Executive Remuneration as a Corporate Governance Problem

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Introduction

For many years, executive compensation was “a highly controversial subject that has attracted the attention of regulators, media and academics” (Clarke and Branson, 2012, p.453). Their criticisms took many forms of concerns relating “the level of executive pay, its relationship with company performance and the failure of executive pay setting (e.g. board of directors, compensation committees) to stop this managerial excess (Clarke and Branson, 2012, p.470). It became popular research topic in corporate governance area due to the variety of criteria given in the context. Some kind of curiosity about the pay packages top executives are receiving is developing worldwide. In addition, it is considered as a motivation by those who take offense at the very large rewards to voice their dissatisfaction. For example, Guardian reflects the discontent regarding the remuneration of bankers during financial crisis period presenting California representative Henry Waxman who reports to Lehman Brothers Chief Executive Richard Fuld that “Your Company is bankrupt, you keep $480m. Is that fair?”(Clark and Schor, 2008). Moreover, public interest on corporate governance naturally grows due to the high profile corporate failures, especially those that have devastating impacts. Although executive remuneration as a mechanism of corporate governance has been used to solve agency problems, it has evolved into a corporate governance problem of its own. Through this essay, a brief description of executive remuneration’s history will be given including its components and theoretical perspectives. The relationship between executive compensation and company performance will be provided. Furthermore, whether executive remuneration is considered as a problematic mechanism or a solution will be discussed by assessing related case studies. Lastly, some key points will be reflected.

Agency Theory and Executive Remuneration

In a large firm, agency problems are likely to exist where a separation of ownership and control takes place (see Jensen and Meckling, 1976) between three parties: the shareholders/owners, the board of directors and executives/managers of the company. The shareholders own the company, the board of directors have the responsibility to control the decision-making process on behalf of the shareholders/owners and the executives are responsible to check the daily decision making process. However, there is a possibility that managers can use the company’s assets to enhance their own lifestyles. In other words, they take advantage of their control power to satisfy their personal needs such as living a luxury life with expensive cars and personal trips while “leaving the cost to fall on the shareholders” (Kim et al, 2010, p.13). Thus,
principal-agent theory is considered as the cornerstone of executive compensation and corporate governance practices.

Executive compensation could take various forms: base salary, bonus, stock options, restricted share plans (stock grants), pension and other benefits (car, healthcare etc.). Base salary is “the standard remuneration that an executive receives in terms of his/her contract with the company and it is not related to company’s or executives’ performance” (Mallin, 2010, p.192). In addition, executives can receive bonus which are paid annually and are usually “linked to accounting-based performance measures” (Mallin, 2010, p.192; Kim et al, 2010, p.14). Furthermore, additional benefits through long-term incentive contracts in terms of stock options and restricted share plans (stock grants) can be provided to executives (Mallin, 2010). In stock options, “directors have the right to purchase shares (stock) at a specified exercise price over a specified time period” (ibid, p.192). As contracts, if their price rises above the exercise price, the executive will achieve profits taken from the related difference of the two prices.

In the category of equity incentives, restricted share plans were added which Kim et al (2010, p.17) state that “their advantage over stock options is that its value does not go to zero when the stock price falls without having the asymmetric incentives that options cause”. Moreover, performance shares can be included as relating to “company’s stock given to executives only if certain performance criteria are met, such as earnings per share targets” (ibid, p.17). In the case of company’s stock price increase, these performance shares are more valuable to the executives when they receive them. Additional executive remunerations that executives receive are loans and compensation schemes after their retirement. “When a CEO retires and leaves the firm, he/she receives any performance shares owed him and he/she can sell any options or restricted stock accumulated and this is referred to as a golden parachute” (ibid, p.22). Executives can obtain a “company loan with extremely low interest rates and sometimes even interest free” (ibid, p.22).

**Executive pay as positive perspective**

From the first years of its implementation as a corporate governance mechanism, it was believed that executive pay could solve the agency problems. Donaldson et al (2009, p.1) argued that “optimal contracts may induce the self-interested manager to adopt investment policies that may increase the shareholders’ wealth” linking executive compensation with firm’s share prices and performance using earnings per share (EPS) or return on capital employed (ROCE). Murphy (1998, p.5) pointed out that “these formal contracts typically last five years and specify minimum base salaries, target bonus payments and severance arrangements in the event of separation or change in corporate control”. Jensen and Murphy (1990b, p.3) stated that “the most powerful link between shareholder wealth and executive wealth is direct ownership of shares by the CEO”. According to Loderer and Martin (1997, p.224), “Tom Theobald as Chairman of Continental Bank Corp. of Chicago stated that “the benefits of aligning the interests of owners and managers are well documented in numerous industries”. Loderer and Martin (1997, p.224) also added that “researchers have found that the simplest way to resolve this conundrum is to have a significant ownership commitment from corporate managers”. Williams and Rao (2006) report that executives are naturally risk averse by including stock options in compensation
rewards, positive effect will be shown resulting in incentive for executives to take risky projects and to achieve increased rates of return in the company.

Hall and Murphy (2002, p.4) have presented that “during the fiscal year 199, 94% of S&P 500 companies granted options to their executives, compared to 82% in 1992”, confirming the accuracy and the success of executive compensations to bridge the principal-agent gap and to reduce the agency costs. Through these results, it can be considered to motivate, reward and to discipline executives who had poor performance. In order to achieve legitimacy of executive remuneration and to avoid any conflict of interest, Bender (2003, p.214) states that it is neither the responsibility of remuneration committee nor of executives to set the executives’ pay, but the one of “external providers such as consultants who act independently during their work”. An article related to the speech by SEC Staff about executive remuneration written by Spatt (2004) mentions that “high compensation is necessary to attract talented individuals, who typically possess outstanding alternative opportunities”. Considering agency theory, it is worth to point out that these awards are only ‘prizes’ that are typically allocated to the most successful executives with high performance in the company. Thus, this argument is related to pay for performance relationship where Snyder (2007) pointed out that risk and reward go together where “their livelihood are tied to the market in a way that most of the rest of us would find chillingly risky”.

Through a discussion with Professor Camelia Kuhnen of North-western University, O’Connell (2010) identified the theory that defends executive compensation referring that “if you put together a very gifted CEO with a very large firm, wonderful things are going to happen… this is all about supply and demand”. Furthermore, Ciscel and Carroll (1980, p.13) argued that “the level of executive compensation is determined by market forces where there is a consistent pattern in the regression results from year to year that implies that the base salary received by management is determined through the interaction of supply and demand”. Therefore, viewing the above opinions and evidences from several surveys to executive pay, it was believed that executive pay was the rescue from agency problems hoping for a better economy with more honest and trustworthy relations between executives, shareholders and general public. Furthermore, it was noticed that a relationship between executive pay and corporate performance exists.

Executive Remuneration and Company Performance

The most executive compensation packages include some requirements regarding the company performance and its relationship with the amount of executive pay received by company’s executives. Several research studies took place to demonstrate if there is actually a relationship between company performance and executive pay, if this relationship is positive or negative and how this affects the company as an economic entity and its viability in the current market. (See Junarsin, 2011; Van deer Laan et al, 2010; Devers et al, 2007; Gomez-Mejia and Wiseman, 1997; Lin et al, 2011 etc.) Mallin (2010, p.195) stated that there are three types of performance measures: market-based, accounting-based and individual based measures. According to Junarsin (2011, p.163) and Mallin (2010, p.195), performance is measured using a variety of indicators such as “return on assets (ROA), market-to-book ratio, earnings per share (EPS) and return on capital employed (ROCE), shareholder return and individual director performance”. However, negative relationships between executive
pay and company performance are taken place ascertaining agency problems and the fact that executives continue to take advantage of their position and act fraudulently to achieve high executive compensations. Additionally, “a spate of unexpected company failures, financial scandals and examples of ‘corporate excesses’, such as high pay awards to the executives of poorly performing companies threatened to undermine investor confidence” (Keasey and Wright, 1997, p.62). Thus, the executive compensation from a good corporate governance (CG) mechanism becomes problematic.

**Criticisms on Executive Compensation**

*Apocalypse of negative signs*

Accounting scandals of well-known companies, such as Enron, WorldCom, Fannie Mae, General Electric (GE), Royal Bank of Scotland (RBS), revealed the problematic side of executive remuneration. Lessons have been taken regarding the shareholders as principals and executives as agents where “there is no alignment between their interests and as a result, the performance-based pay for executives exacerbates the agency problems instead of decreasing them” (Thomas and Hill, 2012, p.213). Executive remuneration increases the focus of executives only on their personal interests, ignoring the shareholders’ interests, resulting vast turmoil on the viability of the company and the general economy. The use of executive pay schemes as a solution to align agent-principal’s interests was “an illusion” (ibid, p.213). Additionally, Bebchuk and Fried (2003, p.72) argued that “executive compensation is viewed not only as a potential instrument for addressing the agency problem but also as part of the agency problem itself”.

*Weak accounting-based incentives*

Some weaknesses are reflected through accounting-based incentives where accounting profits are used as performance indicator (Kim et al, 2010, p.18). First, “executives can increase the research and development into higher costs in order to make the company look more profitable in the future than in the present aiming to an increase on accounting profits” (ibid, p.18). Furthermore, the possibility of earnings manipulation by executives, specifically CFOs, plays a significant role in the ‘true and fair view’ of company’s financial statements. By so-called cooking the books, executives change the numbers of financial statements in terms of their own preferences to show higher profits and at the end, to get higher executive compensation. “In 2004, Bernie Ebbers, founder and former chief executive officer (CEO) of WorldCom, was sentenced to 25 years in prison for his involvement in WorldCom’s $11 billion accounting fraud” (ibid, p.23). According to Wearing (2005, p.92), “Scott Sullivan, former chief financial officer (CFO) shifted some expenses from profit and loss account to the balance sheet showing improved earnings in order to delay WorldCom’s bankruptcy”.

*Equity stakes and Bonus*

Bonus is defined as “an annual, short-term incentive that usually involves targets considered to be under the fairly immediate control of executives” (Bruce et al, 2007, p.281). “Having less transparency and more complicated bonus schemes, it leads to
higher bonus for the executives but such complexity of shareholder value is not been associated with” (ibid, p.282). Berkeley Group plc reveals the case where there is not information disclosed relating the bonus performance targets in the annual report and doubts were reflected questioning if it was related to transparency or camouflage issue (ibid, p.289). As a famous case for its bankruptcy in 2001, Enron received criticisms regarding the reasons, the causes of its collapse and the people that were involved (Ackman, 2002; Wearing, 2005; Eichenwald, 2002). Enron was accused for earnings manipulation having as benefit to executives a huge amount of share bonuses.

Thomas (2002, cited in Arnold and Lange, 2004, p.754) reports that “Jeffrey Skilling, Former Enron’s CEO, have received bonuses that had no ceiling, permitting the traders to ‘eat what they killed’”. By proceeding to illegal insider trading to manipulate earnings and to use “heavy stock option awards linked to short term stock price” (Healy and Palepu, 2003, p.13), they aimed to achieve rapid growth in Wall Street and to gain high levels of bonuses. Additionally, Andrew Fastow, Former Enron’s CFO, has prepared different financial statements and reports to communicate with management and other ones for Enron’s owners, employees and stakeholders. According to Arnold and Lange (2004, p.754), the objectives were to “achieve favourable accounting numbers to enhance the perception of their performance” to get the bonuses and “to make the company to seem transparent regarding the financial information by the eyes of owners and stakeholders” (ibid, p.754). Thus, Enron failed to be transparent and to disclosure the actual financial information. Executives have hidden the company’s real financial condition by presenting fake results, cheating the interested parties including Enron’s owners. Their role as theatre actors is seemed through an Interview of Skilling by PBS’s Frontline (2001) where he mentioned that “We are the good guys. We are on the side of angels” knowing that this statement does not stand.

Weak Stock Options & Excessive Risks

Stock options have faced difficulties on the alignment of managerial incentives with shareholders goals. Kim et al (2010, p.18-19) stated that “due to the combination of stock price appreciation and dividends on shareholder returns, CEO increases dividends in favor of using the cash aiming to increase the stock price”. “By increasing the stock price, CEO gains higher share of dividends at the end of the year. In the case of risky investments, there is a higher possibility to raise stock price by using stock options, rewards CEO” (ibid, p.19). Thus, CEO tends to take risky projects and follow risk business strategy in the company to have higher chances to get stock options award. In this case, CEO takes advantage of his/her position by acting and taking decisions without thinking the possible consequences. Moreover, “a manipulation of earnings may occur by executives to increase profits for one specific year and to make the stock price more favorable for exercising options” (ibid, p.19). However, this may have dramatic consequences in the company leading into bankruptcy.

Executive risks can be regarded as additional cause of executive pay limitations. According to Firth et al (1999, p.618), “executives work very hard to meet the expectations and to maintain company’s share price”. “Because of shareholders’ pressure, companies generate high financial returns at levels that were not sustainable, with management’s compensation” (Lipton et al, 2009, p.2). Thus, this risk taking by
executives was the cause of the weak corporate governance. In several cases of financial failures, it can be noticed how executives are able to use creative accounting to manipulate figures in the financial statements. In the case of Lehman Brothers’ collapse, executives were accused of “using Repo 105 method for off balance sheet activities” in order to deceive investors and shareholders about company’s true financial condition (Guerrera and Sender, 2010). In the case of Enron, Ackman (2002) argued that executives faced the financial problems using “dubious, even criminal, accounting tricks” to meet the performance requirements of board of directors ignoring significant profitability measures. Even before the total failure, executives continue to receive compensation rewards, known as “midnight bonuses” (BBC News, 2006). (See Appendix 1)

Lack of Connection between Performance and Compensation

In general, stock prices are affected by company performance and also by external factors as world economy. When there is prosperity in the economy, the stock prices increase. All companies, regardless of their financial condition and success, take the advantage of stock price increase. Therefore, executives of poorly run companies are being enhanced by receiving richly compensation when they do not deserve them. On the other hand, when there are economic difficulties in the company due to stock price fall, executives should be awarded but they are not, due to decreased options. However, there is the case with Stanley O’Neal, Merrill Lynch CEO, which seems to act differently in a market fall. According to Kim et al (2010, p.20), he was CEO of Merrill Lynch during the 2007 financial crisis who was seen playing golf while his company was facing financial problems and losing a significant amount of money. In an online article of Washington Post written by Tse (2007), it is reported that O’Neal has received an extremely large pay package after his departure from the company that was measured according his performance in the company. He did not deserve it and this is not the profile of CEO that a shareholder wants to see in charge. O’Neal has stepped down leaving his company in crisis with various financial problems where ‘pay for no performance’ existed.

Jensen and Murphy (1990a), Bebchuk and Fried (2004) and Jensen and Murphy (2004) criticized the performance-based pay arguing that the problem of executive remuneration was not the high levels of compensations received by CEOs but the fact that their compensation was not related to companies’ performance. According to BBC (2012), Kar-Gupta (2012) and Treanor (2011), Stephen Hester, CEO of Royal Bank of Scotland and the remaining RBS’s top executives, received similar criticisms regarding the huge amount of benefits. (See Appendix 2 and 3) Newspaper articles have reflected the global dissatisfaction of the public towards bank executives’ compensations during recession. According to Kar-Gupta (2012), Matthew Oakeshott, the Liberal Democrat lawmaker, argued that it is “totally unacceptable reward for failure” when Hester did not accomplish his role correctly in the Bank by making inefficient decision making and pay for no performance is reflected. As executives choose only risky projects to invest company’s money satisfying their hubris, the results will be dramatic for the whole economy. Thus, recommendations for immediate actions to be taken are provided to avoid further recessions. BBC (2012) reported the recommendations by Liberal Democrat minister Jeremy Browne stating “should turn down the bonus” and Conservative Mayor of London Boris Johnson stating “the government should step in and sort it out” but Dr Ruth Bender from
Cranfield School of Management had an opposite opinion that “the bonus was reasonable”. According to Sparkes (2012), “Prime Minister David Cameron reported that new measures will be taken to allow shareholders to a company bosses’ reject a wage or bonus by giving to shareholders a binding ‘vote on top pay packages’ and on payment for failure.”

*Executive pay as executives’ greed*

Viewing the ‘two sides of coin’, Junarsin (2011, p.164) states that “if it is used appropriately without any excess or fraudulent actions, executive compensation can bond executives to owners so as to enhance shareholder wealth”. On the other hand, “the misused or dysfunction of this corporate governance mechanism can impoverish managerial entrenchment and moral hazard”. (ibid, p.164) Levitt (2005, p.41) mentioned on Bebchuk and Fried’s findings that confirm the statement “a breakdown in corporate governance and a buildup in greed”. “The huge amounts of executive pays drive the corporate governance to erosion sending the message that boards of directors spend shareholders’ money lavishly and without the appropriate supervision” (ibid, p.41). As former senior partner of Goldman Sachs, Gus Levy, used to say “Yes, we are greedy, at Goldman Sachs, but we are long-term greedy”, confirming the above statement (ibid, p.41).

*Corporate Loans*

In WorldCom case, CEO Bernard Ebbers obtained unsecured loans with interest payable lower than borrowing from external parties such as banks (Wearing, 2005, p.88). According to Wearing (2005, p.88), one possible reason for this action may be to resolve his personal financial problems but this could negatively influence company’s share price. If the CEO’s investments might fail, the company will have significant losses. When WorldCom entered into bankruptcy, the share price decreased dramatically and thus, Ebbers was not able to settle the loan by selling his shares, as he had supposed to fulfil. Lublin and Young (2002) present some criticisms that the practice of WorldCom to give loans to its CEO was a bad idea, referring to the statements of William Rollnick, director and compensation-committee member at Mattel Inc “such lending should not be part of the general pay scheme or perks for executives” and the toy maker in El Segundo, Calif, “it should not be done for large amounts”. Therefore, compensation committee did not follow the appropriate legislations to provide a secured loan to CEO and this decision can be characterized as hurried movement without the adequate thinking of possible consequences that might appear in future. If the compensation committee had secured the loans, Ebber’s shares might have been seized in order to sell them to cover the loan when the stock prices were still high enough to do so.

*Golden Goodbyes’ consequences*

After their retirement, executives receive a compensation, characterized as “Gratuitous Goodbye Payments” (Bebchuk and Fried, 2003, p.81) where they can live a luxury life as in cases of FleetBoston and IBM where CEOs have received retirement packages with huge amount of money and free access to corporate jets, apartments and other benefits (Kim et al, 2010, p.22; Revell et al, 2003). However, the fairytale has a bad end. The case of Fannie Mae was an example of a poor and
conflicting executive pay management where several problems with compensation arrangements existed. According to Bebchuk and Fried (2005, p.1), CEO Franklin Raines and CFO Timothy Howard have resigned classifying their acts “as ‘retirements’ and obtaining their retirement packages where after it was discovered that company’s earnings were inflated over the previous years”. As earnings increase, the level of executive compensation is growing but in this case the two executives act fraudulently to secure their future bonuses. “This is unacceptable and must change immediately” and “it's inexcusable that anyone would think it's OK to hand out these bonuses” (Chadbourn, 2011) were some of the bonuses’ criticisms. According to Bebchuk and Fried (2005), there was not a relationship between executive pay and company performance characterizing it with the term ‘camouflage’ where executives have hidden the total amounts of their retirement rewards and there was no sign of transparency. “The strong desire to camouflage may result to inefficient compensation structures that affect negatively the managerial incentives and company’s performance” (Bebchuk and Fried, 2003, p.76). Thus, weaknesses of pay arrangements show the necessity of reforms in current compensation practices.

Similar case is the General Electric (GE) where CEO’s wife complained that her husband’s retirement benefits were not enough for their living. This was brought to attention in the course of divorce procedure where a failure of disclosing retiring arrangements was revealed (Johnson, 2002; U.S. Securities and Exchange Commission, 2004). Through this case, it is noted that the executive pay as corporate governance mechanism has been eroded due to the non-compliance with the SEC disclosures where shareholders and investors are allowed to be provided by detailed information about executives’ pay arrangements for a clearer image of company’s strategies and procedures. In the case of GE, CEO has hidden the list of the benefits that he received from the company leaving the shareholders in the dark.

**Conclusion**

A significant interest in executive compensation and corporate governance can be observed due to the prevailing financial climate, the financial collapses of well-known firms and the accusation of rewards for failure and a lack of accountability. Criticisms from different backgrounds reflect the problematic side of executive remuneration as it cannot fully be handled to the related practices as a corporate governance mechanism. Using whatever form of executive compensation, executives are never happy and satisfied and they ask for more, showing their hubris. However, there are those arguments who try to defend and to argue that this kind of rewards are deserved for executives and if there is a proper management with the help of related legislation and corporate governance code, both parties, principal and agent, could be winners of the case without eroding any principal-agent concept and the company’s financial condition. Unfortunately, it seems that the greed element is in human’s DNA acting without thinking the consequences and the parties that can be influenced. In the case of Enron, the victims were the employees that have lost their jobs, pensions and in one day, their dreams were collapsed. Therefore, calls for immediate legislations and reforms have been presented through these years in order to find out the possible solution that may stop this devastating situation with executive pay. In the beginning, executive pay seems to be the oasis in the desert where suddenly disappears and the consequences are followed one by one.
References


Appendices

Appendix 1: Enron’s Executive Compensation for period 1996-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 5 Executive Salaries (in $mil)</th>
<th>Top 5 Bonus Payments (in $mil)</th>
<th>Top 5 Stock Grants* (in $mil)</th>
<th>Top 5 Total Compensation (in $mil)</th>
<th>Enron Net Earnings (in $mil)</th>
<th>Return on Invested Capital (Operating Income/Total Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>$3.04</td>
<td>4.70</td>
<td>29.71</td>
<td>37.46</td>
<td>584</td>
<td>4.20%</td>
</tr>
<tr>
<td>1997</td>
<td>$3.13</td>
<td>1.85</td>
<td>62.51</td>
<td>67.48</td>
<td>105</td>
<td>0.06%</td>
</tr>
<tr>
<td>1998</td>
<td>$3.62</td>
<td>9.46</td>
<td>54.74</td>
<td>67.82</td>
<td>703</td>
<td>4.69%</td>
</tr>
<tr>
<td>1999</td>
<td>$3.80</td>
<td>11.30</td>
<td>81.40</td>
<td>96.50</td>
<td>893</td>
<td>2.40%</td>
</tr>
<tr>
<td>2000</td>
<td>$3.61</td>
<td>17.55</td>
<td>86.51</td>
<td>107.67</td>
<td>979</td>
<td>2.98%</td>
</tr>
</tbody>
</table>

*Calculated by assuming 5% annual growth in share value. Source: Enron; Charas Consulting.

Source: Ackman (2002)

Appendix 2: Compensation of two RBS CEOs

<table>
<thead>
<tr>
<th>Fred Goodwin</th>
<th>Stephen Hester</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RBS chief executive</td>
<td>Years 2001-2008</td>
<td>Salary (£)</td>
<td>Bonus (£)</td>
</tr>
<tr>
<td>Yr</td>
<td>Salary (£)</td>
<td>Bonus (£)</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>733000</td>
<td>825000</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>832000</td>
<td>1.73m</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>898000</td>
<td>990000</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>990000</td>
<td>1.5m</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>1.09m</td>
<td>1.76m</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1.19m</td>
<td>2.76m</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1.29m</td>
<td>2.86m</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1.3m</td>
<td>no bonus awarded</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Khalique (2012)
Appendix 3: Other RBS Executives’ pay

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Annual Salary</th>
<th>Pension Payment</th>
<th>Bonus Pot</th>
<th>Share Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ellen Aldenham</td>
<td>Chief Executive of Citizens Financial Group</td>
<td>£5.9m</td>
<td>£736,000</td>
<td>£16m</td>
<td>£500m</td>
</tr>
<tr>
<td>John Hourican</td>
<td>Chief Executive of Global Banking &amp; Markets</td>
<td>£5.9m</td>
<td>£294,000</td>
<td>£15.7m</td>
<td>N/A</td>
</tr>
<tr>
<td>Nathan Bostock</td>
<td>Head of Restructuring and Risk</td>
<td>£3.4m</td>
<td>£393,000</td>
<td>£347,880</td>
<td>Down 36% in a year</td>
</tr>
<tr>
<td>Brian Hartley</td>
<td>Chief Executive of RBS Retail Banking</td>
<td>£3.2m</td>
<td>£647,000</td>
<td>£481,680</td>
<td>£256,112</td>
</tr>
<tr>
<td>Chris Sullivan</td>
<td>Chief Executive of UK Corporate</td>
<td>£2.6m</td>
<td>£244,000</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Bruce van Saun</td>
<td>Group Finance Director</td>
<td>£2.1m</td>
<td>£321,000</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Source: Chapman (2012)