H&R
HINCKLEY AND RUGBY
BUILDING SOCIETY

Annual review

Incorporating the Summary Financial Statement for the year ended 30 November 2021 and Notice of Annual General Meeting 2022

About us

Hinckley and Rugby Building Society has been serving its members for over 150 years. The Society has an extensive range of competitive savings accounts and mortgage schemes and remains as committed to providing the highest standards of customer service as it has ever been.

Summary Financial Statement

Established 1865

Member of the Building Societies Association

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The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA)

The Society's registration number is 206043

This Summary Financial Statement is a summary of information in the audited annual accounts, Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on our website at hrbs.co.uk.

The information contained in the Chairman's statement, Chief Executive's report and Chief Financial Officer's report, on pages 3 to 14, addresses the requirements of the Summary Directors' Report. Further information is contained in the full Annual Report and Accounts.

Chairman's statement

> "We are committed to providing a local service through our branch and agency network."
>
> **Colin Franklin**
> Chairman

Twelve months ago, I wrote that it had been an unprecedented year which had been dominated by the Covid-19 pandemic. Little did I know that the following year would also go down in the history books as a "pandemic year" dominated by vaccines and boosters. Our staff would once again rise to the challenge and our branches remained open all year. As I write this report, I am loath to predict the next year but one thing I know for sure is that Hinckley & Rugby Building Society will be there supporting our members whatever difficulties we may all face.

The pandemic years have seen us continue to strengthen the Society and I am delighted to report that our profits, operating margin, capital position and liquidity all improved during the year. We remained cautious with our lending risk appetite during the key lockdown periods and that allowed us to record excellent asset quality at the end of our year, as well as support any members who were facing financial struggles. However, this caution saw our mortgage book decline during the year, and we are now ready to move back into growth.

It was also an important year in our history as we reached the age of 160 years in Rugby, and we supported several local charities with a £160 donation to commemorate this anniversary. Membership is as important today as it was all those years ago. When I meet new staff, during their first couple of days with the Society, I always explain what the mutual model means to me and how they can flourish in our supportive environment. Mutuality allows us to care for our staff, our members and our communities and I see our new staff enthusiastically engaging with this business model.

I am delighted that we have created a framework for launching the Hinckley & Rugby Community Foundation. This Foundation will support local charities and local people throughout Leicestershire and Warwickshire. During 2022 we will provide grant funding and will take a close interest in the local work that we support, with us sharing our knowledge and skills where we can. We will present the first grant cheques at our AGM in March 2022, and I look forward to seeing the difference that we can make in 2022 and future years. Our ESG (Environmental, Social & Governance) strategy also developed strongly, and we were able to share our progress at a virtual COP26 Conference.

With four digital projects (including a new phone system and live chat) delivering service improvements in 2021, your Board has agreed to continue the investment in our digital services and during 2022 we will make plans to enhance our systems for mortgages and savings. This is part of an overall digital programme to enhance our services to our members and allow them to access our services in a way and at a time that suits them.

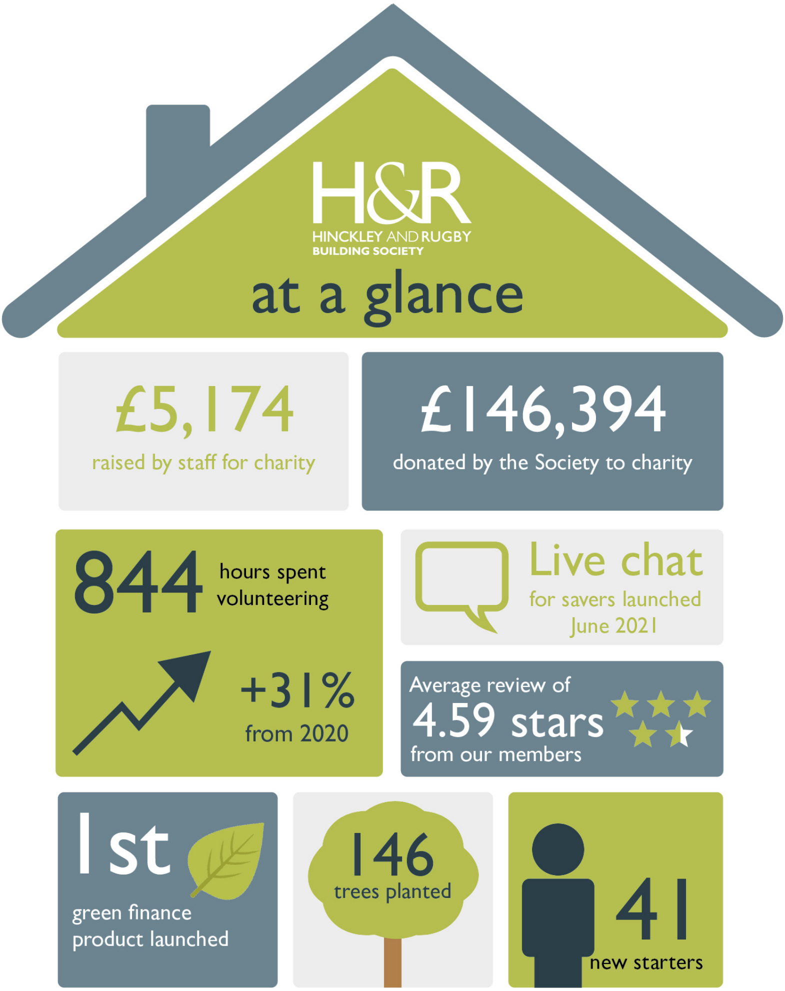
We have several channels that members can use to engage with the Society, and with a new phone system installed in 2021, and a new website due to be implemented in 2022, our capability will continue to grow. Whilst we are investing in digital services, our branch and agency network remains the cornerstone of our business, with staff supporting our local communities every day. That will not change. We are committed to providing a local service through this network.

Chairman's statement continued

I am proud to lead your Society and proud of the way the staff have managed the Society through the pandemic. I also take great pride in the recognition our staff get for our work in the community, and particularly this year with awards from Leicestershire Cares and the Leicestershire mental health charity LAMP.

I would like to thank all staff and my fellow directors for their dedication and support over the year.

Colin Franklin
Chairman
15 February 2022



Chief Executive's report

> "We were made in Leicestershire and Warwickshire, and we will continue to make a difference in these two counties."
>
> **Colin Fyfe**
> Chief Executive

Looking back

I am pleased to look back on 2021 and report a successful year for your Society. It was not perhaps the year we expected with the Covid-19 pandemic continuing to have a material impact on our lives and therefore our focus continued on supporting our staff, our members and our local communities through these challenging times.

We continued our prudent path through the pandemic's obstacles, and this had a positive impact on our much-improved profit performance but also restricted the growth of our mortgage performance.

One of our main aims was to support any of our members who were in difficulty and there is no better example of this than the industry-wide mortgage payment deferral programme which came to an end in 2021. Of over 500 members who took at least one mortgage payment deferral during this time, I was delighted that fewer than 1% of them required additional support at the end of their deferral period. The effort to achieve this outcome was substantial and I am again grateful to the staff who came together from all corners of the Society to achieve this. As we move into 2022, our national economy and local communities are again feeling the impact of the pandemic and we stand ready to continue to support our members.

We started the year with an innovative campaign, in partnership with our local community radio station, Fosse 107, to *Pay Your Bills*. Twenty local listeners had their January council tax, energy, food or phone bill paid by our Society. It was a way of lightening the load and demonstrated that the financial wellbeing of local residents matters so much to us.

As in 2020, we were unable to get together with members for our Annual General Meeting and, in a first for the Society, the full meeting was streamed live to our members. Mindful of keeping our staff and members safe, we will use a hybrid format for the AGM in March, with the face-to-face meeting streamed online for those who do not wish to attend in-person.

Over the summer we introduced our new branch proposition, which aims to see us reach out more proactively into our local communities. Our branches moved to a permanent 9am till 2pm opening times (Monday to Friday) with Saturday's hours remaining at 9am till 12pm. I am grateful to our members who have adapted to these times and also the members who have taken advantage of the private appointments available on weekdays between 2pm and 5pm for those who would like a bit more time to open an account or to discuss a private matter in a confidential environment. Our branch staff now have more time to proactively support our local communities and we are keen to reach the end of any Covid restrictions to allow this work to flourish.

We took the opportunity to review our operating practices and during the year we created an Operations team who frequently undertake workload to free up time for our customer facing staff to spend more time providing local support. Over this period, the remainder of all our current and historic

Chief Executive's report continued

mortgage files and documents were "digitised", helping our efficiency and green intentions. We have also taken the opportunity to strengthen our Change Project capabilities, which will provide additional manpower and governance as we complete our investment programmes.

Financial performance

Our strategy during the last two financial years has been to strengthen our net interest margin, thus ensuring the Society grows its profitability and capital base. We called this our "widening the jaws" strategy, and I am delighted to report that this has been successful, with our net interest margin climbing to 1.34% from 1.13% in 2020 and 1.11% in 2019. In a low interest rate environment and with mortgage competition continuing to be fierce we have navigated the Society's financial position to a stronger and safer place and created a foundation for future growth. This enabled us to deliver a profit before tax of £1.44m which was a 157% increase on the previous year. Supported by our members, the Society's funding profile remained strong, and this allowed us to reduce the level of term funding in place from the Bank of England.

Our lending appetite was restricted during the year as we conservatively moved out of some of our core mortgage markets such as self-employed and buy to let lending. Our goal was to protect the Society from Covid-related headwinds, and we felt that these two areas, plus higher loan to value lending, may be worst impacted. The government's support for employers and employees were new initiatives and ultimately supported the UK economy, including house prices, from taking a material dip. This protection was crucial, and we ended the year with very strong asset quality in our mortgage book and a very low number (0.49%, 2020: 0.57%) of mortgage members in arrears with their mortgage payments. The consequence, however, was clear in our balance sheet, with our mortgage book falling as we let some areas of traditional business pass.

Towards the end of our financial year, we relaunched competitive mortgage products into all of our core mortgage lending areas, and we are confident that we will return to growth in 2022. This growth will come from targeted lending in areas where we have existing expertise; lending areas where the mortgage customer is underserved by the high street lenders and wants a building society to listen and support them. This takes us back to our core propositions, but we will do this under the theme of mortgage transformation by refocusing our service on our mortgage brokers and mortgage borrowers.

The fundamentals of the Society have strengthened in 2021, with a strong capital position, a strong liquidity position and the now closed defined benefit pension scheme having a healthy surplus.

Whilst interest rates have started to rise in December 2021 and consumer prices are also rising sharply, the Society is in a good place to navigate through the year ahead.

Investment

Your Society has been working on a blended channel strategy for the last couple of years. We want our members to be able to access our services at a time and place that suits them. In 2021 we took a big step forward in achieving this with delivery of key digital projects to support this goal. Over the summer we upgraded our core operating system to allow greater functionality and provide us with the capability to integrate more services in future years. Our operating practices during the Covid pandemic highlighted the need for a new digital phone system and, as we finished the financial year, this was implemented and will strengthen our service delivery. Another channel was created early in the year when we launched live chat on our website. Initially supporting swift and convenient communication between mortgage brokers and our staff, this is proving successful and is being introduced into our main mortgages and savings channels.

We also signed a contract during 2021 to replace our website and we are excited that this gives us a chance not only to increase the web functionality but to modernise what often can be people's first experience of dealing with us. We plan to launch our new website during 2022.

The pace of digital change will continue in 2022, where we have plans to improve our core technology security and service by moving to a managed service in the cloud. The preparation and tender processes for this change have been significant and we are working with trusted partners and technology experts to plan the change carefully. These changes will lead to creating plans in 2022 for a new online front end mortgages and savings platform, which we plan to deliver over the next few years.

The investment required to keep your Society relevant in a modern world will not stop. But that does not change our commitment to our local communities. Our branches are here to stay on our high streets. Branches were, for many years, the only service channel but now they will become one of many service channels, thus increasing choice for our members.

Staff

I cannot thank the Hinckley & Rugby staff enough for their resilience and dedication throughout 2021. In what were continually testing times, the staff provided the Society's services with a smile every day with no need to close our branches or other channels. In fact, it was a period of growth for our staff as we strengthened certain key areas and blended in the skills that we need for our growth aspirations. Our staff numbers grew from 130 to 152, and we have a strong team to take the Society forward.

We continued our investment in our people, and I am delighted to say that a further three members of staff will complete their Masters qualification at Loughborough University in 2022. This will take the total staff qualified under this programme to six and we will encourage others to participate when the next cohort starts in Autumn 2022.

2021 was the second year of the Society's revised performance management framework, which is used to support individuals' performance throughout the year. Staff members have been involved in its creation and enhancement and I was particularly keen that a staff group engaged in an exercise to determine the behaviours that every staff member (from CEO to newest recruit) must embrace. The four key behaviours identified were:

- Teamwork
- Courage to challenge
- Taking responsibility
- Going the extra mile

The mental health and wellbeing of our staff is of key importance to us, and we continued our support programme in 2021 by providing our staff with access to the Mattioli Woods wellbeing portal and also increasing the number of mental health first aiders who are qualified within the business. There are other wellbeing topics which we are finding we can help our staff with and our focus on menopause started in 2021, with training on the early identification of prostate and testicular cancer planned for early 2022.

Our Diversity and Inclusion Committee was established in 2021 and is already doing some excellent work which will lead into our diversity and inclusion strategy, which will be presented early in 2022. We believe that an inclusive culture, where everyone's voice and opinions matter, is essential to a successful workplace and we want to explore how we can embrace this further in 2022.

Chief Executive's report continued

ESG (Environmental, Societal & Governance)

As all businesses' ESG strategies grow in importance, your Society continues to take a proactive approach in all areas. I was delighted to continue to Chair the Building Societies Association's Green Finance Taskforce and this gave me the opportunity to represent the Society and Sector talking at a virtual COP26 Conference. I explained that our Society has entered into two partnerships to test the way we communicate with our members about the retrofit needs for their residential or let properties. The findings in 2022 will help us support our members and local communities to understand what the requirements are and what choices they have.

Outside our mortgage book, the Society has its own carbon footprint and we received individual measurement (scope one and two emissions) during the year which recorded this as 152 carbon dioxide equivalent (CO_2e) tonnes. This has provided us with a baseline and our action plans are being drawn to bring this down to net zero. As the year came to an end, we entered into a partnership with the local Rotary Clubs in Rugby to support the Rotary World Savers initiative. The goal is to create a community that receives regular actions to carry out so that, collectively, individuals can support the drive to a more environmentally sustainable world. We will help to spread the word and the actions through our networks.

The creation of the Hinckley & Rugby Building Society Community Foundation has been one of my personal ambitions and, now the infrastructure is in place, we are looking forward to supporting and working with local charities to help them continue the good work they do. Our ability to share our knowledge, skills and experience can make those relationships mean more than the cheques we donate. In what will be our first year, 134 of our staff voted for the areas they would like us to get behind in 2022. The three areas we will support this year are:

- Mental and physical health and wellbeing
- Poverty and disadvantage
- The environment

Using the expertise of our partner Community Foundations we will identify the local charities that we work with.

Looking forward

The UK economy has been resilient through the Covid pandemic, but it is only as we finally leave restrictions behind that we will understand if any headwinds exist that will cause any local or national shocks. Government support has been vital but the medium to long-term impacts of its provision are likely to become clearer through 2022 and into 2023.

Having operated in a low interest environment (Bank of England Base Rate at 1% or less) for approaching 13 years, the recent increases should not have been a surprise but with inflation rising steadily it seems likely that 2022 and 2023 will see a number of interest rate increases to temper inflation.

Your Society, whilst having a keen eye on the economy, keeps its medium-term strategy in clear sight. The foundations of the business have never been stronger in recent history, and we have the capacity and capability to grow this business whilst managing the right investments at the right times. Our attention will not be diverted from our local markets. We were made in Leicestershire and Warwickshire, and we will continue to make a difference in these two counties.

Colin Fyfe
Chief Executive
15 February 2022

Chief Financial Officer's report

"The Society's financial performance improved during 2021, despite the continued impact of the Covid pandemic on the economy, our markets and our members. Profit before tax increased to £1.44m. Prudent levels of liquidity and capital were maintained."

John Mulvey
Chief Financial Officer

This section of the annual report reviews the current position and performance of the Society, and details the key financial indicators monitored by the Board.

Details of the progress made by the Society with the implementation of the Board's strategy are set out in the Chief Executive's report on pages 5 to 8.

Summary financial position

The Society's financial performance improved during 2021, despite the continued impact of the Covid pandemic on the economy, our markets and our members. Profit before tax increased to £1.44m (2020: £0.56m), following careful management of the Society's net interest margin, with changes to both mortgage and savings product rates during the year. Prudent levels of liquidity and capital were maintained. The improvement in profitability allows investment in additional staff resource and new technology in 2022 and future years.

The UK government's extension of Covid support schemes, introduced in 2020 to protect businesses, jobs and borrowers, helped to offset the economic uncertainty and limit the disruption to the housing and mortgage markets. These schemes, which included the Job Retention Scheme (furlough), loan payment deferrals, the moratorium on possessions and the concession on residential stamp duty, were withdrawn during the year, with the furlough and stamp duty schemes ending on 30 September 2021.

The Society continued to take a cautious approach to lending in this environment, with the pre-pandemic lending criteria only reintroduced at the end of the financial year. This, and other factors, led to a reduction in loans and advances to customers to £619m (2020: £658m).

Certain impairment provisions held at the end of the prior year, due to the uncertainty surrounding borrowers who deferred mortgage payments, were released following the return of these borrowers to normal monthly payments. Impairment provisions held at the end of the year remain higher than pre-pandemic levels due to the remaining uncertainty now that the support schemes noted above have been withdrawn.

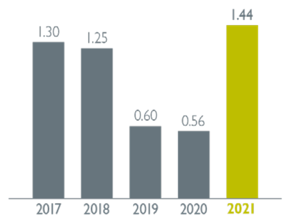
Key financial measures for the year are shown on the next page.

Chief Financial Officer's report continued

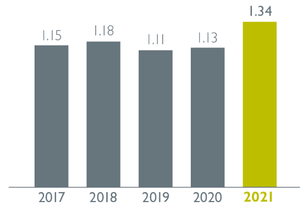
Key financial measures

	2021	2020	2019
Profit before tax (£m)	**1.44**	0.56	0.60
Loans and advances to customers (£m)	**619.0**	657.9	696.0
Retail savings (£m)	**693.0**	690.2	677.3
Liquid assets (£m)	**172.3**	145.2	129.7
Wholesale funding (£m)	**60.0**	74.0	111.7
Gross capital (£m)	**47.3**	45.4	43.2
Total assets (£m)	**803.6**	814.0	834.6
Net interest margin as a percentage of mean total assets	**1.34%**	1.13%	1.11%
Management expenses as a percentage of mean total assets	**1.22%**	1.06%	1.05%
Cost/income ratio	**88.4%**	93.3%	93.0%
Liquid assets as a percentage of shares and borrowings	**22.9%**	19.0%	16.4%
Gross capital as a percentage of shares and borrowings	**6.3%**	5.9%	5.5%
Common Equity Tier 1 capital ratio	**17.0%**	15.7%	14.1%
Balances in arrears as a percentage of gross loans and advances	**0.71%**	0.88%	0.38%

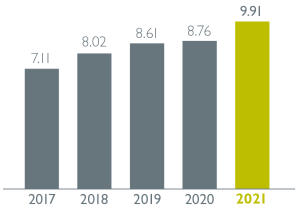
Profit before tax
(£ million)



Net interest margin
(%)



Administrative expenses inlcuding depreciation and amortisation
(£ million)



Profit before tax

As a mutually owned business, the Society is not aiming to maximise profit for shareholder gain, but it does need to make sufficient profit to support the capital it maintains for the protection of shareholding members and other depositors, and to support asset growth. Profit before tax in 2021 was higher than the prior year, increasing by £0.88m to £1.44m, due to:

- Net interest receivable increasing by £1.5m to £10.81m (2020: £9.31m), with lower interest paid on savings products as rates were reduced in line with the savings market, and increased mortgage early redemption charges received. This was partially offset by lower interest received on loans and advances to customers, as balances reduced over the year, and by lower returns on liquid assets.

- Net gains on derivative financial instruments held for hedging purposes increasing by £0.25m to £0.20m (2020: £0.05m loss). In common with many financial institutions, the Society uses derivatives (in the form of interest rate swaps) to hedge the risk of interest rate movements impacting adversely the net interest receivable earned on its portfolios of fixed rate mortgage and savings products. Movements in the fair value of these derivatives result in a charge or credit to income and largely represent timing differences recognised over the duration of each derivative contract.

- An impairment credit recognised on loans and advances to customers of £0.10m during the year (2020: £0.21m charge), due to the lower number of borrowers in arrears and deferring mortgage payments.

These factors were partly offset by:

- Administrative expenses, including depreciation and amortisation, increasing by £1.15m to £9.91m (2020: £8.76m) due to increased staff costs, legal and professional fees, and computer expenditure.

- Gains on investment properties reducing by £0.10m to £0.04m (2020: £0.14m), with the small gain recognised in the year relating to property market movements. The majority of the gain in the prior year related to one investment property, following the negotiation of a lease to a third-party tenant.

Net interest margin

The difference between interest rates earned from mortgages and liquid assets, compared with those paid on savings and wholesale funding, is referred to as the net interest margin (NIM) and is a key measure of the underlying performance of the Society. It is expressed here as a percentage of the Society's average total assets.

Factors affecting the Society's NIM include the level of competition within the mortgage and savings markets, the returns achievable on liquid assets, the costs of wholesale funding, and the level of SONIA, a variable rate that governs the interest received on the Society's interest rate swaps that are used to hedge fixed rate

Chief Financial Officer's report continued

mortgages. A lower level of SONIA reduces the overall level of interest earned on the Society's fixed rate mortgage balances.

Following the reduction in the Bank of England base rate by 0.65% in March 2020 to a record low of 0.10%, the Society held off reducing savings rates by the full reduction until early 2021, when rates were reduced in line with the savings market. As a result of these savings rate reductions in the year, the Society's NIM increased to 1.34% (2020: 1.13%). Other factors improving the NIM were increased mortgage early redemption charges received and careful management of the Society's mortgage product proposition. These were partially offset by lower interest received on loans and advances to customers as balances reduced over the year, and lower returns on liquid assets held due to the prevailing low market interest rates.

Administrative expenses including depreciation and amortisation

The Board is always conscious that higher costs of running the Society would restrict the benefits it is able to pass on to its members in the form of better savings and mortgage rates. The Society remains an efficiently run organisation and its level of management expenses (expressed as a percentage of average total assets) of 1.22% (2020: 1.06%), despite increasing, were in line with the average last year for a building society of this size.

Overall administrative expenses, including depreciation and amortisation, increased by £1.15m to £9.91m (2020: £8.76m).

Costs throughout the building society sector have increased significantly in recent years as organisations, including the Society, have invested in people and systems to deliver improved customer service commensurate with member expectations, improvements in cyber security, and to respond to increasing regulatory requirements. As a result, during 2021 the Society incurred increased staff costs, legal and professional fees, and computer expenditure. The Society has not furloughed any staff.

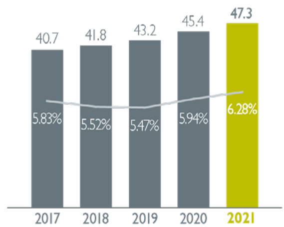
In addition, a donation of £0.11m was made to the Society's new community foundation, and further professional fees were incurred due to increased internal and external audit fees, and one-off items relating to updated product documentation and in support of funding facilities.

Capital

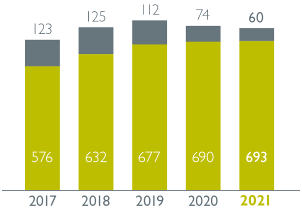
Capital is held to provide protection for members' deposits against credit losses arising from lending and other risks to which the Society is exposed. A feature of the Society's risk management framework is the Internal Capital Adequacy Assessment Process (ICAAP), as required by the EU Capital Requirements Directive (CRD). The ICAAP assesses the level of capital that the Board considers adequate to mitigate the principal risks and uncertainties to which the Society is exposed, as set out in the Directors' report on page 26 of the Annual Report and Accounts. The Society runs regular stress tests to ensure it is adequately capitalised, including a severe economic downturn based on that used by the Bank of England to test the capital adequacy of systemic firms within the UK banking system.

The Society generates capital from profit made by normal business activities. The Society's profit after tax for the financial year of £1.08m (2020: £0.55m) was transferred to general reserves. In addition to the increase due to retained profits, the Society's reserves increased by £0.84m (2020: £1.59m) due to actuarial gains recognised in the pension scheme. As a result of this, gross capital at the year-end increased to £47.3m (2020: £45.4m). The Society's gross capital ratio (gross capital expressed as a percentage of total shares and deposits) was 6.28% (2020: 5.94%).

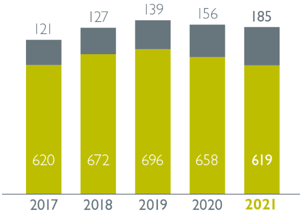
Gross capital ratio (%)
Gross capital (£ million)



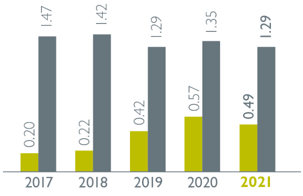
Overall funding including Term Funding Scheme (TFSME)(£ million)



Total assets and mortgage balance (£ million)



Number of borrowers one month or more in arrears (%)



The Society's free capital ratio (gross capital and collective provision less tangible fixed assets, intangible fixed assets and investment properties, expressed as a percentage of total shares and deposits) was 5.52% (2020: 5.15%).

At 30 November 2021 the Society's Total Capital Requirement set by the Prudential Regulation Authority was £24.3m (2020: £25.3m), with £20.2m (2020: £21.2m) relating to the Pillar 1 capital requirement and £4.1m (2020: £4.1m) relating to the Pillar 2A capital requirement. Regulatory capital held by the Society at 30 November 2021 was £43.6m (2020: £42.2m), representing 17.3% (2020: 15.9%) of total risk weighted exposures and well in excess of the minimum Total Capital Requirement.

The audited disclosures required by the Capital Requirements Directive (Country-by-Country Reporting) Regulations 2013, which are prepared to comply with the Capital Requirements Directive, are shown in note 31 of the accounts.

Funding

In accordance with its role as a mutual building society, the Society draws most of its funding from its members in the form of retail deposits. Total retail savings balances (which include member share balances, as well as other retail accounts such as accounts for corporates, charities and local clubs and associations) grew by £2.8m during 2021 and represented 92% (2020: 90%) of the Society's total funding.

The Society also takes some funding from the wholesale money markets, and for several years has participated in the Bank of England schemes that provide medium- to long-term funds secured against mortgages and other assets at cost-effective rates of interest.
At the prior year-end the Society had £70.0m of funding from the Bank's Term Funding Scheme (TFS). During 2021, the Society refinanced £60.0m of this funding under the Bank's Term Funding Scheme with special incentives for SMEs (TFSME), which again provides four-year term funding to banks and building societies, and continued to hold this funding at the year-end.

The Society repaid the majority of its unsecured wholesale funding during the year, with £0.3m (2020: £4.0m) outstanding at the year-end.

Liquidity management

The Society undertakes a full review of liquidity adequacy each year, referred to as the Internal Liquidity Adequacy Assessment Process (ILAAP), including an assessment as to the quantity and quality of liquid assets that the Society should hold to mitigate the liquidity risks to which it is exposed under both normal and stressed conditions. The Board approves the ILAAP on an annual basis and this forms a further component of the Society's risk management framework.

The Society's liquid assets of £172.3m (2020: £145.2m) at the year-end represented 22.9% (2020: 19.0%) of shares and borrowings. The level of liquidity held relative to total shares and borrowings remains significantly above the Board's internal assessment of its minimum requirement and its regulatory minimum requirement. Of the liquid assets held, £158.1m (2020: £131.2m) was on deposit at the Bank of England.

Chief Financial Officer's report continued

The Society, in common with its peers, has access to the Bank of England's Indexed Long Term Repo (ILTR) facility, which provides funding to help manage short-term cashflow imbalances that may arise through day to day operations, and to the Discount Window Facility (DWF), which is available to provide rapid access to liquidity in the event of a severe and unexpected cash flow stress. The Society did not use either of these facilities during the current or prior years.

Loans and advances to customers

Loans and advances to customers at 30 November 2021 were £619m (2020: £658m), representing a decline of 5.9%. In response to the impact of Covid on the housing and mortgage markets, the Society ceased new lending in several categories, including lending above 80% loan to value (LTV), and tightened its lending criteria during the prior year. These markets were only re-entered part way through 2021 and the pre-pandemic lending criteria only reinstated at the end of the year. New mortgage advances increased during 2021 to £119m (2020: £108m) but remain significantly below pre-pandemic levels. With a positive profit performance and prudent capital and liquidity positions, a reduction in mortgage lending is not a significant cause of concern for the Society.

The mortgages advanced in the year were spread across a range of products, including standard owner occupied, buy to let, self-build and later life lending. The Board's objective is to achieve a balanced portfolio of mortgage products across a range of borrower segments that generate an interest margin commensurate with the credit risk involved, while maintaining portfolio exposures within agreed limits. After standard owner occupied mortgages, which represented 71% (2020: 72%) of the Society's total mortgage book at the year-end, buy to let mortgages were the next largest segment within the Society's portfolio, representing 26% (2020: 26%).

Credit risk performance

The safety and security of our members' savings has always been of paramount importance. This is embodied in the Society's prudent approach to mortgage lending, resulting in a high-quality mortgage book, as shown in the arrears statistics below and in note 27 (c)(ii) of the Annual Report and Accounts.

As noted in the Chief Executive's report, a key aspect of the current and prior financial years was working with members who needed to defer mortgage payments, under the FCA recommended framework, due to the impact of Covid on borrowers' incomes. Over 10% of the Society's borrowers deferred up to six months' mortgage payments, with all such arrangements ending by 30 September 2021 (2020: 38 borrowers were deferring mortgage payments and were not categorised as in arrears).

At 30 November 2021, 21 (2020: 27) borrowers were in arrears with their monthly mortgage payments by one month or more, with balances outstanding representing 0.71% (2020: 0.88%) of total gross mortgage balances. Of the borrowers in arrears, five borrowers were in arrears by 12 months or more (2020: two), with balances outstanding of £0.90m (2020: £0.38m), arrears of £0.10m (2020: £0.03m) and individual impairment provisions held of £0.12m (2020: £0.06m). There was one property in possession at 30 November 2021 (2020: none). To support borrowers during the Covid situation, the FCA did not permit the possession of properties from March 2020 until 1 April 2021.

The continued low level of mortgage arrears during the Covid pandemic is in part due to the government support provided to borrowers and employers, including the mortgage payment deferral, furlough and business loan schemes. With the reduced number of arrears cases within the mortgage book over the year, and no accounts deferring mortgage payments at the year-end, the impairment provision held against loans and advances to customers was reduced to £0.55m (2020: £0.66m). The furlough scheme ended on 30 September 2021 and the Board expects the number of arrears cases to increase over the coming months. The Board continues to monitor this situation closely and will adjust the impairment provision as necessary.

John Mulvey
Chief Financial Officer
15 February 2022

Financial Results for the year ended 30 November 2021

Results for the year

	2021 £'000	2020 £'000
Net interest receivable	**10,813**	9,305
Other income and charges	**196**	135
Net gains/(losses) from derivative financial instruments	**198**	(53)
Administrative expenses	**(9,905)**	(8,755)
Operating profit before provisions	**1,032**	632
Gain on revaluation of investment properties	**37**	144
Impairment gains/(losses) on loans and advances to customers	**104**	(214)
Profit for the year before taxation	**1,443**	562
Taxation	**(359)**	(10)
Profit for the year	**1,084**	552

Financial position at the end of the year

Assets	**2021 £'000**	2020 £'000
Liquid assets	**172,269**	145,241
Mortgages	**618,963**	657,925
Derivative financial instruments	**404**	131
Fixed and other assets	**11,918**	10,718
Total assets	**803,554**	814,015
Liabilities		
Shares	**674,809**	668,683
Borrowings	**78,482**	95,564
Derivative financial instruments	**525**	3,015
Other liabilities	**2,427**	1,370
Reserves	**47,311**	45,383
Total liabilities	**803,554**	814,015

Approved by the Board of Directors on 15 February 2022

Colin Franklin Chairman

Colin Fyfe Chief Executive

John Mulvey Chief Financial Officer

Summary of Key Financial Ratios

	2021 %	2020 %
Gross capital as a percentage of shares and borrowings	**6.3**	5.9
Liquid assets as a percentage of shares and borrowings	**22.9**	19.0
Profit for the year as a percentage of mean total assets	**0.13**	0.07
Management expenses as a percentage of mean total assets	**1.22**	1.06

Gross capital as a percentage of shares and borrowings

The gross capital ratio measures the Society's capital as a proportion of its shares and borrowings. Gross capital comprises the general reserve and consists mainly of profit accumulated over many years. Capital provides a financial buffer against any losses which might arise from the Society's activities and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio is a measure of the proportion of the Society's shares and borrowings that are held in the form of cash or are readily realisable into cash. Liquid assets enable the Society to meet requests by investors for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.

Profit for the year as a percentage of mean total assets

The ratio of profit for the year as a percentage of mean total assets measures the proportion that the profit after taxation for the year represents in relation to the average total assets for the year. The ratio is similar to a company's return on assets. The Society needs to generate a reasonable level of profit each year in order to fund the continued development of its business and maintain its capital ratios at a suitable level to protect investors.

Management expenses as a percentage of mean total assets

The ratio of management expenses as a percentage of mean total assets measures the proportion that administrative expenses, as reported in this document (which include depreciation and amortisation), represents in relation to the average total assets for the year and is widely used to measure administrative efficiency.

Independent Auditor's Statement

to the members and depositors of Hinckley and Rugby Building Society

Opinion

We have examined the Summary Financial Statement of Hinckley and Rugby Building Society ('the Society') for the year ended 30 November 2021 set out on pages 3 to 16. On the basis of the work performed, as described below, in our opinion the Summary Financial Statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 30 November 2021 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 30 November 2021, 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 that 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, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 30 November 2021.

We also read the other information contained in Annual Review 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 full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Independent Auditor's Statement continued

Directors' responsibilities

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

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Annual Review 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.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our 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 work, for this statement, or for the opinions we have formed.

Karl Pountney

for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants

1 Sovereign Square
Sovereign Street
Leeds LS1 4DA
15 February 2022

Directors’ Remuneration Report

(Not forming part of the Summary Financial Statement)

Details of directors’ remuneration can be found on page 21 and provides, for our members, details of the basic salary,variable pay and benefits earned by directors in the year to 30 November 2021. Details of the Remuneration Policy applied to directors are set out below.

Policy for non-executive directors

Non-executive director fees are reviewed annually by the Chief Executive and the Chairman of the Board.This review is based on comparable data from other building societies and similar financial service organisations and performance reviews. No director or individual is involved in setting their own remuneration.

Remuneration comprises a basic fee, with supplementary payments for committee Chairs. Non-executive director fees are not pensionable, and the individuals do not participate in any incentive schemes or receive any other benefits.

The remuneration of the Chairman of the Board is reviewed on an annual basis by the committee, without the Chairman present, again using comparable external data.

All non-executive directors have formal contracts of service. All appointments are subject to a notice period of three months.

Policy for executive directors

The remuneration for executive directors reflects responsibilities and roles within the Society. The overall policy of the Board, as recommended by the committee, is set out below:

- the remuneration of executive directors (consisting of basic salary, performance related bonus, pension arrangements and other benefits) should be competitive with those of other comparable organisations in the financial sector, in order to attract and retain high calibre individuals with the necessary skills and experience for the Society to succeed;

- part of the remuneration should be based on the Society’s balanced scorecard performance in terms of financial, business and service performance compared to a range of objectives (including compliance with the Board’s risk appetite), so as to encourage and reward behaviours which are in the long-term interests of the Society’s members and other stakeholders; and

- performance reviews of the executive directors should be carried out at least annually, to assess their performance in meeting individual and strategic objectives.

The Chief Executive is the Society’s highest paid employee, and no employee earns more than any executive director.

The committee treats any departing executive directors fairly, and is careful to consider the interests of members and ensure that there are no rewards for failure. Executive directors are entitled to be paid their basic salary and contractual benefits (including pension contributions) during their notice period.The Society has the discretion to pay these as a lump sum payment in lieu of notice.

Basic salary

The Society’s reward strategy for executive directors aims to pay competitive, industry comparable salaries and to recognise individual development and progression through the annual salary and performance management review processes.

Performance related bonus

The executive directors are eligible for a non-pensionable performance bonus, the elements of which reflect the Society’s balanced scorecard measures for long-term sustainable success in the areas of customer and community, people, excellence, financial, risk and compliance, and behaviours.

As a mutual, the Society has no share option scheme.

Pension

Executive directors were eligible to participate in the Society’s defined contribution pension plan, which is offered to all employees.

- John Mulvey, Chief Financial Officer, was an active member of the Society’s defined contribution pension scheme during the year, with the Society making contributions to the scheme of 14.25% of pensionable salary, with the cost equivalent to 4% of pensionable salary recovered through a salary sacrifice scheme.

- Colin Fyfe, Chief Executive, and Dean Waddingham, Chief Customer Officer, opted to receive cash alternatives in lieu of pension contributions equivalent to 9% of basic salary.

The rate of pension contribution from the Society differs between the executive directors and the other employees, in that executive directors on appointment receive the level of contributions for an employee with 10 years’ service, which is not in line with the most recent corporate governance guidelines. The contributions paid are benchmarked against other organisations and the committee is satisfied that the total reward is set at a level which allows the Society to attract a high quality of employees at all levels.

Other benefits

Each executive director is provided with private medical insurance and permanent health insurance.

Service contracts

The general policy for appointments at executive director level includes a contractual notice period of 12 months, with executive directors required to give a notice period of six months. The Chief Executive is required to give a notice period of 12 months.

Member consultation

The committee does not consult with members on its Remuneration Policy but takes into account any feedback given by members. Members are invited to vote on the annual Directors’ Remuneration report.

On behalf of the Remuneration Committee

Geneane Bell
Chair of the Committee
15 February 2022

Directors' Emoluments

(Not forming part of the Summary Financial Statement)
For the year ended 30 November 2021
Emoluments of the Society's directors and key management are detailed below:

(a) To independent non-executive directors for services as directors

Aggregate emoluments	**Fees 2021 £'000**	Fees 2020 £'000
Colin Franklin	**52**	51
David Woodward	**37**	37
Geneane Bell	**33**	32
Barbara Taeed	**28**	28
Gary Wilkinson	**37**	37
Nemone Wynn-Evans	**28**	28
	215	213

No pension contributions were made in respect of these directors.

(b) To executive directors for services in connection with the management of the Society

2021	**Salary £'000**	**Bonus £'000**	**Contribution to defined contribution pension scheme £'000**	**Total £'000**
Colin Fyfe	**253**	**10**	**—**	**263**
John Mulvey	**155**	**8**	**16**	**179**
Dean Waddingham	**169**	**5**	**—**	**174**
	577	**23**	**16**	**616**

Directors' Emoluments continued

2020	Salary £'000	Bonus £'000	Contribution to defined contribution pension scheme £'000	Total £'000
Colin Fyfe	251	3	—	254
John Mulvey (appointed 1 April 2020)	102	3	10	115
Andrew Payton (resigned 31 March 2020)	107	—	11	118
Dean Waddingham	167	2	—	169
	627	8	21	656

	2021 £'000	2020 £'000
Total directors' emoluments including benefits and pension contributions	**831**	869

Salary costs and pension contributions shown are before any adjustments for the payment of employee pension contributions by salary sacrifice. Andrew Payton resigned on 31 March 2020, and a payment in lieu of notice of £51,767 and related employer pension contribution of £5,307 are included in his salary and pension contribution costs for the prior year shown above.

Notice of Annual General Meeting

Notice is given that the one hundred and fifty sixth Annual General Meeting of the members of Hinckley & Rugby Building Society will be held on 29 March 2022 at 6.00pm for the following purposes:

Ordinary Resolutions

1. To receive the Directors' Report, Annual Accounts and Annual Business Statement and the Auditor's Report for the year ended 30 November 2021.

2. To consider an Ordinary Resolution to re-appoint KPMG LLP to hold office as auditor of the Society until the conclusion of the next Annual General Meeting.

3. To consider an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 30 November 2021.

4. To vote on the re-election of directors:

   a. To re-elect Geneane Bell
   b. To re-elect Colin Franklin
   c. To re-elect Colin Fyfe
   d. To re-elect John Mulvey
   e. To re-elect Barbara Taeed
   f. To re-elect Dean Waddingham
   g. To re-elect Gary Wilkinson
   h. To re-elect David Woodward
   i. To re-elect Nemone Wynn-Evans

Special Resolutions

5. To adopt the Model Rules for Building Societies Seventh Edition, as presented on the Society's website at www.hrbs.co.uk/about-us/rule-changes, as the new rules of the Society with effect from 30 March 2022. Copies can be obtained from the Society's Principal Office and the Branches.

By Order of the Board

Margaret Long
Secretary
15 February 2022

Notes

1. **These notes form part of the Notice of Meeting:**

2. **Meeting location:** Hinckley & Rugby Building Society, Upper Bond Street, Hinckley, Leicestershire LE10 1NZ. If you are unable to attend in person, the meeting may be viewed online. Please note that you will not be able to vote if you are viewing the meeting online. Joining instructions can be found on our website www.hrbs.co.uk/voteonline or on your Proxy Voting Form.

3. **The Rules:** The drafted Rules have been uploaded to the Society website. The proposed amends have been highlighted for members to review. Copies can be obtained from the Society's Principal Office and the Branches. Points to note include:

   - 7th edition: meetings can be held at more than one location
   - 7th edition: clarification for adjourning a meeting

Notice of Annual General Meeting continued

- 7th edition: amendments in line with the Mental Health Act
- Head office address changes
- Board membership increased from 9 to 11 directors

4. **The Report and Accounts:** Copies of the Report & Accounts can be obtained from the Society's Principal Office and the Branches.

5. **Voting:** Qualifying members may cast their vote in the following ways:

   a. In person at the AGM
   b. In advance online
   c. In advance by post
   d. In branches
   e. By appointment of a proxy
   f. By appointing the Chair as proxy

All voting instructions are outlined on the Proxy Voting Form.

6. **To qualify to vote:**

Shareholding members

a. **To qualify as a shareholding member, you must:**

   i. if you are an individual, be at least 18 years old on 29 March 2022, and
   ii. have held shares to the value of not less than £100 in the Society on 30 November 2021, and
   iii. not have ceased to hold a share or shares in the Society at any time between 30 November 2021 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 29 March 2022, and
   ii. have owed the Society not less than £100 in respect of a mortgage debt on 30 November 2021, 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.

7. **Number of votes:** 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 members and a borrowing member.

Directors Standing for Re-election

Colin Franklin
Chairman

I joined the Society in June 2015 as a non-executive member of the Board and became Chairman in 2016. I also chair the Nomination and Governance Committee. Having worked at building societies for 42 years, I have a wealth of expertise and experience in the sector. In my role of Chairman, my focus is to ensure that the Society continues to be run in the best interests of its members, balancing the needs of savers and borrowers without any demands from outside shareholders.

Having lived in the Rugby area all my life, I recognise the important role the Hinckley & Rugby plays in the local community.

Colin Fyfe
Chief Executive

I have been the CEO at Hinckley & Rugby for three years having previously led the Darlington Building Society since 2014.

Prior to that I worked for 29 years in banking with Clydesdale and Yorkshire Banks. I worked in commercial retail and corporate banking, risk management and marketing and held the position of Divisional Director in my last role.

I have supported a number of businesses, charities and social organisations and enjoy sharing my knowledge, skills and experience that I have gained over the years.

Since joining the building society sector I have been very impressed by the values, the customer focus and the collaborative spirit within and between Societies. The building society allows me to focus on what counts and not just what is counted.

Geneane Bell
Non-Executive Director

I have lived in the Rugby area since 2001 and joined Hinckley & Rugby as a Non-Executive Director in July 2013. I was delighted to assume responsibility as Chair for the Society's Remuneration Committee in March 2018.

Since joining I have had the privilege of being able to demonstrate my commitment to the Society's ethics and values of mutuality by supporting numerous community events which the Society has sponsored.

Prior to joining Hinckley & Rugby my career with the Lloyds Banking Group spanned 38 years, the last 15 of which specialised in risk management and compliance with regulation. My last role was Head of Compliance and Conduct Risk for the Lloyds Retail Bank. I have extensive experience of working with the UK's financial services regulators.

Directors Standing for Re-election continued

John Mulvey
Chief Financial Officer

I joined the Society in March 2020 as Chief Financial Officer. I have over 20 years of experience in the financial services sector, including ten years at Melton Mowbray Building Society where I was the Deputy Chief Executive and Finance Director. I am a chartered accountant, having trained and qualified at KPMG, working within their financial services team auditing banks and building societies.

My role at Hinckley & Rugby involves leading the finance and treasury functions, with responsibility for financial and regulatory reporting, and managing the Society's liquidity, funding and capital positions. I chair the Assets and Liabilities Committee.

Barbara Taeed
Non-Executive Director

I'm a qualified risk management professional and joined the Society as a Non-Executive Director in March 2017.

Previously, I worked at the heart of the UK's not-for-profit banking infrastructure with responsibility for the integrity and cyber security of the banking systems in the UK. These systems known as Faster Payments, Chaps, BACS and Cheque & Credit Clearing process all of the UK's inter-bank payments including salaries, standing orders, direct debits and large value payments.

Alongside my role at Hinckley & Rugby, I also run an international academic-based Think Tank which specialises in the measurement and transaction of non-financial values. The work there extends into the technology potential of blockchain, crypto-currencies, the Internet of Things and the cohesive use of Artificial Intelligence. I've spoken on these subjects on BBC Radio 4 and at the United Nations.

I am a strong believer that mutual building societies promote customer choice and improved benefits to consumers. I am proud to serve the Hinckley & Rugby and all of our members.

Dean Waddingham
Chief Customer Officer

I joined the Society in May 2017, having worked within the financial services sector throughout my career, including senior roles within other mutual organisations.

I am a great advocate of the member owned business model, with their inherent customer focus. I am proud to be Chief Customer Officer of the Society.

One of my priorities has been moving internal processes from being paper based, providing environmental and cost benefits, and positioning the Society well for the challenges associated with serving our members within a Covid-impacted world. We will be looking to progress this with better digital services for our members over the coming years.

I am committed to continuous learning, particularly important in a time of constant technological change. I am a Chartered Director, Henley MBA graduate, and Fellow of the Chartered Institute of Bankers. I am originally from Leicestershire and live in the county.

Gary Wilkinson
Non-Executive Director

I joined the Society as a Non-Executive Director in December 2014 and am currently Chairman of the Risk Committee. I am a qualified Chartered Accountant and have extensive experience within financial services, in both the building society and banking sectors.

I have held senior positions within Alliance & Leicester (Building Society and plc), Nationwide Building Society, Newcastle Building Society and Cambridge and Counties Bank. I am currently Chief Executive Officer of Redwood Bank, a challenger bank which provides commercial mortgages to businesses and receives deposits from businesses, clubs, charities, and associations.

I am a strong advocate of the benefits mutuality brings to members and customers.

David Woodward
Senior Independent Director

I became a Non-Executive Director at Hinckley & Rugby in January 2015. I am a Chartered Management Accountant and currently serve as Senior Independent Director and Vice Chairman, as well as chairing the Board Audit and Compliance Committee. Since 2018, I have been a trustee and director of the charity Consumers' Association, trading as Which? the UK's Consumer Champion and have just completed a short term with United Lincolnshire Hospitals NHS Trust supporting them as they start to deliver the recovery of services while dealing with wave three of Covid-19.

I have previously held a number of senior financial positions with organisations based in the East Midlands, including Express Dairies, Midland Mainline and National Express. I also served as a Non-Executive Director of Lincolnshire Community Health Services NHS Trust for five years.

I remain passionately committed to serving members to the best of my ability.

Nemone Wynn-Evans
Non-Executive Director

I joined the Society as a Non-Executive Director in March 2017.

I live in Warwickshire and I am a Fellow of the Chartered Institute of Securities and Investment, also holding an MBA from Cranfield School of Management.

My background is in the equity capital markets sector of the City of London, including as a former Finance Director on the main board of a stock exchange, having begun my career in corporate finance and broking.

I believe that mutual, member-owned firms have an important role to play in financial services and I am also the Chair of the Board of a mutual friendly society in the savings and insurance sector.

I have other roles at a private investment office based in the Midlands, and at a renewable energy services provider.

Environmental, Social and Governance Report

As you would expect, your Society is run for the benefit of its members. Having experienced a successful financial year, we are well-positioned to fulfil our purpose of reinvesting our profit back into the development of our people, operations and the service we provide to our members, as well as sharing our success to benefit our local communities in Leicestershire and Warwickshire.

Environmental

The financial services industry has a crucial role to play in the transition to a lower carbon economy and the Society fully understands and embraces this challenge.

The UK government has set a net zero goal by 2050. Your Society understands that we have a responsibility and a role to play in the climate change and sustainability agenda. Our individual actions contribute towards the activity required to tackle the challenges of global warming and the risks this presents to our members, our communities, our colleagues and our business. To support this agenda, we have taken a number of steps to identify ways we can support our members as well as reducing our own carbon footprint.

This diagram to the right shows the Society's framework for addressing the issue of climate change and includes four key areas of focus.

1. Our Carbon Footprint

Focus on the energy efficiency of the Society

- Carbon footprint
- Changes to operational behaviours
- Changes to buying behaviours
- Improving the energy efficiency of the premises
- Target setting

2. Regulatory Reporting

Focus on changes to reporting requirements

- Non-financial reporting
- Meeting the expectations of the regulators

HINCKLEY AND RUGBY
BUILDING SOCIETY

3. Existing Mortgage Book

Focus on climate change risk represented by existing properties in mortgage book

- Risk assessment
- Data capture methodology and services
- Future housing market risk
- Future lending policy

4. Green Finance

Focus on promoting improved energy efficiency in existing housing stock

- Green mortgages
- Green further advances
- Consumer education
- Appropriate partnership

In August 2021 we identified our own scope one and two emissions, relating to those arising from owned vehicles and electricity and gas usage, for our head office and the branch network. Using the information learnt from this review and the strength and experience of the volunteers on our Environmental Committee, we are looking at ways we can reduce our own impact further.

We also continue to build on our recycling programme by collecting empty crisp packets, which are donated to local schools who can exchange through the TerraCycle scheme for financial contributions. Additionally, in April we celebrated World Earth Day and the Society recognised the activities and efforts of our staff by planting 146 trees across the country.

As a responsible business, we also understand the opportunities we have to educate and influence others. Colin Fyfe continues to chair the BSA Green Finance Taskforce and, in this capacity, spoke at an online COP26 seminar titled 'Decarbonising the UK's housing stock: Finding the £250 billion' and in August, Hinckley & Rugby became the first UK building society to provide Carbon Literacy training to their staff when 11 members of the workforce undertook in-depth training by APSE, an external company, and were deemed competent by the Carbon Literacy Project.

In addition, the Society is also actively investigating ways to communicate and educate its members. Over the summer, we launched the first of our Green Finance products which is aligned to the Green Homes Finance Principles, and we pledge to continually review and adapt all of our Green Finance products as the market changes so we may better meet the needs and demands of our members.

At Hinckley & Rugby, we decided that we need to test what works and how to build awareness and understanding. To do this we have linked with two external companies who both specialise in identifying retrofitting opportunities in homes. We have a "test and learn" pilot scheme underway with both companies which will help us understand how we can better work and communicate with our members and support them on their individual journeys.

Social

Hinckley & Rugby Building Society is passionate about making an impact on societal matters such as wellbeing and mental health, and diversity and inclusion.

The impact of the Covid-19 pandemic has meant that the last 24 months have been extremely difficult for many people. Globally, we have seen a rise in mental health-related illness. Your Society wanted to ensure that, during these difficult times, our employees and our members felt supported. Following the announcement of the first lockdown, our branches made regular contact with our members to check in and ask the all-important question "How are you today?". In addition, our HR team and Mental Health First Aiders made calls to our employees as a reminder that we are all in this together and your health matters.

During 2021 we implemented our very first wellbeing and mental health strategy, which consists of various training and awareness workshops for our employees, and extended the portfolio of support available to our employees, including additional Mental Health First Aiders, a wellbeing platform and enhanced support programmes through fully qualified third parties. We have championed raising awareness of wellbeing, engaged and partnered with local wellbeing charities to raise funds, and continue to break down the stigma surrounding mental health.

In more recent months, we have begun to engage with our workforce to understand what diversity and inclusion means to them. As we move into 2022, we will further develop our diversity and inclusion strategy. Your Society is continuously driving towards a culture where everyone feels supported, included and comfortable to bring their whole selves to work.

We will also be continuing to look for opportunities where we can support our local communities with these important issues.

Environmental, Social and Governance Report continued

Governance

The Board's Corporate Governance report is set out on page 13 of the Annual Report and Accounts. Using the theme of sharing to guide our purpose, 2021 has provided many opportunities for us to work for the good of our communities.

Mindful of government guidance, and in the interests of our members' safety, our AGM was held virtually for the second year in succession. We encourage occasions to hear directly from our members and were pleased that, as a result of your votes, we were able to donate £2,000 each to both the Hinckley Area Foodbank and Rugby Foodbank.

Those of you who regularly visit our branches will be aware that, in August, we changed our opening hours as part of our community strategy. The objectives here were threefold. For members, this step extends our convenient private appointment service. For staff, we can invest more time in training and development. For the local area, our teams are now available to participate in a greater number of community activities. We know that teaching children and young people about finances means they're more likely to save money, have a bank or savings account and be confident with money management. So, as a priority, in the new year, Society staff will be visiting schools to share our knowledge and provide financial education to pupils in Leicestershire and Warwickshire.

Indeed, our partnerships within the towns and villages we serve are central to the success of our community strategy. We believe that the two most pressing social issues at this time are the challenges of mental wellbeing and good financial health.

We have continued our popular financial education workshops with WizeUp, offering virtual sessions to older children, to support their preparations for their life after school. In 2022, we will celebrate 10 years of partnership with WizeUp and our commitment remains firm, with plans to add a new school to those already benefiting from this initiative. As the first building society to work with Ed Flack of WizeUp, we are heartened to know that he is now teaming up with nine other societies across the UK, bringing essential life skills to over 6,000 young people during the year.

A group of staff have shared their skills with North Warwickshire & South Leicestershire College during 2021, offering sessions on employment awareness and speed networking, with Colin Fyfe acting as an enterprise advisor to the college.

Our staff have been fulsome in their support of LAMP, a local independent mental health charity. Colin Fyfe chairs the Lamp Business Club, which has over 50 members, and Carolyn Thornley-Yates, the Society's Head of Mortgage Proposition and Distribution is a trustee. In addition, over a third of our staff joined in with LAMP's Around the World 5K Challenge which resulted in raising over £1,000 to support their advocacy for people in Leicester and Leicestershire.

In addition, Colin Fyfe mentors the joint Chief Executives of RCC (the Rural Community Council), a Hinckley-based charity which serves the borough and supports loneliness and suicide prevention in rural areas.

As in 2020, our work with Leicestershire Cares continued energetically, albeit virtually, with remote interviews and career talks. Where physical volunteering was permitted, staff helped out at local foodbanks. Additionally, the Society and staff donated to the Collect 4 Christmas and Bags of Hope appeals, which provide festive gifts to those in need. 2022 will mark 10 years of partnership with Leicestershire Cares, cementing our longstanding commitment to their mission of ensuring that 'no one is left behind'.

In September, our contributions were recognised at the annual Leicestershire Cares Awards, in which the Society and its staff were nominated in six categories and won four awards:

- Winner: Company of the Year 2021
- Winner: Education Volunteer of the Year – Evan Crosskey, New Lending Senior Manager
- Winner: Outstanding Contribution to work with NEET (Not in Education, Employment or Training) Young People
- Winner: Outstanding Contribution to Interview Technique
- Finalist: Volunteer of the Year – Carla Loughrey, Senior Marketing Executive
- Finalist: Outstanding Contribution to Education

Colin Fyfe continued his weekly Money Matters feature on local radio station, Fosse 107. In addition, we extended our partnership by running a successful *Pay Your Bills* competition, in January 2021. This provided 20 winners with a financial boost to start the year. We also ran two on-air campaigns – Mental Health Awareness Week in May and Talk Money Week in November – which drew together our partners from LAMP and WizeUp to share their advice for listeners.

Despite the ongoing disruption caused by Covid-19, our staff have risen to the challenge and continued to share their time, knowledge and skills. In 2021, Society staff clocked up 844 volunteering hours, representing a 31% increase on the previous year. Through various fundraising activities across our head office and branches, our staff have collected £5,174 for a range of charities and good causes. This effort is the true embodiment of our role as a responsible business and has attracted recognition and accolades. The Society itself has donated £146,394 to charities during the year.

Across the branch network, our Rugby branch marked 160 years of serving local residents. A celebration event was held, with the local MP attending, at which we launched our in-branch foodbank collection point. We also used the opportunity to donate £160 each to five local organisations: St Matthew and St Oswald's Church, The Bradby Club, the Hill Street Youth and Community Centre, the Hoskyn Centre and Midlands Air Ambulance.

At head office, our commitment to increasing digital services for our members made progress. We carried out an upgrade to our core operating system, improved our telephone systems and introduced live chat to our website, enabling members and intermediaries to contact us more easily. We also completed our project of digitising our mortgage records.

Our future digital plans include development of a new Society website, as well as ongoing work to introduce online mortgage applications and development of our online savings services.

As a mutual, the commitment to sharing our knowledge, skills and resource is evident inside our walls and out in our communities. In 2021, we continued to embed our ESG strategy, laying strong foundations to build on in the coming years.

HINCKLEY AND RUGBY
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