

SPECIAL RESOLUTION

Shareholder Committee

That the Directors establish a Shareholder Committee.

Supporting Statement

The aim of the Shareholder Committee is to facilitate more effective oversight by shareholders of 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 will benefit from increased shareholder engagement in the form of a Shareholder Committee.

The problems of Shareholder Engagement and the Benefits of Establishing a Shareholder Committee are laid out in the AGM Agenda, Item Matter for Discussion.

Shareholder Committee Functions

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 Members. 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.

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, and recommending alternative candidates for Board appointments,
2. providing feedback to the Board on remuneration proposals, and reporting on specific pay proposals (including the remuneration policy) before they are put to a binding vote of all Shareholders at the AGM,
3. commenting on strategy from a shareholder perspective,
4. reviewing and commenting to the Board on the appointment of external auditors and the activities of the external and internal auditors,
5. reporting to shareholders on its activities via the annual report,
6. providing voting recommendations to shareholders at the AGM.

The Company may deem 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.

Membership of the Shareholder Committee

The Shareholder Committee is likely to comprise a number of Members of the Company, or their representatives, (who may initially be selected by the Company and in subsequent years be elected by the Members of the Company), any representative(s) of other key stakeholders the Company may wish to appoint, and one or more Directors. Committee Members directly elected by Members of the Company are likely, under terms of engagement, to be required to commit to act fairly as between Members of the Company when acting as Committee Members. 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 Members of the Company.

Insider Information

Committee Members may be privy to price sensitive information from time to time. This may preclude them, and potentially the organisations from which they are drawn, from trading at certain times. This restriction may be partially mitigated through the adoption of effective firewalls within shareholder organisations, to ensure that Committee 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. 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 4,000 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. See www.uksa.org.uk. UKSA has supported the principle of shareholder committees since its foundation. See <http://www.uksa.org.uk/POSB2009>.

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.

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.