

Basel II Pillar 3 Disclosures

for the year ended 31 March 2011

Remuneration



the
**West
Brom**

Introduction

In December 2010 the FSA published Policy Statement PS10/21 'Implementing CRD3 requirements on the disclosure of remuneration'. This supplementary disclosure provides information about the remuneration of Code Staff (i.e. employees covered by the FSA's Remuneration Code relating to the financial year which ended on 31 March 2011).

This supplement should be read in conjunction with the Society's Annual Report and Accounts and its Basel II Pillar 3 Disclosures, both for the year ended 31 March 2011.

FSA Remuneration Code

From 1 January 2011, the Society came within the scope of the FSA Remuneration Code. However, in common with other first time adopters the Society was given up to 1 July 2011 to comply with the requirements of Code Principle 12 on remuneration structures. As the Society's financial year runs from 1 April to 31 March, the requirements of Principle 12 are not covered in this year's disclosure but will be included next year.

When the Society came within the scope of the Remuneration Code, an exercise to identify which staff should be categorised as Code Staff was carried out and reviewed by the Remuneration Committee. Code Staff are defined in the Code as 'staff that have a material impact on the firm's risk profile, this includes staff that perform significant influence functions, senior managers, risk takers and those engaged in control functions'.

Code Staff comprise the following roles within West Brom:

- Non-Executive Directors
- Executive Directors
- Divisional Directors
- Heads of control functions.

Remuneration design characteristics

Non-executive Code Staff are remunerated solely by fees, do not participate in any variable pay arrangements and do not receive any pension or other benefits from the Society.

Executive Code Staff remuneration is made up of the following components:

- **Basic salary** – this takes into account job content and responsibilities, individual performance and salary levels of similar positions in comparable organisations.
- **Variable remuneration** – executive Code Staff are eligible to participate in a discretionary non-pensionable annual bonus scheme. The maximum which could be awarded to Executive Directors and Divisional Directors was 50% of basic salary, other executive Code Staff could be awarded up to 30% of basic salary.
- **Pensions** – as outlined in the 2011 Annual Report and Accounts, Executive Directors' receive a cash allowance in lieu of pension contributions. This is set as a percentage of basic salary (Chief Executive 25% and other Executive Directors 20%). Other executive Code Staff are able to join the Society stakeholder pension scheme to which the Society makes contributions of up to 15% of basic salary, as an alternative, a cash allowance of up to 10% of basic salary can be taken in lieu of pension contributions.
- **Benefits** - executive Code Staff receive, as appropriate, the provision of a car or car allowance, private medical insurance, health screening, housing allowance or concessionary mortgage and a lump sum of four times basic salary in the event of death in service.

The remuneration design characteristics set out in Principle 12 of the Code were not applicable to the Society when the 2010/11 remuneration arrangements were considered. Nevertheless, the Remuneration Committee did introduce certain provisions which were consistent with Code requirements, including deferral of variable remuneration awards and performance adjustment.

The decision-making process relating to remuneration

The Remuneration Committee of the Society meets regularly throughout the year and is responsible for determining, on behalf of the Board, the Group's remuneration policy and reviewing its adequacy and effectiveness. During the 2010/11 financial year, the Committee comprised four Non-Executive Directors: Lesley James (Chair), Mark Nicholls, Martin Ritchley and Richard Sommers. The Committee was supported by the Chief Executive, Deputy Chief Executive, Group Finance Director, Group Risk Director and Head of Human Resources who may also be invited to attend Committee meetings as and when appropriate, to provide further background information and/or context to assist the Committee in its duties. In no case was any person present when their own remuneration was discussed.

The Committee is responsible for setting, reviewing and approving remuneration for executive Code Staff. The Chairman's remuneration is reviewed and approved by the full Board (without the Chairman's involvement), remuneration for other non-executive Code Staff is reviewed by the Chairman and Executive Directors.

The Committee met 4 times during the year.

The link between pay and performance

The reward package for executive Code Staff is designed to align their interests with those of the Society's members, to promote sound and effective risk management and to provide a strong incentive to perform at the highest levels. All such schemes are subject to challenging performance criteria reflecting the Society's objectives.

Executive Code Staff are eligible to receive performance related pay based on the achievement of a number of corporate and personal performance objectives. The corporate performance objectives were reviewed and approved by the Board, personal performance objectives were reviewed and approved by the Remuneration Committee.

At the year end, the performance of the Executive Directors against their objectives was assessed by the Remuneration Committee and awards recommended for approval to the Board. The performance of other executive Code Staff was assessed by the Executive Directors and awards recommended to the Remuneration Committee for approval.

As a building society, the West Brom does not issue shares on the Stock Exchange. For this reason the annual performance pay cannot be based upon Share Option Schemes or Share Incentives Plans.

Further details regarding the remuneration policy are set out in the Directors' remuneration Report in the 2011 Annual Report and Accounts (p26-28).

Quantitative information on remuneration

The table below sets out the aggregate quantitative remuneration for Code Staff in relation to their services for the West Brom for the year ended 31 March 2011.

Number of beneficiaries	Fixed remuneration £000	Variable remuneration £000	Total remuneration £000
26	2,938	342	3,280

Notes: As described above, there was no variable remuneration in the form of share, share-like instruments or other types in the 2010/11 financial year. No deferred remuneration was paid out and there were no sign-on payments.

Contacts

Should you have any queries please contact:

Jacqui Randle

Head of Human Resources

Tom Lynch

Divisional Director Treasury and Capital Management

Andrew Jones

Group Risk Director

**Braille, audio and large print versions
of this leaflet are available upon request.
Please contact us on 0845 33 00 622.**

**To find out more, visit your local branch,
call us on the number above or visit our
website at www.westbrom.co.uk**

Head Office: 374 High Street, West Bromwich, West Midlands B70 8LR.
www.westbrom.co.uk

Registered Number: 651B

Calls and electronic communications may be monitored and/
or recorded for your security and may be used for training purposes.
Your confidentiality will be maintained. The Society is authorised and
regulated by the Financial Services Authority. FSA Register No. 104877.
'the West Brom' is a trading name of West Bromwich Building Society.

