

**Minutes of the 2021 Annual General Meeting
held by web conference at Ebbisham House, 30 Church Street, Epsom KT17 4NL
on Wednesday the 28th April 2021 at 2:00pm.**

Present: Mr R Hughes (Chairman)
Mr P Muir (Vice Chairman and SID)
Mr M Bogard
Mr A Barnard
Mr J Cole
Mrs F Crisp
Mrs S Sharrock Yates
Mr S Wainwright
Mr C Croft (Secretary)
21 other qualifying members

In Attendance: Mr R Faulkner (KPMG LLP)
8 other guests

1. WELCOME AND INTRODUCTION

- 1.1 The Chairman declared the meeting open and welcomed all those who had joined the meeting to the Society's 2021 Annual General Meeting. He advised members that all other Directors of the Society were present on the webcast and that their details were set out in the Members' Update which had been issued in advance of the meeting. He then invited each of the Directors and Mr R Faulkner of KPMG LLP to introduce themselves to those attending.
- 1.2 Before commencing the formal proceedings, the Chairman explained how members could raise questions during the meeting by using the 'chat' function on the right hand side of the screen. He advised that a number of questions had been received in advance of the meeting which had been responded to in writing and which would be read out where relevant during the course of the meeting. The Directors would endeavour to answer all questions raised during the meeting but, if unable to do so, these would be responded to after the meeting.
- 1.3 The Chairman then advised members how to vote during the meeting, if they had not already done so, and confirmed that they would be given a two minute warning of the closure of the voting window which would be after all the resolutions had been put to the meeting.

2. NOTICE OF MEETING

- 2.1 The Chairman advised that the Notice convening the Annual General Meeting would be taken as read. He then asked the Secretary to confirm that there was a quorum present and the Secretary confirmed that there was.

3. RESOLUTIONS

- 3.1 The Chairman advised the meeting that he required that the voting in respect of all items on the agenda be taken on a poll.

4. AGENDA ITEM 1 – DIRECTORS' REPORT, ANNUAL ACCOUNTS, ANNUAL BUSINESS STATEMENT AND AUDITOR'S REPORT

- 4.1 The Chairman advised members that the first item on the Agenda was an Ordinary Resolution to receive the Directors' Report, Annual Accounts, Annual Business Statement and Auditor's report for the year ended 31 December 2021 as laid before the meeting.

- 4.2 The Chairman then invited members to ask any questions in respect of the Directors' Report, Annual Accounts, Annual Business Statement and Auditor's Report. While these were being submitted, he advised that the following three questions had been received in advance of the meeting relating to interest rates and products, to which he would invite Mr Bogard to respond:-
- 4.2.1 Mr J Parkes-Bowen had asked for an explanation of the reasoning behind temporarily withdrawing new investment in Windfall Bonds on at least two occasions recently. Mr Bogard explained that the Society had stopped accepting investments into the Windfall Bond twice. Once was in March 2020. This was to facilitate a review of the terms of this new product, in particular the interest rate and number of prizes awarded. Following this, the product was relaunched in August 2020, with increased capacity up to 15,000 tickets and an increase in the number of prizes and prize pot. Unfortunately, the Society was then the victim of its own success as the product brought in more funds than the Society could sensibly lend, so it had to be withdrawn again. Mr Bogard further advised that a list is being kept of those customers who would like to invest when the product becomes available again.
- 4.2.2 Mr P Lakra asked whether the Board intended to launch in the next year any savings products that could deliver a real rate of return above or equal to inflation. He also asked whether the Board understood, or even cared, that savers are currently receiving a negative rate of return and have no incentive to keep their funds with the Society. Mr Bogard commented that we live in unusual times, with the relationship between interest rates and inflation having been dislocated by government policy. The economic background drives the rates offered by the Society and there is little the Society can do about that. If the Society were to pay higher rates than the market, it would be flooded with funds and would become unsustainable.
- 4.2.3 Mr R & Mrs A Krol asked why such a huge increase in profits (155%) was not redistributed so that members' interest rates can at least maintain parity with inflation. Mr Bogard advised that the Board focuses on the underlying profits of the Society which are effectively the ongoing profit from its operations. He explained that these are impacted by the accounting treatment, in particular the assumptions applied to the book of historic lifetime mortgages. In fact, in 2020 the underlying profit was down from c£10m to c£7m, impacted dramatically by the pandemic, but the accounting treatment meant that the statutory profit was up. Mr Bogard added that the majority of the Society's members are depositors and that the Society pays the best rates feasible while maintaining a sustainable society. The Chairman added that in his capacity as a member he has found that the Society has consistently paid above average interest rates. One advantage the Society has is that it does not have a branch network so does not have as high administration costs as its competitors.
- 4.3 The Chairman advised that no questions had yet been submitted online. A further question submitted in advance was from L Dune who asked for confirmation that the Society takes no role in politics and makes no political donations. The Chairman replied that he was happy to confirm this on behalf of the Board and that the Society was a non-political, mutual organisation. L Dune had also suggested that Board members pay should be cut by 40% as it is high relative to average wages, to which the Chairman replied that the Society pays market rates to everyone it employs in all roles.
- 4.4 The Chairman then advised that the only other question received in advance relating to the annual report had been received from Mr R Smith who sought clarification of the calculation of the numbers of arrears cases. It was quite a technical question and a detailed explanation had been sent to Mr Smith.
- 4.5 The Chairman announced that a few questions had now been submitted online as follows:

- 4.5.1 Mr V Basak asked whether the Society was supporting or involved in any innovative solutions to help young people get on to the housing ladder, such as allowing retiring landlords wishing to sell their properties to sell them on an investment basis over a number of years, which they may wish to do to make better use of capital gains tax allowances. Mr Bogard replied that the foundation of Family Building Society which was launched in 2014 came from focus meetings with families and discussions about the very issue the question focuses on. He added that the Society has a number of products related to family issues, in particular the Family Mortgage which enables family members to help younger family members to get on the housing ladder by providing security and reducing the interest rate on the mortgage, making it more affordable. The Society also offers Joint Mortgage Sole Owner mortgages which allow family members to join in the mortgage but ownership is with the child, which has some tax advantages. The specific example asked about is not one that has been looked at but our Director of Development, Keith Barber, will take it away to consider.
- 4.5.2 Mrs T Harper noted that KPMG had been appointed as auditors in 2005 and every year since and asked whether it would be possible to have a list of ethical auditors to choose from, rather than a yes or no to their re-appointment. Mr Cole confirmed that KPMG have been the Society's auditors for a number of years and advised that in line with corporate governance the Society will be reviewing KPMG's tenure in the foreseeable future. He added that the Society has had no ethical issues with its audit team at KPMG. The Chairman commented that it is the audit team that is important, as opposed to the firm as a whole, and that is recognised by the fact that Mr Faulkner signs the audit reports in his personal name.

5. AGENDA ITEM 2 – RE-APPOINTMENT OF AUDITORS

- 5.1 The Chairman announced that the next item on the agenda was an Ordinary Resolution to re-appoint as Auditor of the Society, KPMG LLP who, being eligible, have offered themselves for re-appointment.
- 5.2 The Chairman then invited members to ask any questions in respect of the re-appointment of the auditors. Pending any questions being submitted, he advised that a question had been submitted in advance by Mr P Southall who asked why there was no Cyber Security expertise and representation on the Board and how had KPMG signed off on the audit without such representation. The Chairman replied that it was difficult to get a cyber security expert who would also satisfy the regulators' requirements. Therefore, the Society buys in expertise as and when it is needed. The Chairman explained that he has a specific responsibility to the regulator to ensure the Society has sufficient expertise on the Board and for the training of the non-executive directors. He added that he had attended two seminars on cyber security in the past year and knows a former member of the GCHQ Board that he can call on if necessary. On the question of how the Society can ensure it has satisfactory sign off, Mr Cole advised that the Society has Cyber Essentials Plus accreditation. The Society also uses internal audit, Deloitte, to review controls over the IT environment and the Board receive regular reports on cybersecurity and IT. The Board is not complacent about cyber risks and knows that it is necessary to remain on high alert. The Board is satisfied that the Society is doing as much as it can reasonably do on this issue. Mr Faulkner advised that KPMG consider the risks associated with IT throughout the audit and that includes cyber risk. KPMG perform risk assessments and this includes inspecting the reports provided to the Board that Mr Cole referred to. KPMG then design their audit procedures accordingly.
- 5.3 The Chairman advised that Mrs T Harper had submitted a question online which asked whether all the questions and answers would be recorded in the minutes of the Annual General Meeting and whether members would receive a copy. The Chairman confirmed that the questions and answers would be recorded in the minutes and that the minutes would be available subsequently for members to see.

6. AGENDA ITEM 3 – REPORT ON DIRECTORS REMUNERATION

- 6.1 The Chairman announced that the next item on the agenda was an Ordinary Resolution to approve the Report on Directors' Remuneration for the year ended 31 December 2020.
- 6.2 The Chairman advised that there had been one question submitted in advance relevant to this item from Ms J Hicks who asked why the Members' Update did not include a director to staff remuneration ratio and why there was so little information in the Annual Report and Members' Update about the Society's employees in comparison to the information about the directors. In response, Mr Muir explained that the content of the Members' Update is largely mandated by regulation. However, it was relatively easy to calculate the ratio of director/staff remuneration from the figures and it compares favourably with a number of other organisations. On the second point, in addition to the members, the staff are the key stakeholders in the Society and this year in particular staff welfare, emotional, physical and financial, has been uppermost in the minds of management. Mr Muir added that the Chairman's and Chief Executive's sections in the Annual Report and Members' Update both contain details of the contribution the staff have made in what has been an exceptional year.

7. AGENDA ITEM 4 – ADOPTION OF PROPOSED NEW RULES (2021 EDITION) IN PLACE OF THE EXISTING RULES (2014 EDITION)

- 7.1 The Chairman announced that the next item on the agenda was to consider and, if thought fit, pass the following as a Special Resolution:
- “That the Rules (2021 Edition) laid before the Meeting shall be adopted in place of the existing Rules of the Society (2014 Edition) and shall take effect on such date as the Board shall determine.”
- 7.2 The Chairman then advised that a question had been received in advance from Mr D Taber who asked why the new version of the Rules used the masculine gender throughout. Mr Croft explained that the proposed new Rules were based on a set of Model Rules agreed between the Building Societies Association and the Financial Conduct Authority. This update was intended to address a few specific issues, in particular the ability to hold virtual meetings. Mr Croft agreed with Mr Taber that it would be desirable to re-write the Rules to make them gender neutral but that this would require a huge amount of work and would need to be agreed with the regulator. Mr Croft added that there is a provision in the Rules which makes it clear that a reference to one gender is a reference to all genders. Mr Croft emphasised that as a mutual organisation the Society has no barriers to anyone, whether based on gender or other characteristics.
- 7.3 The Chairman advised that there was a further question on cyber security from Mr J Robinson who asked whether the Society's cyber security was tested by an independent body or person and how often the ability to re-instate data was tested. In response, Mr Bogard commented that there are multiple layers to this. The regulators place great emphasis on cyber security and conduct regular reviews of firms, both generally and individually. The Society has just completed a lengthy questionnaire for the Prudential Regulation Authority on cyber security. As previously mentioned, there are regular internal audits and part of this includes comparing what the Society does to what the internal auditors see elsewhere. In addition, the Society carries out regular penetration testing, a considerable amount of staff training and, as mentioned by Mr Cole, the Society has also achieved Cyber Essentials Plus which is a further outside examination of our cyber security controls.

Mr Hughes congratulated members on their recognition of the importance of cyber security and asked Mr Wainwright, as Chair of the Risk Committee, if he agreed that cyber security was one of the top risks the Society faces. Mr Wainwright advised that the Society has a Risk Register which is reviewed as risks dynamically change. Cyber security has been in the top 3 risks for the past 5 years and has been number one risk for much of that time. The Risk Committee focuses on it a lot and takes it very seriously. The Risk Committee tests the executives and ask the internal and external auditors to test it as well. Mr Wainwright added that, like Mr Hughes, he spends a lot of time outside of the Society getting up to speed and understanding what the many and varied risks look like, to ensure the Society is, as far as possible, as secure as it can be.

- 7.4 The Chairman advised that there were no other questions on the Rules but there was a very good question from Mr V Basak who asked if the Society has a Business Continuity Plan in place and if it had been invoked as a consequence of the pandemic. Mr Bogard confirmed the Society has a Business Continuity Plan and that this was a key document and a regulatory requirement in both a prudential and conduct context. He explained that the pandemic was something that evolved and a lot of the background capability in the Business Continuity Plan provided the foundation to enable the Society to operate remotely. The Society was able to migrate to remote working very quickly and continues to do so today. Mr Hughes added that, in his view, it had been remarkable how the Society, within an incredibly short period, had continued to operate without staff coming in to the office, but working remotely from home. As a consequence it had not been necessary to invoke the Business Continuity Plan in response to the pandemic.

8. AGENDA ITEM 5 - ELECTION OF DIRECTOR

- 8.1 The Chairman advised that the next item on the agenda was the proposal to elect, as a Director of the Society, Ms Susan Sharrock Yates who, being eligible, has offered herself for election.
- 8.2 While members were given time to submit questions on this election, The Chairman advised that there had been two questions received in advance of the meeting relating to this item, as follows:
- 8.2.1 Mrs S Cornish had noted that there were only two female members of the Board and asked for an explanation of the selection process for appointing the Directors. The Chairman explained that he chaired the Society's Nomination Committee and that when there is a need to bring in more skills or to replace a director who is retiring, the Nomination Committee appoints an external recruitment agency to produce a list of candidates. The recruitment agency is advised of the skills the Society is seeking and asked to field as wide a pool of candidates as possible. The Society is obligated to pick the best candidate for the job but if there are two candidates of similar experience and qualifications it is the Society's policy to choose the candidate that will increase diversity.

The Chairman then invited Mr Bogard to talk about diversity within the Society. Mr Bogard commented that firstly, he would like to reiterate what Mr Croft had said, that as a mutual organisation as regards staff and members the Society is open to all and everyone is welcome and treated equally. He advised that the Society has recently appointed a Diversity Officer who has collated views from staff on how they feel on these issues. Mr Bogard added that from the staff survey it is interesting that 35% of the Society's staff identify themselves as other than White/English which is higher than the ratio in the surrounding area in Epsom and Surrey. The Society will continue to work on diversity, which is about gender and race but also about personality. For example, our new Chief Information and Technology Officer happens to be a female but more significantly she is an extrovert whereas most of the Executive are introverts.

The Chairman then advised that one of the non-executive Directors on the Board, Mrs Crisp, had taken on specific responsibility for liaising with the staff and asked her if she would like to add anything to Mr Bogard's comments. Mrs Crisp explained that the Staff Forum is a very important part of her role and enables her to get feedback from staff on an informal basis. The Forum is comprised of a mix of staff who are selected by their peers and shows great diversity of thinking.

- 8.2.2 Dr A Rushton had noted the lack of diversity among those seeking election/re-election to the Board and asked what steps had been taken to date and what are planned over the coming year to address this situation. The Chairman explained that the Society is constrained about diversity at the higher level by the number of candidates coming forward who would satisfy the regulators' requirements. The regulators set high standards and expect every member of the Board to understand everything that is put before the Board. That limits the number of potential candidates very significantly. In addition, the Society is in a queue behind much larger organisations under the same pressure to increase diversity on their boards. It is a practical issue of demand exceeding supply.
- 8.3 The Chairman advised that Mrs T Harper had submitted a question online and asked whether there was a recognised union for the staff. Mr Bogard advised that staff individually and collectively are free to join a union if they wish but no-one had asked to do so. The Chairman expressed the view that historically building societies were part of the co-operative movement and that perhaps because of the culture there was less pressure to unionise.

9. AGENDA ITEMS 6 to 13 – RE-ELECTION OF DIRECTORS

- 9.1 The Chairman advised that he proposed to take agenda items 6 to 13 together because they all related to the re-election of the eight existing Directors of the Board and asked whether there were any questions on these items.
- 9.2 The Chairman then said that he wished to apologise for the fact that, as noted by Mr D Taber and Mrs T Harper, the wording on the voting form was slightly confusing as it refers to eight votes. The Chairman confirmed that appropriate checks have been made and there was no evidence that any member had been confused by this.

10. ADJOURNMENT

- 10.1 There being no further questions, the Chairman announced that there would be a further couple of minutes before the voting was closed. Following that, in accordance with the provisions of Rule 35(2) the meeting would be adjourned for a short period whilst the votes were counted in relation to items 1 to 13 inclusive and the results of the voting calculated.

Mr Bogard delivered a trading update on developments since 31 December 2020.

- 10.2 Upon the conclusion of the adjournment the Chairman announced that the Annual General Meeting was now reconvened.

11. RESULTS OF VOTING

- 11.1 As the final results were not yet available the Chairman took the opportunity to thank two sets of people. Firstly, on behalf of the Board and the members, he thanked the Society's staff for the extraordinary job they had done in difficult circumstances over the last twelve months. Reflecting the difficulties faced by society in general, some staff had relatives or friends who had succumbed to Covid and others had child

care difficulties or issues working from home. Against this background, the results did credit to Mr Bogard and the rest of the team.

- 11.2 Secondly, the Chairman thanked the members, in particular those who had taken the time to attend the Annual General Meeting and to submit questions. He added that the Society might not always agree with the questioner, but that the engagement was important and that if members stopped engaging with the Society it would be problematic. If there were any issues a member wished to follow up on they were welcome to do so.
- 11.3 The Chairman explained that although the precise number of votes was not yet available he proposed to invite the Secretary to confirm whether the resolutions had been passed or not. The Chairman added that the detailed voting results would be published on the Society's website.
- 11.4 The Secretary announced that on the basis of the votes cast up until the close of the online voting all resolutions had been passed by a significant majority, mostly in excess of 90% and that the number of votes cast during the meeting would not affect the outcome. He re-iterated that the final voting results would be published on the website.

12. CLOSURE OF MEETING

- 12.1 There being no other business the Chairman declared the meeting closed.

SIGNED: _____

DATE: ___/___/___