

Press Release:
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LAPFF Pension Funds Challenge Royal Bank of Scotland On Remuneration Disclosure

1. The chairman of the Local Authority Pension Fund Forum has written challenging the Royal Bank of Scotland to disclose the 'secret' basis of its pay plan for US executives.

2. Cllr John Saunders, chair of the Forum¹, has written to the chairman of the Royal Bank asking for disclosure of awards being made under the company's 'Phantom 2000 Plan' share option plan. Cllr Saunders says in his letter, "We understand that for existing awards under the 'Phantom 2000 Plan' the performance periods ended on 1 Jan 04 and 1 Jan 05 respectively with vesting a year later. The Forum would like to request that your company should make the value of these awards transparent now, rather than awaiting the 2005 accounts. Such disclosure would in the view of the Forum be in keeping with the spirit of the DRR Regulations".

3. Cllr Saunders also argued that in the Forum's view, "Transparency in company remuneration disclosures is vitally important and if these details are kept secret until legally required to be made public, this may undermine the longer term interests of the RBS group, potentially inciting a backlash from shareholders, employees and customers".

4. The Forum considered this plan at its April Executive Committee meeting, in the light of its corporate governance engagement policy. This policy adopted in July last year, enables the Forum to increase its governance engagement with UK companies failing to adhere to governance best practice².

5. Cllr Saunders also wrote, "Shareholders are being asked to approve a new incentive scheme at the forthcoming AGM, effectively on trust, without sufficient detail of the targets and potential rewards and without knowing what the previous scheme has delivered to participants. We believe this to be unacceptable", he states.

"LAPFF also considers that the annual awards for the company's executive directors represent excessive multiples of salary, and that the performance targets are insufficiently challenging. The current structure does not, in our view, represent 'pay for performance'.

¹ The Local Authority Pension Fund Forum has 34 members and represents over £45 billion in combined assets. See www.lapfforum.org

² Available at <http://www.lapfforum.org/EngagementPolicy.pdf>

This structure also has the potential for 'rewards for failure', particularly with regard to the contracts of Mr Fish and Mr Pell, with their bonuses forming part of any potential termination provisions. We would welcome a commitment to review the group's contract and incentive policies in this regard".

5. Cllr Saunders has alerted the members of the Forum on this issue and is awaiting a reply from Sir George Mathewson, chairman of the Bank on the matter.

6. For further information on the Forum's view please contact:

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