



**Welcome to our
Member Review
and Summary
Financial Statement**

For the year ended 31 December 2023

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Our Branches

Harpenden Branch

Aberdeen House,
14 Station Road, Harpenden,
Hertfordshire, AL5 4SE
Telephone: 01582 344204
Manager: Louise Wilson

Leighton Buzzard Branch

22 Market Square,
Leighton Buzzard,
Bedfordshire, LU7 1HE
Telephone: 01525 852525
Manager: Isabel Hare

Radlett Branch

341 Watling Street,
Radlett,
Hertfordshire, WD7 7LB
Telephone: 01923 854457
Manager: Louise Wilson

Tring Branch

38 High Street,
Tring,
Hertfordshire, HP23 5AA
Telephone: 01442 824722
Manager: Gill Pearce

Society Information

Established and incorporated: 1953
Firm Reference Number: 157260
Member of the Building Society Association
Member of UK Finance

Head Office
Mardall House
Harpenden
Hertfordshire
AL5 4HU

Board of Directors¹

Stephen Richardson	Chair
Nigel Boothroyd	Chair Designate
Lesley Beecher	
Richard Doe	
David Green	
Mark Willis	
Tina Kokkinos (appointed 11 May 2023)	
Mark Williams (appointed 30 November 2023)	

Leadership Team

Mike Cutler	Commercial Director
Richard Doe	Chief Executive Officer
Gemma Fient	Director of Operations
Ian Jones	Chief Risk Officer
Mark Williams	Finance Director (appointed 1 November 2023)
Gavin Mullen	Society Secretary
Gary Richardson	Director of IT & Transformation

Bankers

HSBC Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

¹Reflects the position as at 31 December 2023.

Chair's Statement



I am pleased to have this opportunity to provide you with an update on how your Society performed during 2023.

Society's performance in 2023

I am delighted to be able to report that our CEO, Richard Doe, and the whole team at the Society have delivered a very strong performance in 2023. The mortgage book has grown by 15.9% and profit before taxation of £1.21m has been delivered.

Everyone at the Society is to be congratulated in delivering this excellent performance building on the improvement seen last year.

The Society holds significant surplus capital and liquidity which provides the capacity and time to continue to build a stronger, larger and more sustainable business.

Outlook for 2024 and Building a Sustainable Society

We are well placed with a strong mortgage pipeline to deliver good book growth in 2024. However, with interest rates having now peaked and forecast to start to fall, the Society's interest margins will be lower than experienced in 2023, so we anticipate that profitability will be lower this year.

Board Changes

Since my last report, we have made further changes to the Board. Tina Kokkinos joined in May as a Non-Executive Director. Tina is a CIMA qualified accountant and a former Chief Operating Officer as well as an experienced non-executive director. We also welcomed Mark Williams to the Board in November. He replaced George McGrady as Finance Director following the latter's resignation earlier in the year. Mark is a qualified chartered accountant, with nearly 30 years' experience within Financial Services and joins us from Jordan International Bank where Mark was CFO and Acting CEO.

Richard Doe has notified the Board of his intention to retire this year. We are therefore in the process of recruiting a new CEO and hope to be able to announce his successor at the AGM.

Governance

The Board is responsible for the long-term sustainability of the Society, for protecting our culture and values, and for governance. The Board continues to maintain its strong governance and oversight of the Society.

Colleagues

We recognise the need to attract and retain talented people and have welcomed a number of new colleagues to the Society in 2023.

I would like to take this opportunity to thank all our members, customers, and professional partners for their past, and continued support.

Finally on a personal note I step down as chair at the AGM in April. It has been a privilege to lead the Board and Society for several years and I am pleased that the Society has an exciting future with Nigel Boothroyd taking over as chair. I will follow the Society's progress from now on as a member. I wish everyone involved in the Society and particularly the members all the best for the future.

Stephen Richardson

Chair
18 March 2024

Chief Executive's Review



Despite the challenging economic backdrop, I am pleased to report good progress in 2023, our 70th year.

High inflation and rapidly rising interest rates have been felt by everyone, impacting the daily cost of living as well as mortgage payments. The continued war in Ukraine and now the conflict in the Middle East creates an unstable environment. Whilst rising interest rates have impacted existing mortgage members, I am pleased to report that mortgage arrears and forbearance remain low and stable. House prices reduced in 2023 and together with a small new lending element at Loan To Value (LTV) loans above 70% contribute to an increase in our collective provision charge to £408k (2022: £242k). The Society takes a prudent approach to mortgage lending and avoids lending at high loan to values.

Our own colleagues have also felt the impact of high inflation and the Society made a one-off cost of living payment to all but our highest paid colleagues.

Whilst rising interest rates are a challenge for mortgage holders, they have benefitted savers and we have seen the savings market become much more dynamic than in the past. We continue to balance the needs of borrowers and savers and offer a range of product options. New and existing members are increasingly opening and managing their accounts on-line. However, our branches continue to offer friendly and efficient face to face service.

The Society saw strong growth in the year with the mortgage book growing by just under £40m (15.9%). Savings balances also increased by a similar amount and our total balance sheet increased to £339m (2022: £306m).

This growth combined with the higher interest rate environment generated a profit before tax of £1.2m (2022: £0.3m loss). Costs increased year on year as we continued our investment programme to support future growth, but also due to high inflation. During the year the technical expertise has been enhanced in back office functions such

as Treasury, Finance and Risk. Investment in our people has supported our continued growth as well as improving risk management. Capital and liquidity positions remain healthy.

I am delighted to report that the Society increased its support for several local charities through fund raising, donations and hands on help. In total we contributed £46,000 to these amazing organisations and colleagues gave 300 hours of their time to volunteer. More information can be found in the following pages.

In addition to supporting our local communities, colleagues remained committed to providing great service to our members whether that be through our branches, over the telephone or on-line. This year we started capturing customer and member feedback through Smart Money People and I am pleased to report that we achieved a 4.6/5.0 rating.

I would like to thank my colleagues for their commitment to the Society and its members. This is reflected in achieving accreditation from Best Companies as "very good to work for" and receiving What Mortgage Awards Best Local Building Society for the 9th year and Personal Finance Awards best junior/children's savings provider award.

Richard Doe

Chief Executive
18 March 2024



Environmental, Social and Governance (ESG)

The Society has produced an ESG Manifesto, which articulates:

- Our commitment to reducing the Society's carbon footprint.
- Our support of the UK Government's ambition to reduce greenhouse gas emissions to net zero by 2050 and our commitment to helping generate sustainable economic growth.
- Our vision to play an active role in our communities.
- Our support of our people in an ethical and responsible way.
- Our commitment to best practice corporate governance.

Our Carbon Footprint

Our people completed a green survey early in the year to provide their input on what the Society can do to improve its carbon footprint. In response we did the following:

- Requested the installation of smart meters in our Head Office and branches and commenced their roll out in certain sites.
- Moved to a new green energy provider upon expiry of our existing energy contracts.
- Reduced our paper usage, limiting printing where we can and ensuring we use sustainable paper.
- Encouraged recycling wherever possible with recycling bins for paper, plastic, cans, and card.
- Recycled old office furniture in the Tring branch prior to the commencement of works.
- Replaced printers with more energy efficient ones and recycled the old printers.

Lending and Saving Sustainably

We are committed to delivering sustainable lending and saving through the products we offer and the markets in which we operate. The Society will continue to develop its knowledge of climate change and take action to manage the impacts on its members and the organisation. This will be achieved through working with partners and stakeholders.

We have launched a green survey to elicit our members' views on what they consider the Society should be offering in terms of green products. The survey is available on our Environmental, Social and Governance page of our website and we encourage members to take the time to complete it.

We continue to support our members with a broad range of products and are proud to have won:

- The Best Local Building Society in the What Mortgage Awards for a ninth year in a row; and
- The Best Junior/Children's Savings Provider in the Personal Finance Awards.

We also obtained accreditation as a responsible business from the Good Business Charter foundation.



**Best Local
Building Society**



Environmental, Social and Governance (continued)

Our Communities

In line with our Vision, we continued to play an active role in our communities by:

- Awarding charitable grants of c.£36k from our Endowment Fund (the "Fund") with additional payments out of year-end profits, to four worthy recipients, namely Harpenden Connect, Open Door, Leeanna's Wish and Youth Talk. The purpose of our Fund is to support children, health and local community projects primarily within the geographic area of Hertfordshire but also Bedfordshire. The Fund is administered by Hertfordshire Community Foundation (HCF), an independent countywide charity that provides support to local grassroots organisations and to children and families in crisis by encouraging local philanthropy. HCF helps identify and research suitable projects for us to fund in line with our objectives.
- Selecting and supporting Rennie Grove Peace Hospice Care as our charity of the year, and through various fund-raising initiatives and the AGM voting process and an additional payment out of our year-end profits, we raised over £6,350.
- Raising over £3,250 supporting other charities, including Sands, Diabetes UK, Stand Up to Cancer, Bowel Cancer UK, Movember, Macmillian Cancer Support and Children in Need.
- Our people giving over 300 hours of their time volunteering for great causes such as Sunnyside Trust, Small Acts of Kindness, Watling View School, Riding for the Disabled and the Rotary Club.
- Providing regular donations to the King's Pantry Food Bank in Harpenden and the DENS Food Bank in Tring.
- Befriending individuals in the local community who are experiencing loneliness or feeling socially isolated.



Our People

Our people are fundamental to the success of the Society. This year we have continued to strengthen our people capability to meet the Society's future needs, recognising the importance of attracting, developing, and retaining talented people.

We introduced a new common professional development programme to ensure that our people continue to maintain a professional level of knowledge and skill in their roles. This is in addition to the e-learning everyone is required to undertake to keep up to date with regulatory and legislative requirements. We seek to enhance everyone's learning experiences and to develop and improve working practices, building on strengths and developing skills where necessary.

We recognise the challenges faced by our people with rising mortgage costs, inflated gas and electricity bills, and the unusually high inflation rate. Against this background, we paid our people a cost-of-living payment, which was well-received at a time when our people really needed the additional help. We also commit to paying at least the minimum wage +10% and/or the Real Living Wage.





Environmental, Social and Governance (continued)

Following the decision by Financial Services Culture Board (FSCB) to close, we partnered with Best Companies for the first time in 2023 to facilitate our annual colleague survey. We are pleased to report that we achieved a 1-star accreditation rating (Very Good to Work For). Whilst the survey is not directly comparable to the previous FSCB survey, we consider the results as evidence of continued positive progress towards our vision to be a great place to work. We scored particularly well in the areas of fair deal and wellbeing. Our Internal Auditors also carried out a culture audit at the beginning of the year and rated the Society as "green", which reflects the steps taken to build a great internal culture.

Our Governance

We established an ESG Forum at the end of 2022 to oversee the Society's operations and initiatives regarding environmental, social and governance matters. The ESG Forum reports into the Leadership Team with quarterly updates provided to the Board.

At the Society, we are committed to best practice in corporate governance by:

- Continuing to embed our governance framework to ensure alignment to our corporate goals.
- Ensuring we have the right governance process and procedures in place to protect customers, colleagues, and the Society from potential risks and to meet regulatory requirements.

- Demonstrating how the Society has identified and prioritised ESG risks and focus areas.
- Embedding ESG strategies and associated limits and metrics within the Society's broader governance and risk management framework.

This year we completed an ESG risk assessment, which looked at the Society's business model, size and geographical location and identified the areas where climate related risks could impact its operational risk profile. It concluded that the overall operational risk exposure to climate related risk drivers was low to medium, and residual risks remained within the Society's appetite. It also concluded that the Society's exposure to risks emanating from Social and Governance drivers to be low.

Separately, the Society engaged Landmark Information Group to complete an analysis of the potential impacts of climate change on the mortgage book. The report concluded that the risk of loss to the Society was very low due to the low average LTV of the mortgage portfolio.

Your Board of Directors (as at 31 December 2023)



Stephen Richardson

Chair

Stephen joined the Society as a non-executive director in January 2014 and was appointed Chair in June 2016. He is Chair of the Nominations Committee and a member of the Remuneration Committee. He will retire on 19 April 2024.

Stephen has over 35 years of management and leadership experience in financial services at Barclays, Flemings and The Bank of New York, where he was Chief Operating Officer for Europe. He was Global Head of Wealth Management at the World Gold Council (trade body for global gold mining companies) covering China, India, Europe and the USA until mid-2013.

Stephen also has a range of non-executive and advisory/consulting roles.



Nigel Boothroyd

Vice Chair and Chair Designate

Nigel joined the Society as a non-executive director in March 2019 and was appointed Vice Chair in May 2020 and the Senior Independent Director in January 2021. He is Chair of the Remuneration Committee and a member of the Nominations Committee.

He has significant executive-level experience within financial services, having spent some 38 years at HSBC Group. He has carried out a number of senior roles, with experience of corporate and commercial banking; credit risk; operational risk; retail banking and wealth management. Nigel has served on a number of Executive and Risk Committees within the UK, Europe and North America. He was also the National Head of Corporate Banking with HSBC Canada between 2012 and 2015.

Nigel is an experienced non-executive director and, in addition to his role at the Society, is currently a non-executive director at British Arab Commercial Bank plc where he is also the Chair of the Remuneration and Nominations Committees.

Your Board of Directors (continued)



Lesley Beecher

Non-Executive Director

Lesley joined the Society as a non-executive director in July 2021 and is a member of the Audit, Nominations and Remuneration Committees.

Lesley has worked in financial services for the last 25 years. She is a technology specialist and was a retail banking CIO in her previous role. In parallel, for the last 7 years Lesley was a non-executive director for a company offering services to the credit union sector.

In addition to her role at the Society, Lesley is also a non-executive director at Gatehouse Bank Plc.



Richard Doe

Chief Executive Officer

Richard joined the Society in April 2020 initially as a non-executive director and became Chief Executive Officer in September 2021.

Richard has over 35 years' experience in retail banking, covering mortgages, SME lending and retail savings. He has a marketing and business strategy background and was previously CEO of ING Direct in the UK and Managing Director of Paragon Bank plc.

He is a Chartered Banker and Fellow of the Chartered Institute of Marketing.



David Green

Non-Executive Director

David joined the Society as a non-executive director in October 2020 and chairs the Society's Audit Committee. He is also a member of the Risk & Compliance Committee.

He is a chartered accountant with around 40 years' experience in retail financial services and joined us from a leading private bank following his retirement as CEO. He also served as an independent non-executive director for 7 years at a challenger bank.

In addition to his role at the Society, David is also a trustee of Leonard Cheshire Disability.

Your Board of Directors (continued)



Tina Kokkinos

Non-Executive Director

Tina joined the Society as a non-executive director in May 2023 and is a member of the Risk & Compliance, Nominations and Remuneration Committees.

Tina is a CIMA qualified accountant and a former Chief Operating Officer (COO)/Senior Business Manager, starting her career in commerce before moving to financial services. Her experience includes various roles at JP Morgan, HSBC, and Coca-Cola and most recently COO of a FX FinTech start-up.

Tina is an experienced non-executive director and, in addition to her role at the Society, she is also Chair of the Finance Committee at British Rowing (National Governing Body), Vice Chair of Comic Relief's Audit & Risk Committee, an independent member of the Audit and Risk Committee for Fair4All Finance and a non-executive director at Onward Homes (one of the largest housing associations in the North-West).



Mark Williams

Finance Director

Mark joined the Society as Finance Director in November 2023 and is a member of the Board and the Leadership Team. He also chairs the Assets & Liabilities Committee.

Mark is a qualified chartered accountant, with nearly 30 years' experience within Financial Services. After qualifying, he spent many years within Investment Banking working at Standard Bank, Lehman Brothers and Deutsche Bank. More recently Mark has worked at various retail and commercial banks including Lloyds Bank, the Co-operative Bank and Jordan International Bank where Mark was CFO and Acting CEO as well as a Board member. He has extensive experience across Finance, Treasury and Risk roles.



Mark Willis

Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is currently chair of the Risk & Compliance Committee and a member of the Audit Committee.

Mark has spent his career in financial services, most recently as Chief Risk Officer at National Counties Building Society which he joined in 2013. Previously, he served in a number of operational and oversight roles in financial risk management at Nationwide Building Society (including Head of Market Risk) and with Nationwide Pension Fund as trustee.

He is a Chartered Accountant and Corporate Treasurer and holds the PMI Award in Pension Trusteeship.

Summary Financial Statement

Summary Directors' Report

This financial statement is a summary of information in the audited annual accounts, the Annual Business Statement and Directors' Report, all of which will be available to members and depositors free of charge on request at every office of Harpenden Building Society from April 2024.

Strategic Business Review

The Chair and Chief Executive have both commented on the Society's performance for 2023 and the steps taken to grow the mortgage book. During 2023, there has been a very healthy net growth in the mortgage book of 15.9% and this, in conjunction with the impact of Bank Base Rate (BBR) rises and subsequent rises in the Society's Standard Variable Rate on the mortgage book, has resulted in a £6.4m increase in interest receivable for the year. There was also a significant increase in liquid asset income by £1.9m as increasing yields, representing the BBR rises in the first nine months of the year, were implemented. The income growth was offset by interest payable of £5.5m as rate rises were passed onto savers. This has resulted in an overall increase of c.£2.7m in net interest income year on year.

Administrative expenses, which are made up of staff costs and management expenses have increased by c£1.7m year on year. Management expenses were up by c£1.1m while staff costs increased by c£0.6m.

The increase in management expenses is mainly due to increased IT, legal & professional services and consultancy costs.

The increase in staff costs is mainly due to staff turnover in the year, cost of living payments and increased salaries reflecting the high inflation experienced. The Society in its recruitment of new staff continued to strengthen in key functions of the society.

The Society's credit risk profile continues to remain strong and has proved to be resilient to the continuing impact of the 'Cost of Living' crisis throughout the UK. Overall LTVs for the mortgage book remain very low and this results in minimal exposure to losses resulting from any future material reduction in house prices and/or increases in loan defaults. However, as a result of the growth in the mortgage loan book during the year the Society has had to increase its provisions by c£0.2m.

As a result of the above, net operating profit before tax (before any adjustment for revaluations) has

increased from a small profit of £0.2m in 2022 to a profit of £1.2m in 2023.

Total comprehensive income for the year was £910k (2022: £585k loss). In 2022 there was a loss on revaluation of £500k on property held for investment and a loss of £509k on properties as operational assets. The revaluation for 2023 was a gain of £3k and £28k for investment and operational property respectively.

It is recognised that there are risks and uncertainties associated with the potential adverse effects of political instability with elections in the UK and US this year, high inflation & interest rates, and an unstable geopolitical outlook with the war in Ukraine and heightened tension in the Middle East. Any consequent economic downturn, disruption to financial markets or political instability could have an impact on the Society's business model. The impact of an economic downturn has been stress tested against the Business Plan during the year to ensure that it has appropriate management control processes and sufficient capital and liquidity to withstand such impacts.

Throughout 2023 the Society continued to focus on its core objective, namely, to provide a competitive mortgage range funded by retail savings. The Society did in 2023 increase its communication channels with the successful launch of online savings accounts in the first quarter of 2023.

As noted above, the mortgage book grew by 15.9% in 2023 to £274.7m, with the overall balance sheet increasing by £33.1m to £338.9m. The Society continued to grow its funding by £31.3m year on year, an increase of 11.3%. The levels of liquidity reduced by £5.5m to assist with the funding of the strong mortgage growth in the year.

An Executive \ Liquidity Oversight Group convenes weekly to discuss pricing and ensure sufficient attention is focused on both new product development and the pricing decisions taken. This includes the assessment of various factors when considering rate changes, one of which is the Bank Base Rate, but other factors include competitive pressure, funding requirements, liquidity position, growth expectations and balancing the competing needs of both mortgage and savings customers.

The Society strives to provide fair interest rates for both mortgage and savings customers, in the context of the reshaping of the funding base. From a savings perspective we consider the rates to be competitive in the marketplace.

Summary Statement

for the year ended 31 December 2023

Results for the year	2023	2022
	£000	£000
Net interest receivable	10,076	7,331
Other income and charges	139	118
Total Net Income	10,215	7,449
Administrative expenses	(8,838)	(7,060)
Fair value gains/(loss) on investment property	3	(500)
Impairment of loans and advances	(166)	(176)
Profit/(Loss) for the year before taxation	1,214	(287)
Taxation	(325)	84
Profit/(Loss) for the year	889	(203)
Revaluation of tangible fixed assets	28	(509)
Movement in related deferred tax	(7)	127
Total comprehensive income / (loss) for the year	910	(585)

Financial position at end of year	2023	2022
	£000	£000
Assets		
Liquid assets	58,901	64,360
Mortgages	274,631	236,830
Fixed and other assets	5,284	4,573
Total assets	338,816	305,763
Liabilities		
Shares	305,876	263,005
Borrowings	1,994	13,596
Other liabilities	1,518	644
General reserve	28,397	27,508
Revaluation reserve	1,031	1,010
Total liabilities	338,816	305,763

Approved by the Board of Directors on 18 March 2024 and signed on its behalf by:

Stephen Richardson	Richard Doe	Mark Williams
Chair	Chief Executive	Finance Director

Summary Statement (continued)

for the year ended 31 December 2023

	2023	2022
Gross capital as a percentage of shares and borrowings	9.56%	10.31%
Liquid assets as a percentage of shares and borrowings	19.13%	23.27%
Profit/(Loss) for the financial year as a percentage of mean total assets	0.27%	(0.07)%
Management expenses as a percentage of mean total assets	2.73%	2.34%

Notes to the Key Financial Ratios

Gross capital comprises general reserve and revaluation reserve. The gross capital ratio gives an indication of the extent to which the Society is funded by retained profits and other reserves compared with money invested by shareholders and depositors. Such capital provides a financial cushion against any losses that might arise in the Society's business and therefore protects investors.

The liquid assets ratio measures the proportion that the Society's assets held in the form of cash, or short-term deposits readily convertible into cash, bears to the Society's liability due to investors. Such liquidity enables the Society to meet requests by investors for withdrawals, to make new mortgage loans and to fund its general business activities.

Mean total assets are calculated as the average total assets at the beginning and end of the financial year.

Profit for the year as a percentage of mean total assets measures the proportion that the Society's profit after taxation bears to the average of total assets during the year. The Society has to make a reasonable level of profit each year in order to maintain a strong gross capital ratio thereby providing protection for investors' funds.

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

Independent Auditor's statement to the Members and Depositors of Harpenden Building Society

Independent Auditor's statement to the Members and Depositors of Harpenden Building Society

We have examined the Summary Financial Statement of Harpenden Building Society (the "Society") set out on pages 12 to 14.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Member Review and 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 within the Member Review and Summary Financial Statement with the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the 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 of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Summary Financial Statement to the corresponding items within the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2023 including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year;
- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2023.

We also read the other information contained in the Member review and Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's 'Directors' Report, Accounts and Annual Business Statement' describes the basis of our opinion on those annual accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of Harpenden Building Society for the year ended 31 December 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Use of the statement

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

Mazars LLP
Statutory Auditor
30 Old Bailey, London EC4M 7AU
18 March 2024

Directors' Remuneration Report

The purpose of this report is to explain how the Society complies with the principles relating to remuneration in the UK Corporate Governance Code July 2018. The Society has adopted a Remuneration Policy, which describes how the Society complies with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed on page 18.

The Level and Components of Remuneration

Code Principle: Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Board comment:

The Remuneration Committee is responsible for reviewing the Remuneration Policy and Remuneration Framework and ensuring that they align with the Society's overall strategy and long-term objectives with appropriate consideration of customer outcomes, culture, risk appetite and diversity and inclusion. In determining the Remuneration Policy and corresponding remuneration practices, the Remuneration Committee is mindful of the need for clarity, simplicity, risk management, predictability, proportionality, and alignment to culture. It recommends the Remuneration Policy to the Board having regard to all applicable legal and regulatory requirements.

In determining Executive Director and Leadership Team remuneration, it first reviews all workforce remuneration and the alignment of incentives and rewards with the Society's culture, risk appetite and strategy. The Remuneration Committee has delegated responsibility to determine the policy for Executive Director remuneration and setting remuneration for the Executive Directors and the Leadership Team.

The Remuneration Policy outlines the overall approach and principles the Society adopts towards managing remuneration for all employees and non-executive directors. The Society has a simple approach to compensation which reinforces its strategy and values by rewarding the right behaviours and outcomes for members and the Society, focussing on long-term sustainable growth, and discouraging unnecessary risk taking in line with the Remuneration Code. The policy is made available to all employees.

The Remuneration Policy contains a set of principles designed to guide decision making when considering the total reward for all colleagues across the Society, namely to:

1. Attract and retain colleagues of the required calibre by offering a fair and competitive total reward benchmarked within the market.
2. Focus on total reward; recognise that reward is more than just pay, enabling employees to make the choices that work for them at different stages in their life.
3. Keep reward simple and fair with consistent approaches to total reward.
4. Reward colleagues based on Society performance and how they behave and deliver; both as part of the team and as an individual.

Every colleague's compensation package comprises four key components: fixed remuneration (base pay), variable remuneration (annual bonus), retirement benefits (pension) and benefits.

In 2023, colleagues (including the Chief Executive and members of the Leadership Team) received an average pay increase of c.5%. An additional award of £500 was paid in August to all colleagues (other than senior management) by way of an ad hoc cost-of-living payment.

Directors' Remuneration Report (continued)

Executive Director Emoluments

The total remuneration of Executive Directors reflects their responsibilities and roles within the Society and covers the four components identified below. The Remuneration Committee reviews each Executive Director's remuneration package annually and approves that of any new Executive Director prior to appointment.

- a. **Fixed Remuneration - Base Pay.** This takes into account role and experience, comparison to the local external market and benchmark data. It reflects the need to attract and retain the required calibre of Executive Director by offering a fair and competitive reward.
- b. **Variable Remuneration – Annual Bonus.** The discretionary performance-related bonus scheme has a direct link to the success of the Society, motivating delivery of core business metrics in line with the Society values. It is linked to both individual performance and the achievement of Society corporate targets, namely customer experience, profitability, mortgage book growth, risk management and employee engagement. The bonus metrics are reviewed by the Remuneration Committee annually to ensure the measures are appropriate. The bonus payment is not pensionable, and the scheme is designed to deliver an on-target bonus of 15% of basic salary with a maximum award of 30% of basic salary for leading performance which achieves stretch targets. Payments may be reduced or withdrawn if the Board considers there is an item or event of material importance or relevance to have a significant influence on the regulatory status, financial performance, or financial statements of the Society. In addition, a 'profit hurdle' has been set that should be exceeded before any element of the bonus is payable. The Society does not operate a long-term incentive scheme. The 2023 discretionary performance-related bonus scheme paid 25% to Richard Doe. Mark Williams did not receive a payment as he was only appointed Finance Director at the end of November 2023.
- c. **Retirement Benefits – Pension.** The pension is in line with the Society's business strategy, objectives, values and long-term interests. The Executive Directors have defined contribution pension plans, to which the Society and employee both contribute. The pension contribution to Executive Directors aligns with that of the workforce and is set at 10% of basic salary. Richard Doe opted not to take the employer pension benefit in 2023.
- d. **Employee Benefits.** The Executive Directors are entitled to a car allowance, private medical insurance ('self' and partner/family), group income protection and life assurance.
- e. **Contractual Terms.** The Executive Directors are employed under a service contract terminable by the Society or by the individual on six months' notice.

Non-Executive Director Emoluments

The Remuneration Committee reviews Non-Executive Director fees annually based on comparable data from similar financial service organisations and specialist recruitment consultants. Remuneration comprises a basic fee with a supplementary payment for the Chairman, Vice Chair and Committee Chairs to reflect the time commitment and responsibilities of each role. Non-Executive Directors do not qualify for a pension or a bonus. Historical service agreements have a provision for life assurance at the rate of three times annual fees. Non-Executive Directors are also reimbursed for reasonable and proper expenses incurred in the performance of their role.

In 2023, there was an increase in Non-Executive Directors' fees of 5% in line with the Society wide pay increase. The increase was based on the continued need to attract Non-Executive Directors and to keep pace with the Society's aspirational peer group.

Nigel Boothroyd

Chair of Remuneration Committee
18 March 2024

Directors' Remuneration Report (continued)

The total emoluments for both Executive and Non-Executive Directors for the year amounted to £489,586 (2022: £525,869).

2023	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	£000
R. Doe (Chief Executive)	200	50	3	-	253
G. McGrady (Finance Director - resigned 31 January 2023)	17	-	1	2	20
M. Williams (Finance Director – appointed 30 November 2023)	17	-	1	-	18
	234	50	5	2	291

2022	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	
R. Doe (Chief Executive)	170	9	1	-	180
G. McGrady (Finance Director)	146	-	12	15	173
	316	9	13	15	353

M. Williams joined the society as Finance Director on 1 November 2023 and was appointed onto the board of directors on 30 November 2023. A. Kassam took over as Interim Finance Director on 1 February 2023, without being appointed to the board of directors, and held that position until 31 October 2023. The payment for this service is included in operating expenses.

Non-Executive Director Emoluments (comprising fees only):

	2023	2022
	£000	£000
S. Richardson	48	46
L. Beecher	28	28
N. Boothroyd	34	33
D. Green	34	33
M. Willis	34	33
T. Kokkinos (Appointed 11 May 2023)	21	-
	199	173





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