Pillar 3 Disclosures

31 December 2022

Contents

1. Introduction

Introduction

This document sets out the 2022 Pillar 3 Disclosures for Tipton & Coseley Building Society. This is in accordance with the rules laid out in the Capital Requirements Regulation (Part Eight). Unless otherwise stated, all figures are as at 31 December 2022, the Society's financial year-end, with comparative figures for 31 December 2021 where relevant.

Background

The Capital Requirements Regulation (CRR) and Capital Requirements Directive (together referred to as CRDIV) came into force on 1st January 2014, and was superceded by PS 22/21 "Implementation of Basel Standards: Final Rules" on 1 January 2022.

PS22/21 included revisions to the Pillar 3 disclosure framework to align to Basel international standards. The revised requirements seek to increase the efficiency of institutions disclosures and reinforce market discipline and consistency. This document includes revisions relating to:

- Quantitative disclosures (templates) more aligned with Basel international standards and supervisory reporting; and
- Qualitative disclosures enabling improved consistency across banks and building societies' disclosures.

The Society meets the criteria laid out in the Disclosure section of the PRA Rulebook under Article 433c. The disclosures in this document have therefore been prepared applying the concept of derogation under Article 433c.

The Basel framework is structured around 3 pillars which govern minimum capital requirements, outline the supervisory review framework and promote market discipline through disclosure requirements.

Pillar 1 — Minimum capital requirements relating to credit, market and operational risks. This covers the calculation of a basic minimum capital figure and is carried out by the Society by applying the standardised approach to credit risk and the Basic Indicator Approach to operational risk.

Pillar 2 — Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP). The Society has made an assessment of all of the key risks facing the business for which capital has not been provided under Pillar 1. The results of this assessment are subject to review by the PRA under their SREP arrangements.

Pillar 3 — Sets out the disclosure requirements for firms to publish key information about their risk exposures, risk management and capital.

The main Pillar 3 disclosures contained within this document are not subject to audit, however, they are subject to the same level of internal verification as that applicable to the Society's management report within the Accounts. Where appropriate the Pillar 3 disclosures are reconciled to and conform with the externally audited information in the Society's Annual Report & Accounts. This document has also been subject to second-line oversight, reviewed by the Society's Audit Committee and approved by the Society's Board in March 2023.

The figures in this disclosure document relate to the Tipton & Coseley Building Society (FRN: 159601). This document should be read in conjunction with the Society's Annual Report and Accounts. The figures have been reconciled to the Society's Annual Report and Accounts as at 31 December 2022 unless otherwise stated.

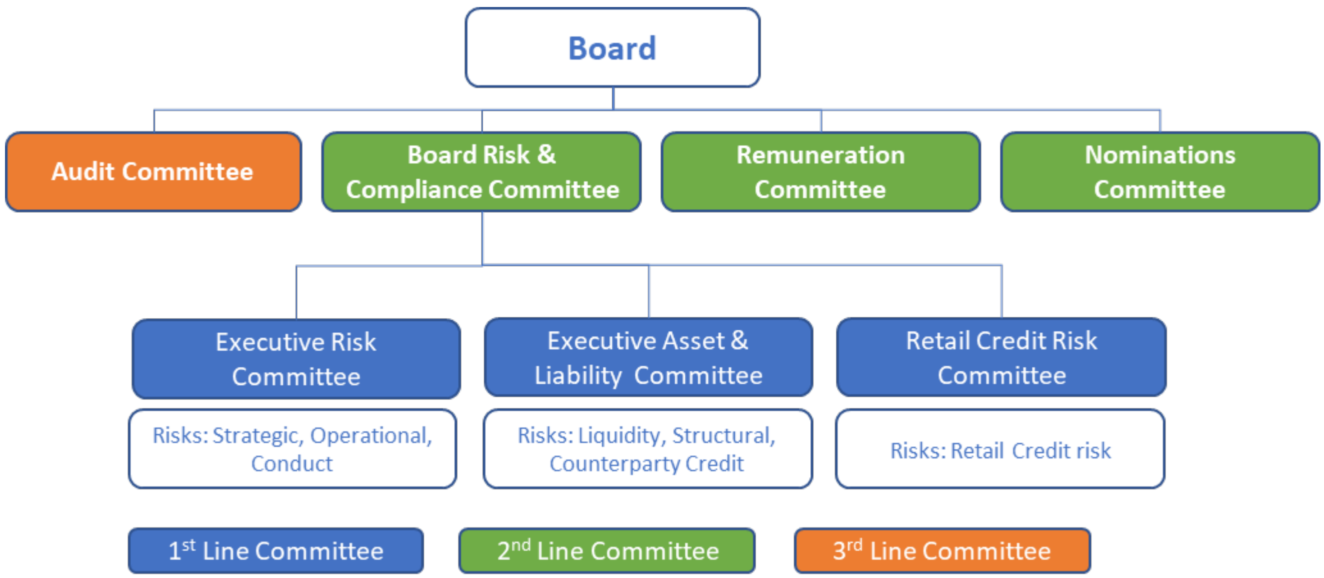
This document is published on the Society website (www.thetipton.co.uk). These disclosures will be updated on an annual basis, following publication of the Annual Report & Accounts.

2. Risk Management Objectives and Policies

Introduction

The Society operates in an environment where financial risks arise as a natural consequence of its business activities. Current and future risks are closely monitored and assessed to ensure they do not pose a threat to financial or operational sustainability of the Society or its members interests.

Risk Management Framework



The Board has overall accountability for risk management process and for ensuring that the approach is aligned to business strategy and objectives. The Board has put in place a formal risk management framework, which includes a Risk & Compliance Committee comprising four Non-Executive Directors, risk policy statements, exposure limits, mandates and reporting lines, and an active risk review process. All principal risks are monitored, assessed and are the subject of strategic risk management policies approved by the Board.

The Society operates a 'three lines of defence' approach to the allocation of responsibilities for risk identification and management. This is illustrated below:

Line of Defence	Responsibility
First Line	Day-to-day ownership of risk, including identification, monitoring and management of risks.
Second Line	Oversees the development and implementation of the Risk Management Framework
Third Line – Internal Audit	Provides assurance over the effectiveness of the Risk Management Framework

Risk Management Structure

The Board has delegated responsibility for risk management to the Board Risk & Compliance Committee and delegated responsibility for oversight of the systems of internal control to the Audit Committee. On a day-to-day basis authority is delegated to the Senior Leadership Team (SLT) to ensure Board approved policies are appropriately implemented and that systems of control are effective. An Internal Audit function is in place to carry out checks in order to provide assurance about the adequacy and effectiveness of internal controls.

Risks are assessed using both qualitative and quantitative approaches with risk appetite statements set for each risk type. These are supported by a series of quantitative risk metrics that are calibrated to provide suitable early warning indicators around risk exposures. These are monitored by the relevant committee (see below), with action taken where it is felt risk appetites may be breached. The Society, as per the exemption set out in CRR Article 432, has elected to not disclose the key metrics relating to its risk appetites or the risk appetites themselves as these are considered proprietary information.

Detailed below are the Board and management level committees along with a summary of their respective responsibilities:

<table>
<tr><th colspan="2">Board</th></tr>
<tr><td>Membership</td><td>All Board members</td></tr>
<tr><td>Responsibilities</td><td>Primary responsibility is to determine the Society’s strategy, set risk appetite and to oversee implementation by the Senior Leadership Team.
In particular it is responsible for:
• Approval of the Corporate Plan, strategy and long-term objectives
• Approve the Risk Management Framework, risk appetite statements, ICAAP, ILAAP and Recovery Plan
• Approve extension of activities into new business or geographic areas
• Approve principal risk policies including those relating to Treasury, Lending, Operational Risk and Conduct Risk
• Approve new product proposals.</td></tr>
<tr><td>Frequency</td><td>At least 10 times a year</td></tr>
</table>

<table>
<tr><th colspan="2">Board Risk & Compliance Committee</th></tr>
<tr><td>Membership</td><td>4 Non-Executive Directors</td></tr>
<tr><td>Responsibilities</td><td>Primary responsibility is oversight of risk management across the Society
In particular, it is responsible for:
• Development of the Risk Management Framework
• Recommendation of risk appetite statements to Board
• Review of risk status and risk metrics against the corporate plan and Board risk appetite.
• Review and assessment of new and emerging risks
• Monitoring the delivery of 2nd Line’s annual Risk & Compliance Plan
• Overseeing the development of the Society’s approach to managing the financial risks from climate change
• Overseeing the Society’s approach to operational resilience
• Detailed review of risks and assessment included within the ICAAP, ILAAP and Recovery Plan.
• Review the results of mortgage book stress testing</td></tr>
<tr><td>Frequency</td><td>Quarterly</td></tr>
</table>

Audit Committee	
Membership	4 Non-Executive Directors
Responsibilities	Primary responsibility is oversight to ensure the interest of members and other key stakeholders are adequately protected in relation to financial reporting, internal controls and regulatory compliance and conduct. In particular it is responsible for: • Reviewing Annual Report and Accounts and Summary Financial Statement • Monitoring the adequacy of the Society's accounting records and controls • Monitoring the adequacy of the Society's systems of business and financial control • Monitoring and reviewing the overall effectiveness of Internal Audit • Ensuring the Society runs compliantly in accordance with the requirements and standards of the regulatory system
Frequency	At least 3 times a year

Remuneration Committee	
Membership	3 Non-Executive Directors
Responsibilities	Primary responsibility is ensuring remuneration arrangements support the Corporate Plan and enable the recruitment and retention of Executive Directors and members of the Senior Leadership Team. In particular it is responsible for: • Making recommendation to the Board in relation to the Society's remuneration strategy • Making recommendations on levels of remuneration of the Society colleagues, including the Executive Directors • Approval of Executive and staff incentive schemes
Frequency	At least three times a year

Nominations Committee	
Membership	Chairman, Vice-Chairman, Chief Executive, Risk & Compliance Director
Responsibilities	Primary responsibility is the oversight of Director governance and succession. In particular it is responsible for: • Review and make recommendations to the Board at least annually on the governance of the Board • Evaluate the balance of skills, knowledge, diversity, time commitment and current experience on the Board • Review and make recommendations to the Board on the suitability of new directors
Frequency	At least twice a year

Executive Risk Committee (ERC)	
Membership	Chief Executive, Finance Director, Director of Customer Service, Risk & Compliance Director, Director of Sales & Marketing and Director of IT.
Responsibilities	Primary responsibility is for the oversight of Strategic, Operational and Conduct risk across the Society In particular it is responsible for: • Ensuring Strategic, Operational and Conduct risks are managed in accordance with the Risk Management Framework • Monitoring the delivery of 2nd Line's annual Risk & Compliance Plan, and promoting an effective compliance culture • Monitoring the Society's exposure to the financial risks from climate change
Frequency	Monthly

Executive Assets and Liabilities Committee (ALCO)	
Membership	Finance Director, Chief Executive, Risk & Compliance Director and Head of Finance
Responsibilities	Primary responsibility is for monitoring the prudential risks associated with the Society's entire balance sheet including Liquidity , Structural risks
Frequency	Monthly

Executive Retail Credit Risk Committee (RCRC)	
Membership	Chief Executive, Director of Customer Service, Finance Director, Director of Sales & Marketing, Risk & Compliance Director and Head of Finance
Responsibilities	Primary responsibility is for the monitoring and oversight of the Society's exposures to, and control of, Retail Credit Risk and developing the Society's lending strategy.
Frequency	Monthly

Principal Risks

The principal business and financial risks that the Society is exposed to are credit, interest rate, liquidity, operational and conduct risk. The ways in which the Society manages these risks include using forecasting and stress testing models to help guide business strategies; setting risk appetites and limits within which the Society operates; producing key risk information and indicators to measure and monitor performance; and using management and Board committees to monitor and control specific risks.

The Society's strategy and process for managing each of these risks is set out below:

a) Credit Risk

Credit risk (mortgage and wholesale) is the risk that customers or counterparties will not meet their financial obligations to the Society as they fall due. This risk is most likely to arise in the potential inability of members to make repayments on their mortgage, and of treasury counterparties to repay loan commitments.

Mortgage credit risk is managed by:

- Focusing on lending where the Society has appropriate knowledge and expertise;

- Setting a Board approved risk appetite, supported by a lending policy and specific segmental lending metrics and robust underwriting processes which seek to ensure that customers only assume a debt that they can afford to repay. All mortgage applications are rigorously assessed with reference to the Society's lending policy;
- Ongoing monitoring of performance and the exposure against risk appetite by RCRC, with oversight from the Board Risk & Compliance Committee; and
- Proactive engagement with members who have difficulty in making repayments, and working with them to clear arrears, make arrangements, or provide forbearance, where appropriate.

In respect of wholesale credit risk, the Board has an established Treasury Policy which limits treasury exposures to only those institutions considered highly credit worthy, along with limits in place to restrict the amount of exposure that can be taken in relation to any one counterparty, industry sector and geographic region. Monitoring and oversight of treasury positions is performed by ALCO with further oversight provided by the Board Risk & Compliance Committee.

b) <u>Structural Risk (including Basis Risk)</u>
Structural risk is the risk that income and expenditure arising from the Society's assets and liabilities may change adversely because of changes in interest rates. One type of interest rate risk is basis risk; this is the risk that assets and liabilities that are linked to different variable indices (such as Base Rate or SONIA) may not move in accordance with each other.

The Society manages this risk on a continuous basis, utilising derivative financial instruments where appropriate. Exposure limits are set by the Board, with monitoring and oversight performed by ALCO monthly, and further oversight provided by the Board Risk & Compliance Committee.

c) <u>Liquidity Risk (including Funding Risk)</u>
Liquidity Risk is the risk that the Society is unable to meet its financial obligations as they fall due or can only do so at excessive cost. The Society maintains sufficient liquid resources, both as to amount and quality to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations as they fall due.

The Society maintains a level of liquid assets in line with the Board approved Treasury Policy. Adherence to these limits is monitored by the Finance Director with further oversight provided by ALCO and the Board Risk & Compliance Committee.

An Internal Liquidity Adequacy Assessment Process (ILAAP) is performed annually to determine an appropriate level of liquid resources required under stressed conditions. Regular stress testing is performed to confirm the level of liquid resources is adequate under adverse scenarios.

d) <u>Operational Risk (including Cyber Risk)</u>
Operational risk is the risk of financial or reputational loss arising from inadequate or failed internal processes, people, and systems or from external events. The Society assesses the impact and likelihood of such risks occurring and then ensures controls have been established and are maintained which appropriately manage the risks in accordance with risk appetite and policies.

The threat of Cyber Risk continues to increase and is a key focus for the Society to ensure that it safeguards members assets. The Society continues to invest in protecting systems and data against potential cyber-attacks with a rolling programme of investment aimed at further improving resilience.

Exposure to operational risk is monitored by ERC with further oversight provided by the Board Risk & Compliance Committee.

e) Conduct Risk

Conduct risk is the risk that the Society's behaviour leads to poor customer outcomes. The Society's Conduct Risk Policy sets out in detail the way the Society must conduct business with its customers, ensuring they receive appropriate advice and support.

The Risk & Compliance team monitor the Society's Conduct Risk exposure by assessing the effectiveness of controls in place to manage this risk. An annual plan sets out the scope of compliance monitoring activity, the findings of which are then reported to ERC and the Board Risk & Compliance Committee.

Other Material Risks

a) Strategic Risk (including Reputation Risk)

Strategic risk is the risk that the Society fails to achieve its strategic objectives as set out in the corporate plan. The Society manages this with a long-term focus on ensuring a sustainable business model, encompassing carefully developed and detailed business plans and policies, which include maintaining a diverse product portfolio. The Board has formal oversight and monitoring of business performance. ERC monitor the Society's exposure to Strategic Risk on a monthly basis, reporting their findings into the Board Risk & Compliance Committee.

Included within Strategic Risk are the risks associated with change. Investment in processes and technology is important for the growth of the Society and for enhancing the ways in which customers do business with us. As the strategic investment programme evolves, risks are managed, and resources prioritised to ensure maximum benefit whilst protecting members' interests.

Reputation Risk can materialise from strategic decisions as well as operational events and is the risk of damage to the Society's business as a result of a loss of confidence in the Society following poor performance and/or adverse publicity. The Society manages these risks with a long-term focus which encompasses carefully developed and detailed business plans and policies including a detailed short term plan covering a one year time horizon, a medium term plan covering a three year time horizon, and detailed financial forecast scenarios. ERC also monitor horizon risks, i.e. emerging risks that may impact the Society, reporting this to the Board Risk & Compliance Committee.

b) Financial Risk from Climate Change

Climate change represents a risk to both the Society and its members. During 2022 the Society continued to develop its ability to identify, monitor and manage climate related risks, and meet the requirements of the Prudential Regulation Authority in relation to managing the financial risks from climate change.

The Board is accountable for ensuring the Society manages climate related risks. It is supported in this by the Board Risk & Compliance Committee and ERC which provide oversight of such risks.

A Climate Change Risk Policy has been developed which sets out the approach to managing climate related risks. This includes the roles and responsibilities of each of the three lines of defence, including the Board.

ERC monitor the risk exposure against risk appetite and oversee development of the Society's wider approach to managing climate change risks. The Board Risk & Compliance Committee review the risk exposure periodically and receive updates on the development and effectiveness of the approach.

Some climate related risks have an emergence period of 50 years or more so they can be difficult to identify, measure and manage. To support the development of the Society's approach, all climate related risks are considered through two perspectives:

- Physical risks - the risks arising from weather events (such as flooding, heatwaves, and storms) and long-term shifts in the climate (such as increased mean temperatures, rising sea levels, increases in extreme weather events); and
- Transition risks – the risks arising from adjustment towards a low-carbon economy, including Government climate related policy and regulatory developments, the emergence of disruptive technologies, and shifting sentiment and societal pressures.

Currently, the primary climate risk the Society faces relates to credit risk, notably:

- Weather-related events such as flooding and coastal erosion resulting in a reduction in property values;
- Changes to minimum energy efficiency standards resulting in a reduction in property values for less efficient properties or those with high retrofit costs; and
- Changes to minimum energy efficiency standards resulting in increased impairment because of mortgage members being unable to meet retrofit costs or required standards.

There are also several longer-term strategic, operational, and conduct related risks that are currently being considered.

c) Remuneration Risk

This is principally concerned with the risks created by the way remuneration arrangements are structured. Details of the Society's remuneration policies and practices are set out in section 7 of this document.

Risk Metrics and Ratios

Article 435 (f), CRR, requires the provision of key ratios associated with the Society's risk profile compared with its risk appetites. The Society considers these details to be proprietary information the disclosure of which may compromise the Society's competitive position, and therefore has elected to omit these details, as allowed under Article 432, CRR.

Declaration relating to Risk Management arrangements

In accordance with the requirements of Article 435 (e), CRR, the Society's Board are satisfied that the risk management systems in place are adequate with regards to the Society's profile and strategy.

3. Governance Arrangements

Board and Committee Meetings

The Board meets at least 10 times a year and also holds annual strategy meetings to review the Society's strategic plans. These also consider the economic, regulatory and competitive environment.

The table below sets out details of the Society's directors, number of other directorships and membership of the Board's sub-committees as at 31 December 2022. A summary of the Society's directors other directorships, knowledge, skills and experience is provided in the Director's Biographies contained within the Society's Annual Report and Accounts.

	Other Directorships	Audit	Remuneration	Nominations	Risk & Compliance
J Y Bentley (appointed 4th November 2022)	0	Member			Member
J D Cross (appointed 28th April 2022)	5			Chair	
A J Evetts (appointed 1st September 2022)	0			Member	
M Hrycyk	3	Member	Chair		Member
B M Moore	2	Member	Member		
R J Newton	1			Member	
K A Rolfe	0			Member	Chair
A J Shand	0				
S J Veitch	4	Chair	Member		Member

The Society has developed a governance and succession plan that details how the Board ensure directors and senior managers have the right skills to oversee the Society's activities. The plan is reviewed annually by the Nominations Committee and approved by the Board and considers Board composition, tenure, individual director skillsets and effectiveness as well as planned and unplanned succession arrangement.

The Nominations Committee will lead on the recruitment of Non-Executive and Executive directors, working with external recruitment specialists where necessary. Wherever possible candidates from a diverse range of backgrounds are selected for interview. Competency based interviews are used to select the best candidate for the Society, with all appointments requiring Board approval.

4. Key Metrics

Table UK KM1 – Key metrics

	Key Metrics	2022	2021
	Available own funds	£000	£000
1	Common Equity Tier 1 (CET1) capital	48,049	44,111
2	Tier 1 capital	48,049	44,111
3	Total capital	49,359	45,063
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	179,219	165,655
	Capital ratios (as a % of RWA)		
5	Common Equity Tier 1 ratio (%)	26.8%	26.6%
6	Tier 1 ratio (%)	26.8%	26.6%
7	Total capital ratio (%)	27.5%	27.2%
	Additional own funds requirements based on SREP (as a % of RWA)		
UK 7d	Total SREP own funds requirements (%)	8.0%	8.0%
	Combined buffer requirement (as a % of RWA)		
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	0.0%
11	Combined buffer requirement (%)	3.5%	2.5%
UK 11a	Overall capital requirements (%)	11.5%	10.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	19.5%	19.2%
	Leverage ratio		
13	Leverage ratio total exposure measure	548,355	500,307
14	Leverage ratio	8.8%	8.8%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA)	100,044	70,779
UK 16a	Cash outflows - Total weighted value	37,634	35,320
UK 16b	Cash inflows - Total weighted value	8,146	9,251
16	Total net cash outflows (adjusted value)	29,488	26,069
17	Liquidity coverage ratio (%)	342%	293%
	Net Stable Funding Ratio		
18	Total available stable funding (£000)	466,403	421,000
19	Total required stable funding (£000)	298,309	278,261
20	NSFR ratio (%)	156%	151%

5. Capital Resources

As at 31 December 2022 the Society had total regulatory capital of £49.3m; this is predominantly made up of Core Equity Tier 1 (CET1) capital which consists of the Society's general reserves, which contains the accumulated profits of the Society. Tier 2 capital is limited to the collective impairment provision.

Composition of Own Funds

Table CC1: Composition of Own Funds

	Composition of regulatory own funds	2022
	Common Equity Tier 1 (CET1) capital: instruments and reserves	£000
2	Retained earnings	48,178
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**48,178**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	£000
8	Intangible assets (net of related tax liability) (negative amount)	(129)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(129)
29	**Common Equity Tier 1 (CET1) capital**	**48,049**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**48,049**
	Tier 2 (T2) capital: instruments	£000
50	Credit risk adjustments	1,310
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,310**
58	**Tier 2 (T2) capital**	1,310
59	**Total capital (TC = T1 + T2)**	**49,359**
60	**Total Risk exposure amount**	**179,219**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a % of RWA)	26.8%
62	Tier 1 (as a percentage of total risk exposure amount)	26.8%
63	Total capital (as a percentage of total risk exposure amount)	27.5%
64	Overall Capital Requirement	11.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	1.0%
68	**Common Equity Tier 1 available to meet buffers (as a % of RWA)**	**19.5%**

The Society does not hold any Additional Tier 1 instruments and no transitional provisions apply in the current or prior periods.

Reconciliation of Regulatory Capital to Statement of financial position in the audited financial statements

The tables below show the reconciliation between Total Reserves in the Statement of financial position as at 31 December 2022 and regulatory capital in the table above.

Table CC2 – Reconciliation of regulatory own funds to Statement of Financial Position in the audited financial statements

Statement of financial position	2022
Assets	£000
Cash in hand and balances with the bank of england	110,433
Loans and advances to credit institutions	5,651
Derivative financial instruments	11,456
Loans and advances to customers	409,545
Intangible fixed assets	129
Tangible fixed assets	1,702
Prepayments and acrued income	1,196
Total assets	**540,112**
Liabilities	£000
Shares	415,657
Amounts owed to credit institutions	69,425
Amounts owed to other customers	4,135
Derivative financial institutions	625
Current tax liabilities	557
Deferred tax liabilities	50
Accruals and deferred income	1,469
Provisions for liabilities	16
Total liabilities	**491,934**
Shareholders' Equity	£000
General reserves	48,178
Total shareholders' equity	**48,178**

The reconciliation of reserves between the statutory accounts and the total regulatory capital resources is shown as:

	2022 '£000
Society reserves per statutory balance sheet	48,178
Adjustments:	
Collective impairment provisions	1,310
Regulatory deductions: intangible assets	(129)
Total Regulatory capital resources	**49,359**

6. Capital Adequacy Assessment & Resources Requirement

6.1 Capital Adequacy Assessment Process

The Society has a policy to hold sufficient capital to safeguard the assets of membership, maintain the confidence of the regulator and to achieve the targets set out in the corporate plan. The Society maintains a 4 year strategic planning framework which is reviewed by the Board on an annual basis and takes into account current and changing economic conditions. This review results in the production of a corporate plan covering 4 years, which includes detailed budgets for the forthcoming year. The corporate plan is supported by the ICAAP document which assesses the level of capital required to meet current and future business activities whilst remaining within Board risk appetite. The ICAAP ensures that the Society meets regulatory capital requirements under business as usual and stressed environments.

The ICAAP sets-out the minimum Pillar 1 capital requirements for the Society. The Society has adopted the standardised approach to credit risk and the basic indicator approach to operational risk. The Society applies a risk weighting of 8% to the risk weighted asset values to determine the minimum capital requirement for credit risk. The Society calculates its average net income over the previous 3 years and provides 15% of this average as the minimum capital requirement for operational risk.

The latest ICAAP, performed in 2022, allowed the Society to conclude that it expects to meet its Overall Financial Adequacy Rule in relation to capital over the duration of the Corporate Plan due to the significant headroom between capital requirement and available capital resources. In addition, it has concluded that the Society has a sufficient control and monitoring framework to maintain sufficient capital resources to meet the nature and level of risks it is or could be exposed to.

6.2 Risk Weighted Exposures and Own Funds Requirements

Table OV1 – Overview of Risk Weighted Exposure Amounts

		Risk weighted exposure amounts (RWAs)		Total own funds requirements
		31/12/2022	31/12/2021	31/12/2022
1	Credit risk (excluding CCR)	158,791	148,438	12,703
2	Of which the standardised approach	158,791	148,438	12,703
6	Counterparty credit risk - CCR	1,776	2,139	142
7	Of which the standardised approach	1,133	989	91
UK 8b	Of which credit valuation adjustment - CVA	643	1,150	51
23	Operational risk	18,652	15,078	1,492
UK 23a	Of which basic indicator approach	18,652	15,078	1,492
29	**Total**	**179,219**	**165,655**	**14,338**

The table summarises the Society's risk weighted exposures by different risk category as at 31 December 2022.

7. Remuneration Policies and Practices

The Board is committed to ensuring that it follows as best practice the regulators Remuneration Code. The Remuneration Code is principally concerned with the risks created by the way remuneration arrangements are structured, not with the absolute amount of remuneration, which is generally a matter for firms' remuneration committees.

The Society takes all necessary steps to ensure that it establishes, implements and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management. The Society has formalised a remuneration strategy that aims to ensure remuneration practices support five key objectives:

- Attract, motivate, and retain talented employees;
- Promote and reward behaviours that support the Society's values;
- Keep the Society safe;
- Ensure pay is fair and equitable for all employees; and
- Motivate employees to increase their engagement, productivity, and performance.

The Society has a Remuneration Committee, which comprises wholly of Non-Executive Directors, and which reports to the Board. The Society's Remuneration Committee's main responsibilities include:

- advising on remuneration policies and practices generally;
- providing specific recommendations on remuneration packages and other terms of employment for Executive Directors and Non-Executive Directors;
- assessing the reasonableness of the remuneration proposals put forward by the Chief Executive for the Executive, including the definition of performance objectives;
- taking into account its statutory duties in relation to equal pay and non-discrimination; and
- ensuring the Society's Remuneration Policy complies with the Regulator's Remuneration Code on an annual basis or more frequently if there are Code changes.

During 2022 the Remuneration Committee met on three occasions.

Executive Director Remuneration

Full details of the Society's Remuneration Policy and the individual components of remuneration can be found in the Annual Report and Accounts, available on the Society's website.

Executive Directors and other senior managers take part in annual, non-pensionable, non-contractual performance related pay schemes which target the Society's key objectives of mortgage book growth, control of costs, profitability, service conduct and quality of operations. The performance related pay schemes are formulated by the Remuneration Committee and approved by the Board consistent with the corporate objectives set by the Board in pursuit of sustainable, profitable performance over the long-term taking into account known and potential risks to the business.

Non-Executive Directors do not have service contracts and do not take part in any performance related pay schemes.

The members of staff whose professional activities have a material impact on the firm's risk profile are set out in the tables below:

Table UK Rem1 – Remuneration awarded in the financial year

		Management Board Supervisory function	Management Board Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	9	-	6	-
	Total fixed remuneration	747	-	546	-
	Of which: cash-based	747	-	546	-
Variable remuneration	Number of identified staff	3	-	6	-
	Total variable remuneration	91	-	72	-
	Of which: cash-based	91	-	72	-
Total remuneration		838	-	618	-

All members of the Society Board (non-executive and executive directors) have been allocated to the supervisory function. Other senior management comprise members of the senior leadership team, and other senior managers who are considered to have a material impact on the Society.

At least annually the Society completes a Material Risk Takers assessment in order to identify colleagues whose professional activities may have a material impact on the risk profile of the Society. The Remuneration Committee are responsible for reviewing and approving this assessment. For the year to 31 December 2022 nine employees (excluding non-executive directors) were identified as Material Risk Takers.

Table UK Rem5 – Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff)

The table below shows remuneration paid to employees who were classed as Material Risk Takers for the year to 31 December 2022.

	Management body remuneration			Business areas	
	MB Supervisory function	**MB Management function**	**Total MB**	**Retail banking**	**Total**
Total number of identified staff					**15**
Of which: members of the MB	9	0	9		
Of which: other senior management				6	
Of which: other identified staff				0	
Total remuneration of identified staff	838	0	838	618	
Of which: variable remuneration	91	0	91	72	
Of which: fixed remuneration	747	0	747	546	

In order to prevent identification of any one individual's remuneration, all other senior managers have been allocated to the retail banking category.

For all of these individuals, a clawback provision is in place to allow the Society to reclaim variable remuneration paid in a 12-month period should their actions be found to have contributed or caused a failure in risk management.

8. Conclusion

This disclosure document has been prepared in accordance with the requirements of CRD IV as interpreted by the Society based on its size and complexity. In the event that a user of this disclosure document requires further explanation on the disclosures given then they should write to the Finance Director at Tipton & Coseley Building Society, 70 Owen Street, Tipton, West Midlands, DY4 8HG.

9. Attestation

The Board confirms to the best of its knowledge that the disclosures provided according to the Disclosure Part of the PRA Rulebook (CRR) instrument 2021 have been prepared in accordance with the internal control processes, systems and controls agreed to ensure that the information disclosed is subject to the same level of internal verification as that applicable to the management report included within the financial statements. In addition the Board considers that the information contained herein is appropriate to convey the Society's risk profile comprehensively to market participants.

Approved by the Tipton & Coseley Building Society Board and signed on its behalf by:

Alastair Shand

Finance Director

24 March 2023