



ShareSoc

UK Individual Shareholders Society

Phone: 0333-200-1595
Email: info@sharesoc.org
Web: www.sharesoc.org

29/12/2016

Press Release

- Embargoed until 00.01 30th December 2016

RBS Shareholders Demand Shareholder Committee

A joint press release on behalf of Private Investors from ShareSoc and UKSA

Over 100 shareholders in the Royal Bank of Scotland (RBS), supported and coordinated by ShareSoc and UKSA, have requisitioned a resolution to install a new "Shareholder Committee" at the company which will include shareholder representatives so as to improve the corporate governance at the bank.

RBS will now have to put this proposal to a vote at their Annual General Meeting (AGM) in May 2017.

ShareSoc and UKSA will be delivering the resolution and a large bundle of associated requisition forms to RBS's London offices on Friday 30 December.

Why are ShareSoc and UKSA doing this?

The submission of this Resolution has been jointly coordinated by ShareSoc (the UK Individual Shareholders Society) and UKSA (the UK Shareholders' Association).

Mark Northway, ShareSoc Chairman, said: ***"One objective is to stop the events that took place at RBS from ever happening again! A dominant CEO; concealing the true financial position of the company from investors; proceeding with a reckless acquisition; and then publishing a rights prospectus which concealed the problems faced by the company. These are not examples of good governance.***

Shareholders, including individuals, deserve a new approach; one with greater involvement and more effective input from them as ultimate owners."

We suggest that this initiative will significantly benefit corporate governance at RBS, and represents a valuable opportunity for RBS to lead the way in exploring a concept which works well in other countries, which is under consideration by the UK Government, and which could have broad application in addressing the current breakdown in the agency model in UK public companies.

This proposal is in the public interest. There is evidence of a continuing breakdown in the corporate governance of UK public listed companies, as is underlined in the Government Green Paper published in November. RBS is an important asset and its ownership and the way it is governed is of interest to the wider public. There is a need for companies to step up and respond to Mrs May's initiative to make capitalism work for everyone.

John Hunter, Chairman of UKSA, commented: ***"Most large shareholders are intermediaries who tend to act in their own interests and not those of the ultimate beneficial owners (i.e. the people they represent). This needs to change and this proposal is a step towards that. Transparency and formal engagement will help to prevent poor stewardship."***

Retail investors are beneficial owners of at least 12% of the UK stock market, and indirectly a much larger percentage through pension and investment funds. They have an independent long-term perspective, are generally unencumbered by conflicts of interests and by the time pressures that institutional shareholders might have. A member of the proposed committee representing retail shareholders might be jointly proposed by the two nationally recognised shareholder associations of ShareSoc and UKSA.

Background/ RBS History

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.

We want to focus on treating shareholders fairly. Companies may be in breach of the Companies Act S172 requirement to act fairly between members if they secretly cook up cosy deals behind closed doors. They call this engagement, but too often it looks like selective briefing and exclusion of overseas shareholders and retail shareholders. Also, many fund managers act in their own interests, not in the interests of long-term shareholders, and not of their ultimate beneficial owners.

RBS has been poorly managed. Long-term shareholders have suffered a loss of greater than 95% of value of their investment, since the RBS share price peaked in 2007. This was due to a failure of corporate governance on a number of fronts, e.g.:

Strategy: an excessive focus on the short-term, rather than prioritisation of long-term sustainability, the large acquisition of ABN Amro for £49 bn with excessive leverage, and a failure to focus on customers.

Operations: not treating customers fairly, mis-selling mortgage backed securities in the United States, LIBOR fixing, PPI mis-selling, 2008 rights issue, £3.9 bn has been set aside for claims, but some sources say claims could be \$27 bn.

Executive Pay: PR surrounding executive pay has impacted the brand, huge criticism of pay complexity, excessive bonuses, complex LTIPs, payments for failure, as well as the overall quantum.

Culture: excessive risk, short termism, greed and irresponsibility was allowed and to some degree encouraged, a pale, male and stale Board, with one woman out of 18 directors in 2008. This still persists: there are only three women out of 12 board members today.

Note that RBS investors can obtain more information and register their interest in supporting this initiative on this page of the ShareSoc web site:

<http://www.sharesoc.org/rbs.html>

For further information please contact:

Roger Lawson
Deputy Chairman, ShareSoc
Telephone: 020-8295-0378
<http://www.sharesoc.org/contact.html>

Or:
Cliff Weight, Director, ShareSoc
Telephone: 01737-202075 or
07712- 793114
Email: Cliffweight1@gmail.com

Or:
Peter Parry
Policy Director, UKSA
01604-830267
07771-862949
peter.parry@cerbera.org

Or:
John Hunter
Chairman, UKSA
01689-855774
07764-615726
officeatuksa@gmail.com

More Background:

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 3,500 members. See www.sharesoc.org . It produced a report on Shareholder Committees in 2011. See <http://www.sharesoc.org/Shareholder%20Committees.pdf>

UKSA, the UK Shareholders' Association

UKSA has campaigned for the rights of individual shareholders since its foundation in 1992. It has consistently supported the principle of Shareholder Committees, and is entirely funded by its 600 members, all private individuals. See www.uksa.org.uk

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

ShareSoc and UKSA recognise the initiative and support of Mr. Gavin Palmer in the development of these proposals.