

For immediate release

Pension funds demand remuneration reform at KBC

1. The Local Authority Pension Fund Forum (LAPFF) has called on its members to oppose both the re-election of a member of the remuneration committee and the discharge of the board at the forthcoming Annual Meeting at KBC, the Belgian banking and life assurance group.
2. The Forum has identified a global focus list of companies where poor compensation practice and poor performance in other core corporate governance areas are cause for concern over these companies' abilities to generate sustainable returns in the long-term. KBC, is the second of these companies to be tackled by LAPFF. Last month, the Forum alerted its members to remuneration issues at T. Rowe Price, the US-based financial services holding company.
3. The Forum believes that in the current global financial and economic crisis, more than ever there is a need to ensure that a company's management focuses not only on the short-term, but also adopts a clearly defined approach to long-term, sustainable value creation. Fundamental to this is the establishment of incentive schemes that appropriately reward managers' performance.
4. The LAPFF chairman, Cllr. Ian Greenwood, wrote to KBC's compensation committee chairman, Jozef Cornu, in February setting out the Forum's concerns. These focus in particular the total opacity of remuneration paid to the executive board directors (especially the CEO) and other members of the executive committee; the lack of a ceiling for the annual bonus, opacity of performance targets for variable remuneration; and insufficient independent representation on the remuneration committee.
5. Cllr. Greenwood's letter expressed concern at the lack of clarity at KBC, and stated that shareholders have a right to see where their money is going and how much their agents – the directors – are earning from the business.
6. A response from the company is outstanding to date, which is why the Forum has now alerted its members to the issues at the company.
7. LAPFF chairman Cllr Ian Greenwood said: "The Forum values dialogue higher than public confrontation; however KBC has not taken the opportunity to explain to us in more detail how their remuneration policy is meant to align management interest adequately with shareholder interest."

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapffforum.org), which was set up in 1991, is a voluntary association of 49 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £75 billion.

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