

SPECIAL RESOLUTION

Shareholder Committee

That the Directors establish a Shareholder Committee.

Supporting Statement

The submission of this Resolution has been coordinated by ShareSoc, The UK Individual Shareholders Society and UKSA, The UK Shareholders' Association. ShareSoc and UKSA have advocated Shareholder Committees for many years. The shareholders who have requisitioned this Resolution believe that the Company's governance will benefit from increased shareholder engagement in the form of a Shareholder Committee.

The informal nature of current shareholder engagement (cosy chats with selected shareholders behind closed doors) does not work well for the broad shareholder base. It is not clear whether investors are each being told the same story, how information is being spun, or whether complete or only partial information is being given out. Ad hoc engagements tend to only occur when a problem arises and this is too late. Voting happens too late in the process. Discussion and voting at the AGM is ineffective, as institutions do not like to vote against the management's recommendations.

This impasse can be broken through the introduction of a Shareholder Committee, including a more professional and systematic process, with regular meetings between the Company and knowledgeable Shareholder Committee Members.

A similar resolution was submitted to the 2018 AGM. UK Government Investments(UKGI), which represented 75.3% of the votes cast on this matter, chose to vote against the resolution, thereby deciding the outcome. There were 604.99 million votes in support of the proposal, representing 5.5% of the non-UKGI votes cast.

The UKGI position at the 2018 AGM was a disappointment to the campaign, and arguably inconsistent with the entity's mandate. The Government wishes to reduce and eventually eliminate its stake in RBS, and any means of increasing engagement with shareholders should be embraced with enthusiasm. Increased shareholder oversight through a Shareholder Committee can only make the shares more attractive to prospective investors.

5.5% support for the resolution was a significant outcome in light of the negative recommendation from the Board of RBS. It was a truly remarkable result.

ShareSoc and UKSA recognise that it takes time to influence the thinking of the Board, of UKGI and of institutional shareholders. The first vote on this matter was held at the 2018 AGM. We can expect increased support for the proposal at the 2019 meeting. Change does not happen overnight.

Role of the Committee

The aim of the Shareholder Committee is to facilitate more effective oversight by shareholders of the governance of the Company. It is intended that the Shareholder Committee operate as part of an effective and inclusive governance framework that builds trust between the Company and its shareholders.

The key criteria are that the committee should include Shareholder representatives, ideally approved by both the Company and by the AGM, and that it should engage on a regular basis with the Board of Directors. The functions of the Shareholder Committee are likely to be advisory in nature and may, at the discretion of the Directors, include some or all of the following:

1. providing feedback to the Board on candidates being considered for appointments by the Company,
2. providing feedback to the Board on remuneration proposals, and reporting to the AGM on specific pay proposals (including the remuneration policy),
3. providing feedback to the Board on strategy from a shareholder perspective,
4. reviewing and commenting to the Board on the appointment of external auditors and the activities of the auditors,
5. reporting to shareholders on its activities via the annual report,
6. providing voting recommendations to shareholders for the AGM.

Benefits of a Shareholder Committee

- Mechanism for Board to engage and communicate with a broader range of Shareholders
- Visible check and balance on governance matters
- Increased transparency
- Improved Shareholder confidence, making RBS shares more attractive to a broader range of investors
- More orderly AGM process
- Establishes RBS as a leader in corporate governance
- Enhances reputation of the UK financial markets

Membership of the Committee

The Shareholder Committee is likely to comprise a number of shareholders of the Company, or their representatives, (who may initially be selected by the Company and in subsequent years be elected by the shareholders of the Company), any representative(s) of other key stakeholders the Company may wish to appoint, and one or more Directors. Notwithstanding the ultimate composition of the Shareholder Committee, it is likely that the majority of any voting rights at Shareholder Committee meetings will reside in due course with those Committee Members directly elected by the shareholders of the Company.

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. One or more Committee Members might be proposed by the recognised shareholder associations, ShareSoc and UKSA.

Further Information

ShareSoc, The UK Individual Shareholders Society

ShareSoc is the UK's largest retail shareholder organisation, acting in all areas of the UK stock market with over 4,500 members. See www.sharesoc.org. ShareSoc is a not for profit company. ShareSoc has produced a report on Shareholder Committees. See <http://www.sharesoc.org/Shareholder%20Committees.pdf>. For more information about the ShareSoc-UKSA RBS Shareholder Committee Campaign, see www.sharesoc.org/campaigns/rbs/.

UKSA, The UK Shareholders' Association

UKSA is the oldest shareholder campaigning organisation in the UK. UKSA is a not for profit company that represents and supports shareholders who invest in the UK stock market. By lobbying Government, the Financial Reporting Council, the Financial Conduct Authority and other bodies we strive to continually improve recognition and treatment for private investors, see www.uksa.org.uk. UKSA has supported the principle of shareholder committees since its foundation. See <http://www.uksa.org.uk/POSB2009>