

COVENTRY BUILDING SOCIETY
MINUTES OF THE ONE HUNDRED AND THIRTY-EIGHTH
ANNUAL GENERAL MEETING

HELD AT
COVENTRY BUILDING SOCIETY ARENA
JUDDS LANE
LONGFORD
COVENTRY
CV6 6AQ

ON THURSDAY 28 APRIL 2022 AT 3PM

In attendance	Gary Hoffman	(Chair)
	Steve Hughes	(Chief Executive)
	Joanne Kenrick	(Deputy Chair, Senior Independent Director and Chair of the Remuneration Committee)
	Gurdeep Boparai	(Society Secretary)
	Iraj Amiri	(Chair of the Board Audit Committee)
	Martin Stewart	(Chair of the Board Risk Committee)
	Brendan O'Connor	(Non-Executive Director)
	Catherine Doran	(Non-Executive Director)
	Shamira Mohammed	(Non-Executive Director)
	Lee Raybould	(Chief Financial Officer)
	Peter Frost	(Chief Customer Officer)
	Thomas Crane	(General Counsel)
	Carl Sizer	(PricewaterhouseCoopers UK)

Members 43 eligible members of the Society

Attendees Executives and staff representatives of the Society

1. CHAIR'S INTRODUCTION

- 1.1 Mr Hoffman welcomed everyone to the meeting and noted that a quorum of eligible Members was present. He explained that this was the first hybrid annual general meeting which meant that members could attend in person as well as watch the meeting on livestream. He highlighted however that it was not possible for members who were watching the livestream to submit their votes electronically during the meeting. Mr Hoffman explained to those watching the meeting online, how to navigate the online system, submit questions and access the relevant meeting documentation.
- 1.2 There was produced to the meeting a Notice convening the meeting and, with the consent of all members present, the Notice was taken as read.

- 1.3 Mr Hoffman introduced the Board of Directors. He noted that he would be retiring from the Board following the meeting and that the position of Chair would be assumed by Mr David Thorburn, noting that Ms Kenrick would formally introduce Mr Thorburn shortly.
- 1.4 Mr Hoffman then gave a presentation on the Society's performance and the challenges faced by the Board of Directors, during which he:
- (i) described the ongoing impact of leaving the European Union and the Covid-19 pandemic upon the Society;
 - (ii) noted the growth of the Society during 2021 and that the Society continued to pay higher savings rates than the average in the market despite the challenges;
 - (iii) noted that the Society's service had remained second to none and that the Society's capital and financial position had remained strong; and
 - (iv) set-out the Society's commitment towards delivering business in a sustainable way, which was demonstrated by the matters outlined in the Society's Climate Action Plan. He noted the inclusion of the Climate Action Plan within the Resolutions to be voted on at the meeting, which displayed the clear progress to the Society becoming a more sustainable business.
- 1.5 Ms Kenrick welcomed Mr Thorburn as the new Chair of the Society noting that he had over 40 years' experience within the banking industry and was a firm believer in the building society movement.

2. CHIEF EXECUTIVE'S PRESENTATION

- 2.1 Mr Hughes addressed the meeting with a short presentation on the following key areas: the ongoing impact of the Covid-19 pandemic on the Society and the impact of the war in Ukraine and the cost of living crisis; the continuing safety of members' money and the running of the Society in the long-term interests of members; the quality of service provided to members; and the Society's growth and investment in the future including with regard to sustainability.
- 2.2 Mr Hughes described the Society's 2021 performance and drew the meeting's attention to the following points of detail:
- (i) the Society delivered on all aspects of its balanced scorecard, outperforming the mortgage market in terms of growth at 7.2%, balancing this with strong growth in savings at 4.6%;
 - (ii) the Society's arrears were 0.10% which was one of the lowest in the industry notwithstanding the economic challenges from the pandemic;
 - (iii) the Society had invested nearly £100m in the business relating to IT projects, branch refurbishment and the sponsorship of the Coventry Building Society Arena;
 - (iv) the Society's Common Equity Tier 1 capital ratio remained amongst the strongest of all UK banks and building societies at 36.2% as at 31

- December 2021, which was above regulatory requirements;
- (v) the overall Net Promoter Score was +76, with average call waiting time recorded at 49 seconds;
 - (vi) the BDRC survey – an independent market research survey covering 30,000 people ran annually – had ranked the Society first in 3 of 8 common financial transactions displaying the excellence of the Society’s service;
 - (vii) the Society had for the first time prepared a Climate Action Plan in order for members to understand and choose to endorse or not, the explicit recognition of the risks and opportunities presented by climate change;
 - (viii) the Society had been recognised as one of the UK’s ‘Great Places to Work’; and
 - (ix) whilst the pandemic had been challenging, volunteering and fundraising activities had continued across the Society’s three priority areas: financial education and employability, access to quality housing and tackling isolation in our local communities.

2.3 In concluding, Mr Hughes thanked the Society’s employees for their hard work and enthusiasm and the Society’s members for their continued trust and support.

2.4 Mr Hughes thanked Mr Hoffman for his contributions as Chair through what had been a difficult period and welcomed Mr Thorburn to the Society.

3. QUESTIONS FROM MEMBERS

3.1 The Chair invited questions from members on his or the Chief Executive Officer’s presentations, or the Resolutions proposed in the Notice. The Chair explained that some questions had been submitted by members in advance of the meeting and noted that a number of the questions related to the Society’s approach to pay. He invited Ms Kenrick, as Chair of the Remuneration Committee, to address these questions.

3.2 Ms Kenrick outlined that the Society’s Annual Report and Accounts included detail on its approach to remuneration decision making and pay levels and noted the importance of making this information publicly available. She highlighted that due to the regulatory requirements in respect of the publishing of remuneration information, the section contained within the Society’s Annual Report and Accounts was lengthy and complicated. As such, she provided a summary of that information and further detail on the following elements of Society pay:

- (i) Salary / basic pay – Ms Kenrick noted that the Society needed to recruit and retain people who fitted the Society’s culture and were also well skilled to do the job required. She highlighted that those motivated solely by earning the most money possible would not usually seek a role within a mutual building society. She noted however, that the Society needed to pay its employees well enough to be able to continue with the Society’s record of safety, security and success that it had endured for 137 years. She explained that an important principle in how the Society decided on its salaries was that the same approach was applied for all across the Society regardless of role. She explained that the Society also considered external

factors such as regulatory requirements and benchmarking, although the latter was not the sole factor considered. In addition, she noted that the Society also considered the living wage when determining salaries, explaining that all Society employees were paid above the living wage. She highlighted that the Society's supplier code of conduct also required that its suppliers paid its employees the living wage or above. Ms Kenrick explained that the Society was not however signatories to any remuneration standards as the Society wanted the freedom to determine pay itself and did not wish to hand that discretion to external agencies. It was noted that the Society did not pay sales commissions as service was a priority over sales targets, and that pay was also discussed with unions;

- (ii) Variable pay/bonuses – Ms Kenrick explained that variable pay was measured across a number of different areas including (amongst others) member value, mortgage growth, profit before tax, savings growth, social impact, savings growth and employee engagement, to ensure that profit or financial measures generally, did not dominate at the expense of service to members, activity in communities and protecting the Society for the future. She explained that stretching targets were set against all of the measures and in order to achieve an 'on target' level for bonus pay out, performance had to be exemplary and as such, it was difficult to reach the maximum possible bonus award. She noted that the same measures were used for all employees across the Society to ensure a focus on the same priorities for all. She added that the Remuneration Committee had full discretion to adjust variable pay upwards or downwards following the Society's year end results. Ms Kenrick explained that the Remuneration Committee would determine whether the outcome was fair and a good reflection of what had been achieved in the prior year. She added that for the Society's senior leaders, variable pay was paid out over a period of 9 years and that during that period, the Remuneration Committee also had the discretion to reduce the initial award or clawback payments that had already been made if information came to light that would subsequently alter the year-end results to which the award related.

3.3 The Chair then referred to another question that had been submitted before the meeting in relation to the Society's climate change policy and whether the Society supported or invested in businesses that invested in fossil fuels. The Chair confirmed that the Society did not and invited Mr Crane, the Society's General Counsel, to provide further information. Mr Crane outlined the Society's agenda on climate change and explained that during the past year, the Society had focussed on reducing its emissions. He referenced the Society's green reward proposition which had been introduced to help members to make energy efficiency savings to their homes.

3.4 The Chair then invited questions from members in person at the meeting. Mr Jones asked a question relating to the current economic situation and the risk of the housing market collapsing and asked what mitigation and plans the Society was putting in place to deal with high interest rates and the pressure that would be placed on members with regard to the ability to meet monthly mortgage

repayments. Mr Jones also asked if the Society would consider government lobbying in this regard. Mr Hoffman responded highlighting that the financial crisis of 2008 was different to the current financial position today noting that the current capital and liquidity regime was more secure than in 2008. He added that the Society was in a strong position to resist future market shocks but that an increase in interest rates was inevitable. Mr Hoffman said that in respect of lobbying, the building society sector had been the mainstay for the support for the economy in 2008/2009 and that the mutual sector had an important role to play and as such the Society was lobbying the government in this area.

- 3.5 Ms Whitlock queried why the Society had not put on a shuttle bus from Coventry City Centre to the Coventry Building Society Arena for today's meeting. She also queried what the value of the Society's sponsorship of the Arena was and in addition, why the Society's Earlsdon branch had been closed and who had purchased the property. Mr Hoffman responded regarding the shuttle bus query explaining that due to the Covid-19 pandemic and the ongoing restrictions, the Society could not predict the demand for the service given that this year's meeting was a hybrid meeting and so a decision was taken not to put on the shuttle service this year. He added that this would be reviewed following the meeting together with any feedback from members. In respect of the Earlsdon branch, Mr Hoffman explained that the 'high street' had changed significantly over the last decade and that members were utilising branches less frequently and as such, the Society had chosen to close some branches and to invest in its digital and telephony operations. Mr Hoffman added that the Earlsdon branch was the least used branch in Coventry and so from an economic perspective, it had made sense to close this branch. Mr Frost, the Society's Chief Customer Officer, confirmed that the Society had received an offer for the Earlsdon branch and was moving to exchange of contracts shortly. Mr Hughes responded in relation to the sponsorship of the Arena explaining that the Society had made the decision to invest in its brand to raise awareness across the UK and not just within the Coventry area on the basis that its products were not restricted to those based solely in Coventry. He explained that the value of the sponsorship was confidential under the terms of the contract.
- 3.6 The Chair took a question that had been received from members who were viewing the meeting online in relation to the Society's savings rates and why the Society's rates were less competitive than the challenger banks. Mr Hoffman responded that the only way in which challenger banks could establish a foothold in the UK market was to launch a savings product that paid higher rates than the wider market in order to attract new business but that these rates would come down as the approach was not sustainable. He highlighted that the Bank of England's base rate did not determine the Society's savings rates but rather the amount of money that the Society could charge on its mortgages which would then determine the savings rates payable. He added that the Society's net interest margin was narrow at 1% and that out of that 1% the Society had to pay all of its operating costs and consider its future arrears as well as making a profit.
- 3.7 The Chair then referred to a question that had been submitted in advance of the meeting relating to the Society's restrictions on cash withdrawal amounts. Mr Frost explained that it was possible to withdraw £500 on demand in branches and if 48

hours' notice was provided, a withdrawal of up to £4,000 could be made. He added that if higher amounts were required, members could contact the Society to discuss their requirements and agree a withdrawal amount. He explained that the primary reason for these requirements was not due to access to cash but rather for member safety and security. The Chair then referred to a further question received in advance of the meeting regarding whether the Society would return to offering debit cards and asked Mr Frost to respond to this. Mr Frost said that the Society was not planning to do this and added that the Society wanted to be the best mortgage and savings provider in the UK and that the current account service was not part of its strategy and plans. He noted that current account banking was highly complex and regulated and that only a small percentage of the Society's membership utilised the debit card facility when it was available.

- 3.8 The Chair invited further questions from members in person at the meeting. Mr Timmins asked why banks and building societies did not pay the same rates across fixed rate savings accounts and ISAs. Mr Hughes responded that for fixed rate savings, term was important, and that banks and building societies operated in line with the market and the Society specifically would offer a product that was competitive and offered value.
- 3.9 The Chair reverted to a question received in advance of the meeting which queried why the Financial Services Compensation Scheme limit remained at £85,000 when this was a European Union limit. Mr Hoffman said that the Prudential Regulation Authority reviewed the limit every five years and that the next review was due in 2025 and that the limit was ultimately a Treasury and Government decision.
- 3.10 Mr Jones queried the Society's view on the future of cash with the move to digitisation of banking. Mr Hoffman said that for the foreseeable future, Coventry Building Society saw a role for cash within society but that there would come a time where the organisation and the industry as a whole would move to a completely cashless operation.
- 3.11 The Chair referred to a question that had been received from a member watching the meeting online regarding why the Society's new Chair, Mr Thorburn, had not been put forward for election at this meeting. Mr Hoffman explained that it was standard practice following the retirement of the Society's Chair for a new Chair to subsequently be elected by the Society's Board. He added that Mr Thorburn would then stand for election at next year's annual general meeting.
- 3.12 A further question was received from a member attending the meeting in person. Mr Baker asked a question in relation to the Sterling Overnight Index Average ("SONIA") and the retirement of the London Interbank Offered Rates ("LIBOR") and the monitoring of SONIA by a committee at the Bank of England ("BoE") which both HSBC and NatWest representatives sat on but no representatives from the building societies sector. Mr Hoffman acknowledged that ideally the Society would be represented on the BoE's committee but that the Society did have influence through the Building Society's Association as well. Mr Raybould responded on the demise of LIBOR and the introduction of SONIA and given the complexities agreed to discuss in further detail with Mr Baker after the meeting. He explained that the

Society had a number of means to manage interest rate risks on mortgages and fixed rate savings and that the Society had successfully transitioned away from LIBOR to SONIA. He added that the Society utilised SONIA at present to undertake hedging across both mortgages and savings and that operationally he was satisfied with the arrangements in place.

- 3.13 The Chair referred to a further question that had been received in advance of the meeting relating to the CEO's remuneration and whether this was appropriate given that members were facing the worst cost of living crisis for decades. Ms Kenrick noted that the question was fair and that the Remuneration Committee had considered this in detail and tried to strike the right balance but that wherever that balance lay, some members would undoubtedly be unhappy with the outcome. Ms Kenrick explained that last year neither the CEO nor the Society's Executives received a pay rise in recognition of the difficult times. She said that the CEO and the Executive could earn significantly higher salaries in other businesses not as complicated or challenging to run as the Society and so the Society had to balance the risk of retaining skilled employees to run the Society successfully. She also highlighted that there were elements of the CEO's salary that would not formally be paid out as part of the Society's variable pay processes for over 9 years.
- 3.14 Mr Hoffman concluded the question session with a question that had been submitted in advance of the meeting relating to when the Society would issue a mobile banking application. Mr Hughes explained that the Society was investing heavily in its digital capability and that a decision had been taken to invest in online services first. He added that the plan was for a mobile app to be available within the next year.
- 3.15 A member attending the meeting in person thanked the Society's Board and staff for their continued efforts and noted that the Society was a trustworthy organisation.

4. AUDITORS REPORT

The Chair proposed and the meeting received the Auditors' Report, which was on pages 118 to 127 of the Annual Report & Accounts 2021.

5. RESOLUTIONS

The resolutions set out in the Notice were duly proposed.

The Chair called for a poll on each of the resolutions so that proxy votes could be included in the votes when they were counted.

6. RESOLUTION TO RECEIVE THE DIRECTORS' REPORT, ANNUAL ACCOUNTS AND ANNUAL BUSINESS STATEMENT FOR YEAR ENDED 31 DECEMBER 2021

The resolution to receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2021 was put to a poll as

required by the Chair. The result of the poll was declared as follows:

Votes For:	89,509 (99.0%)
Votes Against:	862
Votes Withheld:	761

7. RESOLUTION TO APPROVE THE DIRECTORS' REMUNERATION REPORT

The resolution to approve the Directors' Remuneration Report for the year ended 31 December 2021 by way of an advisory vote was put to a poll as required by the Chair. The result of the poll was declared as follows:

Votes For:	81,275 (91.2%)
Votes Against:	7,804
Votes Withheld:	2,051

8. RESOLUTION TO RE-APPOINT PRICEWATERHOUSECOOPERS UK AS THE AUDITOR

The resolution to approve the re-appointment of PricewaterhouseCoopers UK as Auditor of the Society to hold office until the conclusion of the next Annual General Meeting was put to a poll as required by the Chair. The result of the poll was declared as follows:

Votes For:	85,804 (95.6%)
Votes Against:	3,948
Votes Withheld:	1,375

9. RESOLUTION TO PROMOTE THE LONG-TERM SUCCESS OF THE SOCIETY AND GIVEN THE RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE THAT THE MEMBERS ACCEPT AND APPROVE THE CLIMATE ACTION PLAN AND SUSTAINABILITY REPORT

The resolution to promote the long-term success of the Society and given the risks and opportunities associated with climate change, that the members accept and approve:

- a) the Society's proposal to adopt a Climate Action Plan to become a net zero business in its Scope 1, 2 and 3 greenhouse gas emissions by 2040; and
- b) that the Society shall report annually within its Sustainability Report (or such other place as any or all of this information may be required by applicable rules or law) on the terms and implementation of the Climate Action Plan and its transition to becoming a net zero business;

was put to a poll as required by the Chair. The result of the poll was declared as follows:

Votes For:	86,985 (96.9%)
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Votes Against: 2,754
Votes Withheld: 1,395

10. SPECIAL RESOLUTION TO AMEND THE SOCIETY'S RULES

The special resolution to consider, and if thought fit, to pass the following as a Special Resolution:

that the Rules of the Society be amended in the manner specified in the documentation produced to the meeting and initialled by the Chair for the purpose of identification was put to a poll as required by the Chair.

The result of the poll was declared as follows:

Votes For: 85,123 (96.2%)
Votes Against: 3,318
Votes Withheld: 2,693

11. ELECTION AND RE-ELECTION OF DIRECTORS

The proposal that each of the Directors offering themselves for election or re-election be elected/re-elected as a Director of the Society was put to a poll as required by the Chair. The result of the poll was declared as follows:

	For	Against	Withheld	% in favour
Lee Raybould	86,667	2,640	1,823	97.0%
Iraj Amiri	85,736	3,544	1,851	96.0%
Catherine Martina Mary Doran	85,774	3,708	1,649	95.9%
Peter Nicholas Frost	86,396	2,926	1,810	96.7%
Stephen James Hughes	86,025	3,289	1,818	96.3%
Joanne Louise Kenrick	86,120	3,360	1,648	96.2%
Shamira Mohammed	86,116	3,254	1,761	96.4%
Brendan John O'Connor	86,097	3,174	1,864	96.4%
Martin Alastair Stewart	86,357	2,967	1,806	96.7%

All resolutions were approved by the members.

12. CLOSE OF MEETING

There being no other business, the Chair of the Board thanked the members for attending and declared the meeting closed.