

RSA INSURANCE GROUP plc

ANNUAL GENERAL MEETING – 15 MAY 2013

STATEMENT BY STANDARD LIFE INVESTMENTS LIMITED¹

Chairman, ladies and gentlemen.

Standard Life Investments is a long-term and committed investor in RSA. We manage over 70 million shares on behalf of our clients.

I have come here today to convey our views on the dividend cut and the proposed change of auditor. In doing so, whilst I shall address our concerns, I also want to place on record our recognition of the Board's engagement in recent weeks with Standard Life Investments and other institutional investors, under the auspices of the Stewardship Code.

Regarding the dividend cut, we were both surprised and disappointed by the decision. In particular, we believe that excessive prudence was brought to bear in determining the scale of the cut. In the light of this, we trust that the re-based dividend provides a firm foundation from which to grow the dividend in a sustainable and progressive way. Also, communication of the change in dividend policy was poor. We welcome the Chairman's commitment to focus in the future on positive engagement with investors.

The decision to propose a change of auditor from Deloitte to KPMG also came as a surprise. It was unfortunate that there was no consultation with shareholders about the proposed change.

As a matter of principle, we do not believe that auditors should sacrifice their role as auditors, reporting to shareholders, in favour of being appointed as consultants, reporting to management, on commercially attractive terms.

The auditors are the steward's steward. Auditors are engaged to serve the needs of shareholders and their independence is a pre-requisite for this. Therefore, it is a matter of concern that the Audit Committee, in general, and the Audit Committee Chairman, in particular, permitted Deloitte's perceived conflict of interest to arise. We would have expected the Audit Committee to

¹ This statement was delivered at the AGM by Guy R Jubb, Head of Governance & Stewardship at Standard Life Investments Limited.

exercise more assertive authority by prohibiting Deloitte from being invited to tender for the consultancy work.

Over and above the fundamental issues of concern, we believe it is unwise to change auditors so soon after the appointment of a new CFO and a new Chairman.

To compound an already difficult set of circumstances, the coincidence of the Chairman of the Audit Committee being a recently retired partner of KPMG, and the selection of KPMG to be the recommended new auditor gives rise to an unfortunate perception of conflict, present and future.

As has been pointed out to me, the good thing about hindsight is that you can learn from it. Therefore, we welcome and support the steps which we understand are now being taken by the Board and its Audit Committee to strengthen their processes in order to reinforce the future independence of the auditors.

In the light of these issues, we have instructed our proxy to withhold its vote on the Audit Committee Chairman, Alastair Barbour. This underscores our views on what has come to pass and our wish to see the Audit Committee ensure that KPMG deliver a high quality audit for the benefit of all RSA's shareholders, present and future.

In closing Mr Chairman, bearing in mind the important role of your primary regulator, did it express any view on the proposed change of auditor?