

Resolution at the 2017 AGM of The Royal Bank of Scotland Group plc
("the Company")

SPECIAL RESOLUTION

Shareholder Committee

That the Directors establish a Shareholder Committee, the members of which will include representatives of large shareholders willing to serve and a representative of retail shareholders, and that the Directors be instructed to use any and all means to implement this resolution, subject to appropriate conditions to ensure that the CA 2006 S172 duty to act fairly between members is not breached.

Supporting Statement

The establishment of a Shareholder Committee is intended to facilitate more effective oversight and influence by shareholders over the governance of the Company.

Coordinators

The submission of this Resolution has been coordinated by ShareSoc, The UK Individual Shareholders Society and UKSA, the UK Shareholders Association.

Context

ShareSoc and UKSA have advocated Shareholder Committees for many years.

Good leadership and wise management is at the heart of great and sustainable businesses. The shareholders who have requisitioned this Resolution believe that the Company's governance, performance and share price across the past decade would have benefitted from increased shareholder involvement and influence in the form of a Shareholder Committee.

This Resolution is consistent with the Prime Minister's current initiative to improve the way companies are run. HM Government's recent Green paper and Mr. Chris Philp MP's paper (see Further Information below) both reference Shareholder Committees as part of a possible solution to address failings in recent and current corporate governance.

Shareholder Committee Duties

A Shareholder Committee should operate as part of an effective and inclusive process that builds trust between the Company and all its shareholders. It is not for the proponents of this initiative to micro-manage the Company, and therefore this Resolution is intentionally not prescriptive. It is for the Directors to decide the terms of reference and operational details of the Shareholder Committee in line with this Resolution and to produce proposals for approval by shareholders in due course.

The duties and powers of the Shareholder Committee may include some or all of the following:

1. challenging strategy and corporate performance,

2. providing feedback on candidates being considered for Board appointments by the Company,
3. offering alternative candidates for Board appointments,
4. providing a sounding board and feedback on remuneration proposals,
5. advising against perverse incentives, bad remuneration decisions and unreasonable executive pay,
6. providing the Shareholder Committee's approval to specific pay proposals (including the remuneration policy) by the Remuneration Committee, before they are put to a binding vote of all Shareholders at the AGM,
7. reviewing the appointment of external auditors and the activities of the external and internal auditors,
8. reporting to shareholders on its activities and performance via the annual report.

The Company may think it appropriate for the Shareholder Committee to also consider the views of other stakeholders, for example offering feedback on the social and environmental risks and opportunities associated with the Company's business activities.

The Shareholder Committee should have the power to see such papers and reports and seek such external advice that might reasonably be required to fulfill its duties.

Membership of the Shareholder Committee

The Shareholder Committee is likely to consist of the Chairman of the Board of Directors, representatives of those large shareholders willing to serve, plus a representative of retail shareholders and representatives of other key stakeholders the Company may wish to appoint.

At present many large public companies engage with only a small proportion of their larger shareholders, whose views may not necessarily be consistent with those of retail or overseas shareholders. The intention, therefore, is that the Shareholder Committee will be drawn from a broad cross section of all investors, and so will be able to represent all shareholders, enabling the company to meet its requirements to treat all shareholders fairly.

An employee representative may provide a useful insight to the Shareholder Committee.

A person with specific knowledge of customers, products and services may also be able to provide further useful insight. This might be an employee, a non-executive Director or a consultant to the Company.

Notwithstanding the composition of the Shareholder Committee, the majority of voting rights at Shareholder Committee meetings should at all times reside with the shareholder representative members.

Insider Information

Shareholder Committee members will inevitably be privy to price sensitive information from time to time. This may preclude them, and potentially the organisations represented by them, from trading at times when they are privy to Insider Information. This restriction may be partially mitigated through the adoption of effective "firewalls" within shareholder organisations, to ensure that members do not discuss such information with colleagues.

Retail investor involvement

Retail investors are beneficial owners of at least 12% of the UK stock market and have an independent long-term perspective. Vocal and transparent, they are generally unencumbered by conflicts of interests and by the time pressures that institutional shareholders might have. A member representing retail shareholders might be jointly proposed by the two recognised shareholder associations of ShareSoc and UKSA. Alternatively, a slate of candidates could be put up for selection at the AGM.

Further Information

ShareSoc, the UK Shareholders Society

ShareSoc is the UK's largest retail shareholder organisation acting in all areas of the UK stock market with over 3,500 members. See www.sharesoc.org. It produced a report on Shareholder Committees in 2011. See <http://www.sharesoc.org/Shareholder%20Committees.pdf>

Chris Philp, MP Paper

Chris Philp MP wrote an excellent paper covering Shareholder Committees in September 2016 which has received wide publicity. See [http://highpaycentre.org/files/HPC_42_WEB_amend - Restoring Responsible Ownership.pdf](http://highpaycentre.org/files/HPC_42_WEB_amend_-_Restoring_Responsible_Ownership.pdf).

Government Green Paper

The Nov 2016 Government Green Paper on Corporate Governance mentions Shareholder Committees as a way forward that could be mandated or could be adopted via the UK Corporate Governance Code or voluntarily. See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/573438/beis-16-56-corporate-governance-reform-green-paper-final.pdf

Tomorrow's Company

Fuller details and benefits are available in the 2011 report "**Bridging the UK engagement gap through Swedish-style nomination committees**".

The report can be found at http://tomorrowscompany.com/wp-content/uploads/2016/05/TCG_bridging_the_UK_engagement_gap_through_Swedish_style.pdf