

Press Release

28 April 2010

UKFI statement re: RBS Annual General Meeting voting

London, 28 April, 2010. UK Financial Investments Limited (UKFI), which manages the Government's stake in the Royal Bank of Scotland Group plc (RBS) has lodged votes in favour of the resolutions on which it is eligible to vote at the bank's Annual General Meeting and General Meeting on 28 April.

Remuneration

UKFI sees reforms to remuneration practices as vital to RBS' recovery, and to UKFI's objective of protecting and creating value for the taxpayer as shareholder in the bank. UKFI has therefore engaged extensively with the Board of RBS on remuneration issues over the last year and will continue to focus on this area as a shareholder. In relation to the two remuneration votes at this year's AGM:

- Directors' Remuneration Report. RBS has made very significant reforms to remuneration practices at the bank over the last year. These changes have included the introduction of stringent deferral and clawback terms for bonuses, a more robust approach to taking proper account of risk in the design of pay systems and in making individual awards, and mechanisms for ensuring that all variable remuneration is subject to challenging and measurable performance criteria. Accordingly, UKFI has voted in favour of the Directors' Remuneration Report.
- Long-Term Incentive Plan. Following close scrutiny and engagement with the RBS Remuneration Committee, UKFI considers that the new RBS Long-Term Incentive Plan (LTIP) will align the interests of management with those of shareholders including the taxpayer by encouraging the creation of long-term, sustainable value in the business without incentivising excessively risky behaviour. We support the inclusion of an absolute share price measure to ensure that awards to management are directly linked to value for the taxpayer, but only as one element of the plan alongside other measures. All measures must be appropriately stretching and we welcome the Remuneration Committee's assurances that the vesting schedule for the absolute share price measure will take appropriate account of the movement in share price since the beginning of the year. UKFI has therefore voted in favour of the new LTIP.

Board appointments

UKFI has monitored the performance of the RBS Board and its members over the last year. We have noted the very extensive changes made to the Board's membership since Sir Philip Hampton's appointment as Chairman, and the significant progress made in the implementation of the bank's strategic plan. UKFI has therefore voted in favour of resolutions proposing the appointment or re-appointment of members of the RBS Board at this year's AGM.

Other resolutions

UKFI has also voted in favour of the other resolutions presented at the Annual General Meeting and General Meeting, as being in line with our remit to protect and create value in the taxpayer's investment in RBS.

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Notes to editors

UKFI was set up on 3 November 2008 to manage the Government's investments in financial institutions. Its overarching objective is to develop and execute a strategy for disposing of the investments in the context of protecting and creating value for the taxpayer as shareholder and as provider of financial support, paying due regard to the maintenance of financial stability and acting in a way that promotes competition.