CAPITAL REQUIREMENTS DIRECTIVE

PILLAR 3 DISCLOSURE DOCUMENT

31 MARCH 2020

CONTENTS

as individual as you

Earl Shilton Building Society ("the Society")

Pillar 3 Disclosures as at 31 March 2020

1. Introduction

The Society operates under a regulatory framework which became effective from 1 January 2014. The framework derives from EU legislation.

The framework is comprised of the Capital Requirements Regulation (CRR), which is directly applicable to firms across the EU and the Capital Requirements Directive Four (CRD IV), which is implemented in the UK by statutory instrument made by the Prudential Regulatory Authority (PRA), one of the Society's regulators.

Under this framework, the Society has adopted the 'Standardised Approach' for Credit risk and the 'Basic Indicator Approach' for Operational risk.

The CRD created 3 main elements, or 'Pillars', as follows:

- **Pillar 1**: Minimum capital requirements, using a risk-based capital calculation focusing particularly on credit and operational risk, to determine the Capital Resources Requirement.
- **Pillar 2**: An internal capital adequacy assessment process (ICAAP) and a supervisory review and evaluation process (SREP). The Society's Board has undertaken an assessment of all of its key risks and additionally has stress tested those risks to establish a level of additional capital to be held under Pillar 2. This has then been reviewed by the PRA, as part of their SREP arrangements.
- **Pillar 3**: Disclosure of information relating to the risks faced by the Society, the risk assessment process and capital adequacy. This information is provided in accordance with the rules laid down in the CRR and in the FCA handbook BIPRU Section 11.

The Pillar 3 disclosures are designed to promote market discipline.

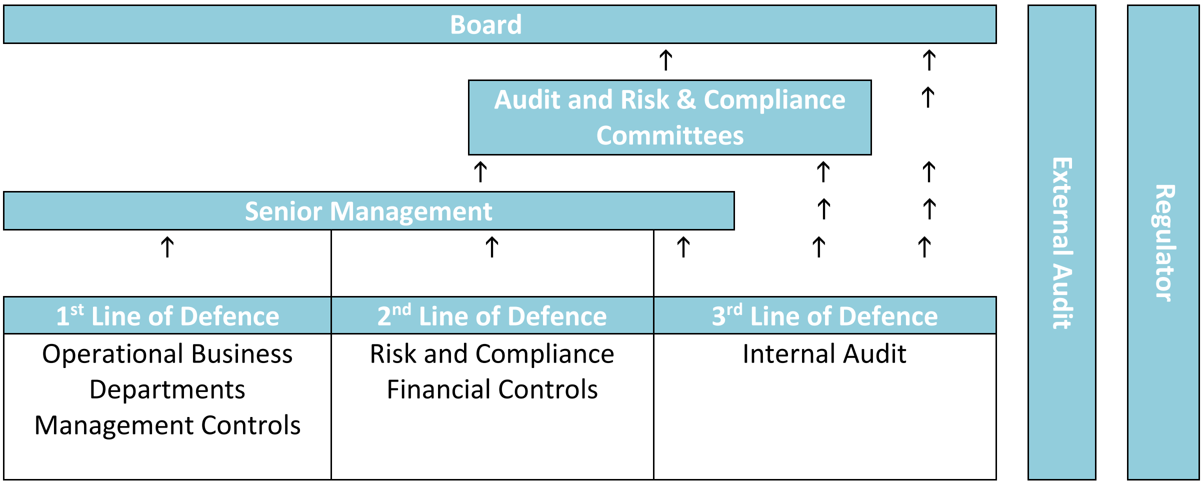
The Society's Board approves the ICAAP annually, using the level of Total Capital Requirement (TCR) and regulatory buffers notified to it by the PRA as the regulatory minimum capital requirement. The Board continuously monitors levels of risk and the Society's capital adequacy.

The Board's assessment of capital indicates that the Society has adequate resources to meet the PRA and CRD IV regulatory buffers at 31 March 2020 and over a following three year strategic planning period.

The figures quoted in this disclosure have been drawn from the Society's Annual Report and Accounts as at 31 March 2020, unless otherwise stated. The Board's Disclosure Policy for its Pillar 3 report is based on its interpretation of the requirements of CRD IV. The Pillar 3 disclosures will be updated annually, following publication of the Annual Report and Accounts.

2. Risk Management Objectives and Policies

The Board is responsible for determining a framework for risk management and control. This is achieved by a formal structure for monitoring and managing risk comprising risk appetite statements approved by the Board, detailed risk registers and independent governance and oversight of risk by the Board's Audit and Risk & Compliance Sub-Committees. The Board approves all policies and Committee Terms of Reference. The Executive Directors are responsible for designing, operating and monitoring risk management and internal control processes. The Society uses a risk register to assess the likelihood and impact of its key risks. This is reviewed throughout the year by the Board and it forms a base for the identification of risks for incorporation into the ICAAP under Pillar 2. A diagrammatic representation of the risk governance framework and the responsibilities of each committee are set out below:



Audit Committee (AC)

The oversight of the Society's third line of defence is performed by the AC, a non-executive committee which ensures that the Society's accounting and reporting systems provide accurate information, ensuring appropriate internal controls reflecting the risk profile are in place and that these are reviewed regularly. The AC also monitors the effectiveness of the internal and External Audit functions.

Risk & Compliance Committee (RCC)

The oversight of the Society's second line of defence is performed by the RCC, a non-executive committee, which is responsible for the oversight of risk management and compliance across the Society. The overall purpose of the RCC is to ensure that the approach to the identification and management of risk is adequate and managed cost effectively and in an integrated manner. This includes ensuring that key risks and controls are monitored adequately, overseeing the operation of the ICAAP, monitoring the Society's overall capital adequacy and exposure to risk, and ensuring that effective stress and scenario tests are carried out. The RCC also monitors the effectiveness of the risk and compliance functions.

Remuneration and Nomination Committees

The Remuneration and Nomination Committees, each a non-executive committee, together have responsibility for determining remuneration policy, ensuring the directors and senior management have appropriate skills, experience and competencies to perform their roles, developing succession plans for key roles, and making recommendations to the Board for the selection of new Directors and senior managers.

Assets & Liabilities Committee (ALCO)

The ALCO is comprised of both executive and non-executive members and is responsible for monitoring credit risk, liquidity risk, interest rate risk and basis risk. This includes determining the composition of assets and liabilities, monitoring customer arrears and forbearance levels, strategies for maintaining appropriate levels of liquidity and funding, monitoring the results of liquidity stress tests, the approval of new products and ensuring appropriate financial risk management controls are in place. The committee overseas the Internal Liquidity Adequacy Assessment Process prior to its approval by the Board.

Executive Committee (EXCO)

The Executive Committee comprises the Society's senior team and is responsible for monitoring operational, conduct and business risk across the Society. This includes the reviewing of risk events, near misses and operational losses and, where necessary, ensuring controls are amended to prevent recurrences. The EXCO also ensures that Internal Audit, risk and compliance activity is coordinated.

Other responsibilities

While the Board of Directors is ultimately accountable for the Society's Risk Management Framework, all staff within the Society have responsibility for risk management.

The Society operates a 'three lines of defence' model:

- **First line of defence:** Line management and risk owners within each business area are responsible for the identification, measurement and management of the risks within the Society's risk appetite, ensuring appropriate controls are in place and operating effectively. ALCO and EXCO oversee risk management at this level. Management Information relating to credit, liquidity, market, interest rate and certain business risks is reported to ALCO. Management Information relating to operational risks is discussed at EXCO and reported to the RCC.

- **Second line of defence:** The risk and compliance functions provide risk management expertise, challenge, coaching and advice to the Board, management and staff. Independent views are reported to the AC and the RCC utilising management information, external intelligence and if necessary, assurance in accordance with the Risk Management Framework and a Compliance Plan both approved by the RCC. Within a small organisation with limited resources the Board acknowledges that it is beyond the scope of the compliance function to cover all areas in the business. Alternative controls are in place to provide assurance in these other areas.

- **Third line of defence:** The Internal Audit function is responsible for independently reviewing the effectiveness of the internal control environment. The Internal Audit function reports to the Chair of the AC and, where appropriate by reference to the nature of a particular audit, the RCC. The AC approves the risk-based work programme of Internal Audit and receive reports of the results of the work performed. External Audit also reports to the AC, providing independent assurance of financial statement risks and controls.

The Board sits above the three lines of defence setting the risk appetite for the Society and receiving reports from the Risk Officer, the AC and the RCC, enabling it to obtain a holistic view of the Society's Risk Management Framework.

The system of internal control is designed to enable the Society to achieve its corporate objectives within a managed risk profile, but not to eliminate risk. The internal audit function provides independent and objective assurance that these processes are appropriate and effectively applied.

The principal business and financial risks to which the Society is exposed are credit, market, liquidity, regulatory, strategic and operational, these are detailed below.

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Credit risk is the risk that losses may arise as a result of failure by a borrower or counterparty to meet its obligation to repay. The Board is responsible for reviewing the Society's Lending Policy and ALCO monitors its arrears profile. The ALCO monitors exposure to treasury counterparties as detailed in section 8 below. Concentration risk, which adds a further dimension to credit risk, arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. These risks are managed through adherence to Board-approved lending and liquidity policies, which provide for a range of limits that are regularly monitored and reviewed in the light of changing economic conditions and Society objectives.

The Society is predominantly a residential mortgage lender, which means that it is exposed to the housing market in England and Wales by virtue of certain statutory and internal limits. Within the residential mortgage business, the Society's main concentration risk is geographical, as the largest part of its lending is in the East Midlands region, where the Society has its core area of operation. The Board does not consider this risk to be significant.

Product type concentrations also exist as the Society operates primarily as a residential mortgage lender. Any non-core lending is monitored regularly by the ALCO to ensure that Lending Policy limits are not exceeded. All concentrations are managed within limits which the Board believes are appropriate to current economic conditions and Society objectives.

The Board has ensured that the Society's ICAAP makes provision for an additional amount of capital to be available to cover any downturn in house prices or increased mortgage losses, during recessionary periods and economic downturns in the UK.

Strategic risk is the risk that the Society is exposed to external factors. These are considered by the Board as part of the Corporate Plan process and when the RCC reviews strategic risks, ensuring that the Society makes an adequate amount of profit and maintains sufficient capital. The Society does not operate a defined benefit pension scheme, the assets being held separately from those of the Society in a group Personal Pension Plan provided by Legal and General Assurance Society Ltd.

Market risk incorporates the loss of income, mainly as a result of changes to interest rates. Exposure to this risk is primarily managed through natural hedges that exist in the Society balance sheet. Capital is allocated under Pillar 2 to cover the impact of a 2% parallel shift in interest rates over 3 years. Interest rate risk is considered more fully in section 9 below.

Liquidity risk concerns the Society's ability to meet its financial obligations as they fall due under either normal or stressed business conditions, as a result of imbalances in the cash flow of its activities. This risk is managed by maintaining a prudent level of liquid resources at all times in accordance with limits set out in Board policies for both Liquidity and Financial Risk Management. Liquidity stress testing is carried out on a monthly basis to confirm that the Society can withstand normal and extreme cash outflows. In accordance with the Internal Liquidity Adequacy Assessment section of the PRA Rulebook and the Society's Liquidity Policy, the Society holds a liquid assets buffer of high-quality unencumbered assets comprising deposits with the Bank of England and UK Government Gilts and Treasury Bills. Liquidity risk is considered in section 10 below.

Operational risk is associated with the Society's internal processes and systems and the potential for these not to function properly. Included here is Regulatory risk, which considers the risk that the volume and complexity of regulatory issues may impact on the Society's ability to compete and Conduct risk, which looks at the way the Society conducts its business with its customers. It also covers human error and external events. The Society operates a robust control environment to mitigate operational losses and holds insurance cover where relevant. EXCO monitors operational risk to ensure that appropriate actions are taken, and internal controls implemented or enhanced across the business to manage operational risk within the Board's risk appetite. Operational risks are recorded in the Society's Risk Register and there is a Business Continuity Plan and a Liquidity Contingency Plan to ensure that any disruptions can be adequately managed. Operational risk is considered in section 11 below. Cyber risk is a key area of operational risk and focus for the Society. Controls have been implemented to mitigate information security and cyber related risks, including anti-virus software, real-time email and internet filtering, daily backups, physical and logical access controls, internal segregation of duties and both internal and external firewalls with appropriate monitoring systems. Regular internal and external penetration testing is carried out by third parties to identify areas for further improvement.

In addition to the operational risk function, the Society has a formal structure for managing financial risk, which includes the establishment of risk limits, reporting lines, mandates and other control procedures. The ALCO is charged with responsibility for managing and controlling balance sheet exposures and the use of financial instruments for risk management purposes. Full details regarding the financial risks and instruments used by the Society are given in the Annual Report and Accounts 2020, Note 22, Financial Instruments.

The Board has recognised there are residual risks inherent in any business which may not be specifically identified. Adequate provision has been made for general residual risks in the ICAAP by applying a buffer to the TCR issued by the PRA.

The Society is able to maintain overall capital at a level well in excess of the TCR, even after the addition of the internal buffer referred to above.

3. Capital Resources

Total Society capital resources at 31 March 2020, amount to £12.2m. This is made up predominantly of Tier 1 capital: general reserves (the accumulated profits of the Society), Tier 2 capital is made up of the collective impairment provision.

Table 1 provides details of the components of Tier 1 capital, Tier 2 capital and total capital within the Society.

TABLE 1	2020	2019
Tier 1 Capital Resources	£m	£m
Accumulated profits held as general reserves	11.95	11.63
Deductions (intangible assets)	(0.01)	(0.02)
Tier 2 Capital Resources		
Collective impairment provision	0.29	0.28
Total Capital Resources		
Tier 1 and Tier 2	12.23	11.89

4. Capital Adequacy Assessment

The Society maintains a three-year strategic planning framework; this is reviewed by the Society's Board annually to take account of current and changing economic conditions. The process culminates in the annual production of a three-year Corporate Plan with detailed budgets covering the following years' activities.

The Corporate Plan is produced by reference to the Society's ICAAP; both documents reflect the Board's risk appetite and integrate the capital position and forecasts into future strategy. The Society's ICAAP also contains the capital plan for the next three years and the Board ensures that there are adequate capital resources to support the corporate goals contained within the plan.

In order to produce a detailed capital plan, the Society's ICAAP contains calculations of the capital resources requirement (effectively, the minimum capital required) each year using the standardised approach for credit risk and the basic indicator approach for operational risk. Under the standardised approach for credit risk, the Society applies a risk weighted asset value to each of its exposure classes and provides 8% of that risk weighted asset value as the minimum capital requirement for credit risk. Under the basic indicator approach for operational risk, the Society calculates its average net income over the previous three years and provides 15% of that average net income as the minimum capital requirement for operational risk.

Table 2 provides details of the calculation of capital resource requirements within the Society as at 31 March 2020, covering liquidity, mortgage and other exposures.

TABLE 2				
Capital Resources Requirement	2020			2019
Credit Risk	Exposure £m	Risk weighted assets value £m	Minimum capital required £m	Minimum capital required £m
Treasury Assets				
Central government (UK gilts / Treasury Bills) & Bank of England	25.1	-	-	-
Credit Institutions	5.1	1.3	0.1	0.1
Cash	0.1	-	-	-
Total Treasury Assets	**30.3**	**1.3**	**0.1**	**0.1**
Loans and Advances to Customers				
Residential – performing loans	112.6	38.4	3.1	3.0
Residential – past due loans	1.4	1.4	0.1	-
Non-residential/business – performing loans	1.0	1.0	0.1	0.1
Non-residential/business – past due loans	-	-	-	-
Total Loans and Advances to Customers	**115.0**	**40.8**	**3.3**	**3.2**
Fixed and Other Assets	0.9	0.9	0.1	0.1
Total Credit Risk – Capital Resources Required	**146.2**	**43.0**	**3.4**	**3.3**
Operational Risk – Capital Resources Required			0.4	0.4
Total Pillar 1 Capital Resources Required			**3.8**	**3.7**

At 31 March 2020, the Society's Total Capital Requirement set by the Prudential Regulation Authority was £4.7m (9.75% of total risk weighted exposures), with £3.8m relating to Pillar 1 (8% of total risk weighted exposures as shown in Table 2) and £0.9m relating to Pillar 2A (1.75% of total risk weighted exposures). Regulatory capital held by the Society at 31 March 2020 was £12.2m, representing 25.4% of the total risk weighted exposures and well in excess of the minimum Individual Capital Guidance.

A further requirement of CRD IV is the introduction of a non-risk-based leverage ratio which measures the levels of Tier 1 capital against both on and off-balance sheet exposures. The Society's total on and off-balance sheet exposures at 31 March 2020 were £142.5m. Based on Tier 1 capital resources of £11.9m, the Society's Leverage Ratio under CRD IV is calculated at 8.4%. This has increased from 8.1% at 31 March 2019 and is not expected to change significantly throughout the period of the Corporate Plan. CRD IV requires a minimum ratio of 3% and the PRA requires a minimum ratio of 3.25%.

5. Regulatory Capital Buffers

A key objective of CRD IV was to improve the deposit taking sector's ability to absorb shocks arising from stressed conditions. This is achieved through increasing the quantity of regulatory capital the Society is required to hold through the introduction of regulatory buffers that have to be held in addition to the Pillar 1 and Pillar 2A requirements.

There are two capital buffers both of which are calculated as a percentage of risk weighted assets and which apply to the Society. The Capital Conservation Buffer is intended to ensure that the Society holds sufficient capital to withstand future shocks without breaching minimum capital guidance requirements, this stands at 2.50% in 2020. The Countercyclical Capital Buffer is intended to limit excessive credit growth in the UK economy and is set by the Financial Policy Committee of the Bank of England. The current rate decreased from 1.00% to 0.00% in March 2020.

6. Credit Risk (Mortgages)

The Society regards as 'past due' any mortgage or loan account where more than three monthly repayments have not been made at the accounting date. Arrears of mortgage repayments are monitored closely, and the Society has performed satisfactorily in comparison with national arrears and possession statistics.

Table 3 provides a Society analysis, for capital adequacy purposes, of loans and advances exposures at 31 March 2020:

TABLE 3	Residential			Non-Residential		
Loans and Advances Exposures	Performing £m	Past Due £m	Total £m	Performing £m	Past Due £m	Total £m
Total	**108.3**	**1.4**	**109.7**	**1.0**	**-**	**1.0**

A reconciliation of the above table to Note 11 of the Annual Report and Accounts 2020 'Loans and advances to customers' is provided in Table 4:

TABLE 4	
Reconciliation of Society Loans and Advances to Customers	Total £m
Society loans and advances to customers per note 11, Annual Report & Accounts	110.3
Add back: Collective and Specific impairment provisions	0.4
Society accounting value of loans and advances to customers	**110.7**
Add: Total commitments for residential mortgage loans	4.3
Add: Adjustment to reflect different reporting requirements	0.0
Society capital adequacy value of loans and advances to customers (Table 2)	**115.0**

A geographical analysis of Society exposures, shown in table 4, is given in Table 5, below:

TABLE 5	Residential			Non-Residential		
Geographical Region	Performing £m	Past Due £m	Total £m	Performing £m	Past Due £m	Total £m
East Midlands	19.7	0.2	19.9	0.5	-	0.5
West Midlands	13.5	0.5	14.0	-	-	-
East of England	8.9	0.2	9.0	-	-	-
London	11.3	-	11.3	-	-	-
South East	17.6	0.2	17.8	0.3	-	0.3
North East	5.4	-	5.4	-	-	-
North West	8.9	-	8.9	0.2	-	0.2
South West	17.8	0.3	18.1	-	-	-
Wales	5.2	-	5.2	-	-	-
Total	**108.3**	**1.4**	**109.7**	**1.0**	**-**	**1.0**

A residual maturity analysis of Loans and Advances to customers is provided at Note 11 of the Annual Report and Accounts 2020. It should be noted that this maturity analysis assumes that loans and advances run for their full, agreed term. In practice, mortgage loans seldom continue to the agreed maturity date and, therefore, the actual repayment profile is likely to be significantly different from that disclosed.

The Board has considered the credit risk implications of the Covid-19 pandemic and it specifically examined the population of mortgages where the Society has assisted the borrower with forbearance. Given the Society's low average loan to value these forbearance measures are not expected to significantly increase the risk profile of the mortgage book.

7. Provisions

The Society's accounting policy in relation to the provision for loans and advances is stated in full in Note 1, Accounting Policies, to the Annual Report and Accounts 2020. Full details of the movements on impairment provisions for loans and advances to customers are provided in Note 12 to the Annual Report and Accounts 2020.

For capital adequacy purposes, collective provisions are regarded as Tier 2 capital (Table 1 above).

No specific provisions have been utilised to adjust downwards the value of risk-weighted assets in the capital adequacy calculations.

8. Credit Risk (Treasury)

The purpose of both the Liquidity Policy and the Financial Risk Management Policy is to ensure that the Society operates within prudent limits in respect of counterparties in terms of both amount invested and counterparty rating. Investments in banks and building societies are held purely for liquidity purposes. The minimum policy ratings using the Fitch ratings agency are short term F1 and long-term A-, although treasury deposits can also be made with unrated building societies at the discretion of the Board on a case by case basis where key financial metrics are met and subject to continuous monitoring of financial performance. The Board have also considered separately the Society's exposure to its main clearing bank, National Westminster, which is currently rated by Fitch at short term F1 and long-term A+. As a consequence, limits are placed on both the amount deposited and the duration of those deposits.

In addition to the use of Fitch ratings, market intelligence is used to allow for the delay between a counterparty being in difficulty and this being reflected in a downgrading of its Fitch rating. Policy limits and counterparties are regularly reviewed by the Assets and Liabilities Committee, with formal policy approval being made at Board level. The Society receives counterparty grading amendments from its Treasury Advisors and limits may be suspended following adverse downgrades.

The breakdown of liquid assets by maturity and rating at 31 March 2020 under the Standardised Approach is shown in Table 6 below:

TABLE 6	Maturity Profile				
Credit Rating	Less than 3 months	3 months to 1 year	Over 1 year to 3 years	2020 Total	2019 Total
	£m	£m	£m	£m	£m
UK Government securities	2.0	1.0	-	3.0	3.0
Bank of England	22.1	-	-	22.1	20.4
AAA to AA-	0.9	-	-	0.9	0.9
A+ to A-	2.7	1.0	-	3.7	4.2
BBB+	-	-	-	-	-
Unrated Building Societies	-	0.5	-	0.5	1.0
Cash	0.1	-	-	0.1	0.1
Total	**27.8**	**2.5**	**-**	**30.3**	**29.6**

9. Interest Rate Risk

Interest rate risk is referred to under the heading of Market Risk, in section 2 of this document. The interest rate risk to which the Society is exposed arises from mismatches of the re-pricing or maturity of assets and liabilities as interest rates change and from basis risk which arises where balance sheet components are subject to different interest rate markets. This includes exposure to fixed rate lending on treasury assets and Bank Base Rate tracker mortgages all of which are matched with funding on the other side of the balance sheet which are at managed variable rates.

Interest rate risk is managed by utilising natural hedges on the balance sheet and by the setting of exposure limits for each interest rate basis. The interest rate risk on savings and mortgage products is reviewed on a regular basis and action taken as appropriate.

The Society balance sheet is stress tested against Board gap limits on a monthly basis for the effects of a 2% parallel shift in interest rates. The Board has set a limit on the effect that a 2% parallel shift in interest rates can have on the Society's capital. As at 31 March 2020 the stress test recorded a £34,000 exposure to this shift against a £239,000 limit. Capital is provided within the ICAAP under Pillar 2A. A basis risk analysis is also prepared each quarter and includes stress testing relating to both increasing and decreasing interest rate scenarios. This is reviewed by ALCO to ensure that all limits are adhered to.

Interest rate risk limits are an expression of the Board's risk appetite and are reviewed annually as an integral part of updating the Society ICAAP.

A description of interest rate risk exposures at 31 March 2020 is given in Note 22 of the Annual Report and Accounts 2020 'Financial Instruments – Market Risk'.

10. Liquidity Risk

The liquidity risk that the Society will be unable to meet its financial obligations as they fall due is managed through adherence to the Board policies for both Liquidity and Financial Risk Management. Day-to-day responsibility for the management of this risk lies with the Finance Director.

Liquidity stress testing is carried out on a monthly basis and reported to ALCO. The key regulatory measure looks at the liquidity coverage ratio (LCR) over a short-term 30-day period comparing the potential cash flows with the value of high-quality liquid assets held as a liquidity buffer. The regulatory expectation is that the ratio of those liquid assets to the potential cash flows exceeds 100%.

The main components of the LCR calculation on an average basis for each quarter during the financial year are shown in Table 7 below:

TABLE 7	Quarter ended 30 June 2019	Quarter ended 30 Sept 2019	Quarter ended 31 Dec 2019	Quarter ended 31 March 2020
Liquidity buffer (£m)	23.2	23.9	23.3	25.1
Total net cash outflows (£m)	4.0	5.6	3.9	4.6
Liquidity coverage ratio (%)	578%	430%	605%	544%

11. Operational Risk

The operational risk capital requirement is calculated under the Basic Indicator Approach at 15% of average net income over the last 3 years. Net income comprises net interest receivable and net fee income.

The Society's Pillar 1 operational risk capital requirement at 31 March 2020 is shown in Table 8 below:

TABLE 8	2020 assessment	2019 assessment
Year ended 31 March 2017		2.6
Year ended 31 March 2018	2.9	2.9
Year ended 31 March 2019	2.7	2.7
Year ended 31 March 2020	2.8	
Average over 3 years	2.8	2.7
Pillar 1 Capital requirement	0.4	0.4

12. Remuneration Policies and Practices

A risk arises if the Society's remuneration policies and practices could result in staff being rewarded for decisions inconsistent with the Board's risk appetite. It is therefore the Society's policy on remuneration to seek to ensure that its remuneration decisions are in line with effective risk management.

To minimise this risk, the Board sets the remuneration policy in line with its risk appetite and long-term objectives and remuneration is set at a level that attracts and retains staff of an appropriate calibre. Consequently, the Society's policy on remuneration is to seek to ensure that its remuneration decisions are in line with effective risk management of the Society.

The Society also seeks to ensure that its remuneration decisions are in line with its business strategy and that it is consistent with the Society's current financial position and future prospects and seeks to establish an appropriate balance between the fixed and variable elements of remuneration which may vary depending on the seniority and nature of an individual's employment.

Variable remuneration is not paid unless it is sustainable within the Society's situation as a whole. Guaranteed incentive payments do not form part of any remuneration package and currently there are no incentive schemes in operation. A non-contractual payment of up to 3% basic salary has been paid to all staff for a number of years.

The Board has identified that those staff whose professional activities have a material impact on the Society's risk profile are the members of the Executive team and staff engaged in control functions, two of whom, the Chief Executive and the Finance Director are executive directors.

Other senior members of staff are deemed not to affect the risk profile of the Society in the way that these staff do, as they report directly to the Executive and are constrained by their operating mandates.

Information concerning the mandate of the Remuneration Committee and the decision-making process it uses in determining the remuneration policy for the executive directors, and information on the link between pay and performance, is contained in the Directors' Remuneration Report in the Society's Annual Report and Accounts 2020.

The Remuneration Committee is also responsible for determining the terms and conditions of other members of the Executive team after consultation with the Chief Executive. These are as follows:

- IS & Estates Manager
- Regulation & Compliance Manager
- Financial Controller
- Business Development & Marketing Manager
- Customer Services Manager
- Resources Manager
- Risk Officer

Aggregate information on the remuneration for Code staff for the period 1st April 2019 to 31 March 2020 is given in Table 9 below:

TABLE 9	Number	Fixed Remuneration	Variable Remuneration	Total Remuneration
		£	£	£
Non-executive Directors	6	122,916	-	122,916
Executive Directors	3	251,581	2,600	254,181
Other Remuneration Code staff	7	319,894	3,937	323,831
Total	**16**	**694,391**	**6,537**	**700,928**

In all cases fixed remuneration includes pension contributions paid by the Society and the value of taxable benefits.

13. Country-by-Country Reporting

The country-by-country disclosures as required by Article 89 of CRD IV are shown in Note 25 of the Society's Annual Report and Accounts 2020.

14. Conclusion

This disclosure document, prepared in accordance with regulatory requirements, is intended to provide background information on the Society's approach to risk management. It also provides asset information and capital calculations under Pillar 1. The disclosures are published within 4 months of the Society's financial year end and are updated annually.

In the event that a user of this disclosure document requires further explanation on the disclosures given, application should be made, in writing, to the Finance Director at Earl Shilton Building Society, 22 The Hollow, Earl Shilton, Leicester LE9 7NB.