the quantum is carefully positioned to be proportionate to the challenges, encourage the right behaviours and discourage excessive risk taking. We therefore set out in this section the following information:

- Salary increases applied to Executive Directors in 2020
- What the Executive Directors earned for 2020's performance compared to 2019
- CEO pay ratio
- Chair and Non-Executive Director fees in 2020

## Salary increases applied to Executive Directors in 2020

In February 2020, the Remuneration Committee awarded a performance-related increase to the basic salary of the then-Chief Customer Officer, the Chief Financial Officer and the Chief Operating Officer of 1.85%. The Chief Financial Officer and Chief Operating Officer also received a market-level adjustment to bring their basic salary closer to the external market median, in line with those in the workforce in similar positions in their pay grade's salary band, meaning their overall basic salary increases were 2.36% and 2.00%, respectively.

The Interim Chief Executive Officer and the Interim Chief Risk Officer did not receive basic salary increases in February 2020, per the terms of their interim arrangements. In recognition of the Interim Chief Executive Officer's stewardship of the Society during an unprecedentedly turbulent period, a 4.9% increase was applied retrospectively to the basic salary he received during his interim service. The Interim Chief Executive Officer and Interim Chief Risk Officer received a 1.85% increase to their substantive basic salaries when they returned to their substantive posts in September 2020.

In September 2020, when the new Chief Executive Officer was appointed, her basic salary was set at £350,000. This is in comparison to the previous Chief Executive Officer's salary of £355,000. As detailed later in this report, the new Chief Executive will no longer receive the car allowance she was previously eligible for and her employer pension contributions have been aligned with those of the rest of the workforce.

### What Executive Directors earned for 2020's performance

The following table provides the audited information showing a single total figure of remuneration for the 2020 financial year for each of the Executive Directors and compares this figure to the prior year.

Audited Information	Year	Salary and Fees <sup>1</sup>	Benefits <sup>2</sup>	Pensions <sup>3</sup>	Annual variable pay <sup>4 &amp; 5</sup>	Total
Individual		£000	£000	£000	£000	£000
Chief Executive Officer / Chief Customer Officer Julie-Ann Haines <sup>6</sup>	2020	268	10	32	94	404
	2019	229	12	34	119	394
Interim Chief Executive Officer/Chief Risk Officer R Michael Jones <sup>6</sup>	2020	307	13	46	n/a	366
	2019	258	13	39	n/a	310
Chief Financial Officer Tom Denman	2020	224	12	34	78	348
	2019	205	12	31	107	355
Chief Operating Officer Iain Mansfield <sup>7</sup>	2020	204	12	31	72	319
Former Chief Executive Officer Stephen Hughes <sup>8</sup>	2019	305	14	46	-	365

<sup>1</sup>The review date for salary is 1st February 2021. <sup>2</sup>Benefits comprise a car allowance, life assurance, critical illness insurance and private medical insurance. <sup>3</sup>A cash allowance of equal value (15% of salary) may be taken in lieu of pension.

<sup>4</sup>Variable Pay is the total of both the Rewarding Excellence Award and the Leading Excellence Award, plus payment from the 2018 Long-Term Incentive Plan (LTIP) as part of the transitional arrangements. The normal performance period of the LTIP is three years and the 2018 LTIP operated for the performance period 1st January 2018 to 31st December 2020. Awards under the variable pay schemes are non-pensionable. <sup>5</sup>The Chief Risk Officer (and Interim Chief Executive Officer) and Chief Internal Auditor do not participate in the variable pay scheme. <sup>6</sup>Julie-Ann Haines became Chief Executive Officer on 14th September 2020. On the same date R Michael Jones returned to his role as Chief Risk Officer. <sup>7</sup>Iain Mansfield was appointed to the Board on 31st December 2019. <sup>8</sup>Following Stephen Hughes' departure as Chief Executive Officer on 2nd December 2019, the figures reflect payment up to and including 2nd December 2019.

## CEO pay ratio

From 1st January 2019, organisations with over 250 employees are required to disclose the CEO pay ratio in their annual report, in a move to promote transparency and encourage good governance. The CEO pay ratio provides a snapshot of the overall pay gap that exists between the CEO (typically the highest paid person within the organisation) and the average employee in the same organisation and is calculated using the single total figure of remuneration which includes total salary, variable pay, pension and taxable benefits.

The Society has chosen to publish the CEO pay ratio using the recommended and preferred approach (option A), which shows that the CEO's pay is 12 times that of the median colleague pay (this means that when all colleagues' pay is listed from highest to lowest, the median is the middle value in that list):

Year	Method	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile
2020	Option A	18:1	12:1	9:1

The CEO base pay and total remuneration has been calculated to reflect the change in CEO during the financial year and includes the proportion of time that Julie-Ann Haines and R Michael Jones each spent in the role throughout 2020. A nominal version of the CEO pay ratio that reflects the position at the end of 2020 is below:

Year	Method	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile
2020 - Nominal	Option A	22:1	15:1	11:1

Our fair pay agenda outlines our commitment to ensuring that reward (including base pay, variable pay and benefits) at Principality is transparent, fair, free from discrimination and aligned to the external market.

In 2018 an in-depth pay and grading review was undertaken, the results of which were introduced to all colleagues in January 2019, providing a future-proofed method of maintaining a direct link between the position of our pay and benefits and the relevant comparators within the financial services sector. This approach is consistently applied to all colleagues across the Society, regardless of position, and was communicated to all colleagues prior to implementation. We are therefore content that the CEO pay ratio is consistent with the Society's wider policies on pay, reward and progression.

## Chair and Non-Executive Directors' fees for 2020

Non-Executive Directors are paid a basic fee for participation on the Society Board and additional fees payable for providing services on Board Committees and/or for their membership of subsidiary company Boards. The fees paid to the Non-Executive Directors are set at a level which allows the Society to attract and retain the required calibre of independent directors.

Fees paid to the Chair of the Board and the Non-Executive Directors were as follows:

Non-Executive Directors	Fees	
	2020 £000	2019 £000
Laurence Philip Adams	121	119
Nigel Annett CBE (Chair of Technology Committee)	63	63
Derek Howell (Chair of Audit Committee & Senior Independent Director)	72	71
Sally Jones-Evans (Chair of Remuneration Committee)	63	63
David Rigney (Chair of Board Risk Committee)	69	68
Claire Hafner	56	53
Debra Evans-Williams <sup>1</sup>	49	15
<b>Total</b>	<b>493</b>	<b>452</b>

<sup>1</sup>Debra Evans-Williams joined the Board on 3rd September 2019.

## Looking ahead to 2021

### Base salary

The Committee undertake a review of the Executive Directors' base salaries on 1st February of each financial year, taking into account factors such as individual and business performance, market conditions, and the level of salary increase applied to other colleagues across the Society. For 2021, it was agreed as part of the pay settlement negotiations that Executives and members of the Senior Leadership Team (SLT) would not receive a base pay increase in the 2021 salary review, except in cases where a market-level adjustment was appropriate.

Following this review, the Executive Directors' 2021 salaries are:

- |                    |          |  |
|--------------------|----------|--|
| • Julie-Ann Haines | £350,000 | As Executives and SLT members will not be receiving a standard base pay increase for 2021, it was further agreed that Non-Executive Director fees would also not be increased, although market benchmarking will be undertaken as individuals move into new roles. |
| • R Michael Jones  | £258,637 |  |
| • Tom Denman       | £225,000 |  |
| • Iain Mansfield   | £205,742 |  |

### Benefits

In June 2020, the Remuneration Committee decided to withdraw the provision of car allowances for new appointments to roles at Grade 14 and above, which includes all Executive Directors. Incumbents in these roles will retain their car allowance benefits while continuing to serve in those roles, but will have the allowance withdrawn on appointment to a different grade 14 role. When Julie-Ann Haines commenced her appointment as Chief Executive Officer in September 2020, her car allowance benefit was withdrawn.

No other changes have been made to the benefits in kind provided to Executive Directors.

## Pension

Existing Executive Directors receive a pension contribution of 15% of base salary, which may be taken as a cash allowance, and this provision remains unchanged as it forms part of the contractual entitlements already in place. However, any newly appointed Executives or Executive Directors will be entitled to receive a pension contribution that is in line with that of the workforce, currently 8% of base salary, to further align with our fair pay agenda across the Society.

An exception to this was made on Iain Mansfield's appointment as Executive Director, as the appointment did not initiate an adjustment to any aspect of remuneration. When Julie-Ann Haines commenced her appointment as Chief Executive Officer in September 2020, her employer pension contribution was aligned to the workforce rate of 8%.

## Variable pay

Both the Rewarding Excellence Award and the Leading Excellence Award will continue to operate from 1st January 2021. A summary is set out below:

	Rewarding Excellence Award	Leading Excellence Award
<b>Performance period</b>	1st January 2021 to 31st December 2021.	1st January 2021 to 31st December 2021.
<b>Participants</b>	All employees, with the exception of leaders of control functions.	Executives and Senior Leaders, with the exception of leaders of control functions.
<b>Administrator</b>	Remuneration Committee.	Remuneration Committee.
<b>Initial gateway condition</b>	Capital and liquidity conditions and the absence of any material regulatory breaches.	Capital and liquidity conditions and the absence of any material regulatory breaches.
<b>Performance measures</b>	Group Profit before Tax – 50% Customer Service Net Promoter Score – 50%	Return on Assets – 25% Net Promoter Score – 25% Colleague Engagement – 25% Shared Strategic Business Objective – 25%
<b>Potential payments</b>	<ul style="list-style-type: none"> <li>• Nil for threshold performance.</li> <li>• 6% of salary for meeting challenging target performance.</li> <li>• 12% of salary for attaining highly stretching targets.</li> </ul>	<p><b>Executives</b></p> <ul style="list-style-type: none"> <li>• Nil for threshold performance.</li> <li>• 19% of salary for meeting challenging target performance.</li> <li>• 38% of salary for attaining highly stretching targets.</li> </ul> <p><b>Senior Leaders</b></p> <ul style="list-style-type: none"> <li>• Nil for threshold performance.</li> <li>• 9% of salary for meeting challenging performance targets.</li> <li>• 18% of salary for attaining highly stretching targets.</li> </ul>

## Variable pay continued

	Rewarding Excellence Award	Leading Excellence Award
<b>Payment date</b>	<p>Subject to Audit and Remuneration Committee approval, payment will be made in March 2022.</p> <p>There will be no partial deferral of payment.</p>	<p>Subject to Audit and Remuneration Committee approval, 60% of the award will be paid to eligible participants in March 2022.</p> <p>Following this, Executives will receive a deferred payment of 20% in March 2023 and a final deferred payment of 20% in March 2024.</p> <p>Senior Leaders will receive a final deferred payment of 40% in March 2023.</p>
<b>Clawback (demanding repayment)</b>	<p>The Remuneration Committee can apply clawback to an Executive Director’s award, and that of other Senior Leaders and Material Risk Takers, if it is discovered that the award should not have been paid, for example, in the event of a material misstatement of the group’s annual results or in the event of a serious regulatory breach.</p>	<p>The Remuneration Committee can apply clawback to an award to an Executive or Senior Leader if it is discovered that the award should not have been paid, in the event of a material misstatement of the group’s annual results or in the event of a serious regulatory breach.</p>

The Committee has absolute discretion to adjust the awards under both schemes if necessary including withholding vested awards under “malus” arrangements or recovering monies paid under clawback.

No variable pay awards at the Society are pensionable.

### Directors’ service contracts

The Chief Executive has a service contract that can be terminated by either party on one year’s notice or by the payment by the Society of an amount equivalent to one year’s remuneration. The other Executives have service contracts that can be terminated by the Society on one year’s notice or by the payment by the Society of an amount equivalent to one year’s remuneration, and by the Executive giving six months’ notice.

### Statement of Member voting

The Society is committed to open and honest dialogue with our Members and take an active interest in voting outcomes. The 2019 Director’s Remuneration Report received 18,109 votes in favour (90.84%) and 1,875 votes against (9.16%).

### Approval

This report is approved by the Remuneration Committee and signed on its behalf by:



Sally Jones-Evans  
**Chair of the Remuneration Committee**  
 16th February 2021

# Board of Directors

## Committee Key: (In bold for Chair)

**AC** Audit Committee

**RC** Remuneration Committee

**GNC** Governance and  
Nominations Committee

**BRC** Board Risk Committee

**TC** Technology Committee



**Nigel Charles Annett**  
**CBE, MSc, MA**  
**[Hons], DSc Econ**

**Non-Executive  
Director**

**TC** **BRC** **GNC**

Joined the Board  
in October 2013

### Skills and experience

I previously worked in investment banking, but after ten years joined the Board of Welsh Water, initially as Planning Director. I was one of the founding Directors of Glas Cymru, the not-for-profit company that took over the ownership of Welsh Water in 2001, and Managing Director of Welsh Water until 2014. I believe strongly that mutual business models can do a great deal of good for the people and the communities that they serve.

### Contribution to the Society's long-term sustainable success

I am responsible for ensuring effective oversight of the Society's ongoing transformation programme so that we continue to transform and modernise to benefit both current and future generations of Members.

### Other roles

Board member of the Canal and River Trust and a Trustee of the Community Foundation in Wales.



**Tom Denman BSc**  
**(Econ) [Hons], ACA**

**Chief Financial  
Officer (CFO)**

Joined the Board  
in August 2017

### Skills and experience

I am a qualified Chartered Accountant and bring over 20 years' experience in finance to my role. Prior to joining the Society, I held a number of finance roles across a range of industries including commercial property, infrastructure and the legal profession along with five years with PwC in Cardiff and Sydney. I was appointed Deputy Finance Director in March 2016 with responsibility for all of finance, treasury operations, procurement and legal services, and was subsequently appointed CFO in June 2017.

### Contribution to the Society's long-term sustainable success

My role is to ensure we plan and manage the Society's capital, liquidity and funding in the long-term interests of our Members and the sustainability of the Society.



**Debra Evans-Williams**

**Non-Executive Director**

**GNC TC**

Joined the Board in September 2019

### **Skills and experience**

During my career, I have held a range of Executive and Non-Executive Director positions and have also worked in a consultancy role with companies in the UK, Europe and the US. My previous experience includes five years spent at the Britannia Building Society, as well as senior roles at Tesco Compare and Confused.com.

### **Contribution to the Society's long-term sustainable success**

My experience in the fintech/e-commerce arenas enable me to make a positive contribution to the Society's ongoing digital transformation which will support the continued delivery of stand-out experience for our Members.

### **Other roles**

Chair of Local Democracy and Boundary Commission for Wales, Non-Executive Chair of Careers Wales, Non-Executive Director of Co-Op Insurance, Non-Executive Director of the Milford Haven Port Authority and Trustee of the Alacrity Foundation. I am also a proud ambassador for Tŷ Hafan.



**Claire Hafner  
ACA, MA**

**Non-Executive Director**

**AC RC GNC**

Joined the Board in April 2018

### **Skills and experience**

I am a qualified accountant (ACA) and have an MA in Languages and Economics. I trained and qualified at Ernst & Young in the Financial Services audit department followed by a further three years in corporate tax. During my career, I have performed a broad range of roles across multiple sectors including a term of six years as a Non-Executive Director of the West Bromwich Building Society.

### **Contribution to the Society's long-term sustainable success**

My experience across the different sectors of financial services, payments, professional services, multimedia and telecoms enables me to contribute to the Society's change programme and to the Society's continuing success.

### **Other roles**

I sit as a member of the Society's Colleague Forum and it is my role to ensure that the voice of colleagues is heard directly in the Boardroom alongside that of Members.



**Julie-Ann Haines**  
**MSc, BA [Hons]**

**Chief Executive  
Officer (CEO)**

Joined the Board  
in May 2016

### Skills and experience

I was appointed Chief Executive Officer in 2020, prior to that I had been the Society's Customer Director since 2012. Before joining Principality, I had almost 20 years' experience leading retail businesses. I was a senior manager in sales, marketing and technology for companies such as Sainsbury's and HBOS. Working closely with customers has always been a critical part of what I do.

### Contribution to the Society's long-term sustainable success

I am passionate about the Society, ensuring we build on our mutual ethos and values, rooted in our communities, its fantastic customer experience and in meeting your needs. My role is to lead the Executive team to ensure we continue to deliver the Society's strategy for the long-term interests of our Members and ensure that the organisation runs smoothly day-to-day, supporting colleagues and building an inclusive and engaging culture.

### Other roles

Member of the UK Finance Mid-Tier Strategic Advisory Committee.



**Derek Anthony  
Howell BSc  
[Hons], FCA**

**Non-Executive  
Director**

**AC BRC GNC**

Joined the Board  
in April 2014

### Skills and experience

I hold a degree in mathematics and qualified as a Chartered Accountant with Price Waterhouse – subsequently Pricewaterhouse Coopers (PwC) where I initially worked in audit and eventually specialised in corporate recovery and insolvency work, becoming a partner in 1988. Following my retirement from the partnership, I continue to act as a consultant for PwC solely in connection with the ongoing administration of Lehman Brothers.

### Contribution to the Society's long-term sustainable success

As Senior Independent Director, I act as a sounding board for the Chair, serve as an intermediary for other Directors, and am responsible for leading the annual review of the Chair's performance. As the Board appointed Whistleblowing Champion, I am also available to Members if they have concerns which they have not been able to resolve through the normal channels, or for which such contact is inappropriate.

I am responsible for helping the Board fulfil its oversight responsibilities in respect of matters relating to the integrity of financial and narrative statements; systems of risk management and internal control.

### Other roles

Treasurer of St John Cymru Wales and a Trustee of both the National Botanic Garden of Wales and Artes Mundi.



**Robert Michael Jones BA [Hons] MBA, ACIB**

**Chief Risk Officer (CRO)**

Joined the Board in February 2013

### Skills and experience

Having worked for the Society since 1997, I was appointed Head of Group Risk in 2005 and promoted to the role of Director of Group Risk (now Chief Risk Officer – CRO) in 2009. In December 2019, I was appointed Interim CEO by the Board and undertook those duties until September 2020, at which point I moved back to my substantive role as CRO. I have spent over 40 years working in Financial Services, starting my career at Midland Bank and subsequently at HSBC, undertaking a number of managerial roles in both the retail and corporate banking divisions. I hold a degree in Economics, an MBA from Henley Management College, and I am an Associate Member of the Chartered Institute of Bankers.

### Contribution to the Society’s long-term sustainable success

Whilst Interim CEO, I was responsible for leading the Executive team to ensure we continue to deliver the Society’s strategy for the long-term interests of our Members in addition to maintaining the smooth running of the Society’s day-to-day operations. As CRO, together with the CFO, I am responsible for ensuring the Society maintains a strong capital base which will enable it to continue to grow and compete successfully over the long-term. I also have responsibility for the Society’s second line of defence to ensure risk management is embedded throughout and aligns to the Society’s risk appetite, purpose and objectives.

### Other roles

Member of the UK Finance Mortgages Product & Service Board.



**Sally Jones-Evans FCIB, MBA, MSc**

**Non-Executive Director, Chair Elect**

**RC GNC**

**AC TC**

Joined the Board in February 2015

### Skills and experience

I spent 30 years in retail banking at Lloyds Banking Group, during which I gained wide ranging experience in leading customer facing business areas through significant change including the branch network, Commercial Lending and general insurance. I believe that helps me to support the Executive Leadership team to shape the Society’s ongoing strategic agenda.

### Contribution to the Society’s long-term sustainable success

I am particularly interested in how our culture underpins the sustainability and success of the Society. As Chair of RemCo I am responsible for ensuring that the Society’s remuneration and reward strategy, policy and procedures support the strategy approved by the Board, reflecting the best interests of Members and enabling the Society to attract and retain the best people.

### Other roles

I sit on the Boards of Hafren Dyfrydwy Ltd (a subsidiary of Severn Trent PLC) and Saga Services Ltd, the insurance broking arm of Saga Group PLC. I also serve as a Trustee of Tearfund, the humanitarian and overseas development charity and as a Non-Executive Director on the Board of Delio Wealth Ltd, a fast-growing Welsh Fintech business.



**Iain Mansfield,  
LLB [Hons], FCA**

**Chief Operating  
Officer (COO)**

Joined the Board  
in December 2019

### Skills and experience

I initially joined Principality's subsidiary business, Nemo Personal Finance, as Finance Director in January 2015. In October 2017, I was appointed Chief Operating Officer for the Society, in addition to retaining overall responsibility for Nemo. I am a qualified Chartered Accountant and, prior to joining Principality, built 15 years' experience in senior leadership roles across large banks, start-up businesses and private equity backed retail financial services businesses.

### Contribution to the Society's long-term sustainable success

My role is to ensure we provide excellent service to our customers, maintain and transform our technology and deliver change effectively and efficiently while maintaining appropriate operational resilience to run our business in the interests of our Members and the sustainability of the Society.



**David James  
Rigney ACMA,  
MBA, MA**

**Non-Executive  
Director**

**BRC GNC**

**AC TC**

Joined the Board  
in March 2015

### Skills and experience

I am a Chartered Management Accountant and during my career have performed a broad range of roles across multiple sectors including a Board Director at Nationwide Building Society. I believe this experience leaves me well placed to contribute to the Society's ongoing change programme and to contribute to the Society's continuing success.

### Contribution to the Society's long-term sustainable success

I am responsible for making sure the Society actively manages the principal risks that arise from its activities, alongside ensuring awareness of the current and emerging risk environments which helps protect the Society so it can continue to be successful and sustainable for its Members.

### Other roles

Non-Executive Director at LINK Scheme Holdings Limited, and Senior Independent Director of Exelon Limited.

# Notice of 2021 Annual General Meeting

Notice is hereby given that the one hundred and sixty-first Annual General Meeting of the Members of Principality Building Society will be held at 11.00am on Friday 23rd April 2021 at StudiO, Unit 3 TB Davies Estate, Lewis Road, Cardiff, CF24 5EB for the purposes set out below.

However, as a result of the coronavirus, we don't expect to be able to allow Members (other than the minimum number of Directors and colleagues who are Members that are required to form a quorum) to be there in person this year. Please see your AGM voting pack for information on how to watch the AGM online and to ask questions.

## Ordinary Resolutions

- 1) To receive the Auditors' Report.
- 2) To receive the Annual Report and Accounts.
- 3) To re-appoint Deloitte LLP as auditors.
- 4) To approve the Report on Directors' Remuneration as set out in the Annual Accounts.

## Special Resolution

- 5) To consider and if thought fit pass a Special Resolution to amend the Rules of the Society in the manner specified in the document produced to the Meeting and initialled by the Chairman for the purposes of identification.

## Election of Directors:

- 6) a) To re-elect Nigel Charles Annett
- b) To re-elect Thomas Denman
- c) To re-elect Debra Elizabeth Evans-Williams
- d) To re-elect Claire Andree Hafner
- e) To re-elect Julie-Ann Haines
- f) To re-elect Derek Anthony Howell
- g) To re-elect Robert Michael Jones
- h) To re-elect Sally Jones-Evans
- i) To re-elect Iain Alexander Mansfield
- j) To re-elect David James Rigney.

By Order of the Board.



**Michael Borrill**  
**Group Secretary**  
 23rd February 2021

Please read the notes opposite.

## Notes

1. These Notes form part of the Notice of Meeting.
2. Under the Society's Rules, a Member entitled to attend the Meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the Meeting or anyone else as your proxy, and 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. Your proxy may not speak on your behalf at the Meeting except to demand or to join in demanding a poll. **Due to the coronavirus we do not expect to allow Members or their proxies to attend the meeting in person. Members are encouraged to appoint the Chairman of the meeting as their proxy.**
3. You may instruct your proxy how to vote at the Meeting. Please read the instructions on the proxy voting form.
4. The voting date is the date of the Meeting, 23rd April 2021, if voting in person and 19th April 2021 if voting by proxy.
5. In order to attend and vote at the Meeting, or appoint a proxy, you must qualify as either a Shareholding Member or a Borrowing Member.

## Shareholding Members

- a. To qualify as a Shareholding Member, you must:
  - i) if you are an individual, be at least 18 years old on 23rd April 2021, and
  - ii) have held shares\* to the value of not less than £100 in the Society on 31st December 2020, and
  - iii) not have ceased to hold a share\* or shares\* in the Society at any time between 31st December 2020 and the voting date, and
  - iv) hold a share\* or shares\* in the Society on the voting date.
- b. Where the shares\* are held jointly by two or more persons, only the first named in the records of the Society in respect of those shares\* can have any voting rights.

## Borrowing Members

- a. To qualify as a Borrowing Member, you must:
    - i) be at least 18 years old on 23rd April 2021, and
    - ii) have owed the Society not less than £100 in respect of a mortgage debt on 31st December 2020, and
    - iii) owe the Society not less than £100 in respect of a mortgage debt on the voting date.
  - b. Where a mortgage debt is owed jointly by two or more persons, only the first named in the records of the Society in respect of that mortgage can have any voting rights.
6. In addition, **you can vote only once** as a Member, irrespective of:
    - a. the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
    - b. whether you qualify to vote as both a Shareholding Member and a Borrowing Member.

*\* A reference to 'share' or 'shares' is a reference to a share savings account or share savings accounts with the Society.*

Copies of the Directors' Report, Annual Accounts and Annual Business Statement may be obtained from any of the Society's branch offices and downloaded on our website from 9th April 2021.

Registration at the Annual General Meeting will commence from 10.00am at Studio, Unit 3 TB Davies Estate, Lewis Road, Cardiff, CF24 5EB.



### ONLINE

Please stay safe, visit us at [www.principality.co.uk](http://www.principality.co.uk) or on our social channels @principalitybs for the latest updates.



### VISIT

To minimise the spread of COVID-19, recommended precautions, such as social distancing, have been introduced in branches and we ask that Members please support us with this.



### CALL US

0330 333 4000

## Building your future

- To help us maintain our service and security standards, telephone calls may be monitored and recorded.

Principality Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, reference number 155998. Principality Building Society, Principality Buildings, Queen Street, Cardiff, CF10 1UA.

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