

## Executive Committee

# Executive Committee Terms of Reference

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| <b>Chair</b>  | Chief Executive Officer whom failing the Chief Financial Officer or the Chief Risk Officer  |
| <b>Members</b>  | Chief Executive Officer<br>Chief Financial Officer<br>Chief Administrative Officer<br>Chief Operating Officer<br>Chief Executive Officer, Commercial & Private Banking<br>Chief Executive Officer, NatWest Markets<br>Chief Executive Officer, Personal & Business Banking<br>Chief HR Officer<br>Chief Marketing Officer<br>Chief Risk Officer   |
| <b>Attendees</b>  | <ul style="list-style-type: none"><li>• Chief Governance Officer and Board Counsel</li><li>• The Chief Audit Executive</li><li>• RBS Chief Legal Officer and General Counsel</li><li>• Chief of Staff to CEO</li></ul> also have a right of attendance at the Executive Committee<br>Other Executives at the request of the Chief Executive Officer   |
| <b>Additional Invitees</b>                                    | Specialists may be requested to attend for specific items or to make presentations to the Executive Committee.  |
| <b>Quorum</b>   | Two members, at least one of whom must be the Chief Executive Officer, the Chief Risk Officer or the Chief Financial Officer.   |
| <b>Meeting Frequency</b>                                      | <ul style="list-style-type: none"><li>• At least 11 times a year and ad hoc as required.</li><li>• Executive Committee meetings will be scheduled in advance of each Board meeting. Executive Committee members and attendees will attend the monthly meetings.</li><li>• Ad-hoc meetings can be called, as required, at the request of the Chief Executive, the Chief Risk Officer or the Chief Financial Officer.</li></ul>   |
| <b>Secretary</b>  | Corporate Governance and Regulatory Affairs   |
| <b>This Committee receives its authority from</b>             | The Boards of The Royal Bank of Scotland Group plc (“Group”) of The Royal Bank of Scotland plc (“Royal Bank of Scotland”), National Westminster Bank Plc (“NatWest”), NatWest Holdings Limited (“NatWest Holdings”) and Ulster Bank Limited (“UBL”).  |
| <b>Purpose of this Committee</b>                              | <p>The Chief Executive Officer and the Executive Committee are responsible for managing and overseeing all aspects of the Group’s Franchises and Functions in line with role profiles and terms of reference respectively, other than those reserved to the Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards or appropriate Board Committee.</p> <p>For the purposes of the term, Persons Discharging Managerial Responsibilities (“PDMRS”), RBS has deemed that the Executive Committee members (but not attendees) are PDMR’s.</p> |
| <b>Scope of this Committee’s oversight and responsibility</b> | The detailed responsibilities of the Executive Committee include, but are not limited to, the following:  |

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## 1. Board alignment

The Executive Committee is responsible for identifying matters required or appropriate for escalation to the Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards or appropriate Board Committee and to review, debate and form recommendations on relevant items before escalation to the Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards or appropriate Board Committee.

## 2. Strategy

The Executive Committee will:

- (a) debate and develop the strategy of RBS and recommend it to the Group Board for approval.
- (b) deliver RBS's approved strategy and its annual priorities.
- (c) consider and manage emerging issues, that may be material to the Franchises and Functions of RBS and ultimately the realisation of RBS's agreed strategy;
- (d) consider material strategic initiatives, including acquisitions and disposals, joint ventures and investments and approve them or recommend them to the Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards as appropriate;
- (e) approve transactions within its delegated authority limit as set out in 'How we manage RBS'(and not otherwise reserved to Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards) in relation to acquisitions and disposals;
- (f) consider and approve the opening and closure of overseas branches and representative offices, and any related requirements; and
- (g) on an annual basis, consider the Board strategy agenda in advance of the annual Group Board strategy offsite meeting.

## 3. Financials

The Executive Committee will:

- (a) review RBS's annual capital and revenue budgets and recommend them for Group Board approval;
- (b) monitor RBS's performance against key financial objectives including oversight of delivery of these objectives by individual Executive Committee members in line with their individual accountabilities; and
- (c) review and discuss business and financial reports.

## 4. Asset and Liability Management

The Executive Committee, either directly or via the RBS Asset and Liability Management Committee ("ALCO") will:

- (a) oversee the effective management of the current and future balance sheet of RBS in line with its chosen business strategy and approved risk appetite, under normal and under stress conditions;
  - (b) determine the limits, procedures and policies required to manage RBS's
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- financial balance sheet risks within approved risk appetite; and
- (c) ensure the asset and liability management functions of RBS manage their balance sheets within the limits set by ALCO.

#### 5. Capital allocations

The Executive Committee will, either directly or via ALCO, as appropriate:

- (a) consider material joint ventures, strategic projects/investments and new businesses from a capital perspective;
- (b) review the capital and liquidity position of RBS including the assessment of capital availability across RBS factoring in any legal, operational or regulatory constraints, to ensure its capital strategy remains adequate;
- (c) manage the capital and liquidity position of Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL, including the assessment of capital availability factoring in any legal, operational or regulatory constraints, to ensure its capital strategy remains adequate; and
- (d) review and recommend to the Group Board proposals for the allocation of capital within RBS.

#### 6. Risk

The Executive Committee will, either directly or via the Executive Risk Forum (“ERF”), as appropriate, act on all material and/or enterprise wide risk and control matters across RBS, including, but not limited to, credit risk, market risk, business risk, operational risk, reputational risk, cyber risk, pension risk, balance sheet risk (capital, liquidity, funding and interest rate) and conduct risk, regulatory risk and compliance risk (including financial crime). ERF has common membership with the Executive Committee and will therefore consider, debate and approve such risk items by exception.

The Executive Committee will, either directly or via the ERF as appropriate:

- (a) consider the Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards risk reports before submission to the Board Risk Committee and Group Board, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards and take action in relation to the issues raised in the risk reports as it considers appropriate;
  - (b) receive updates on Group, Royal Bank of Scotland, NatWest, NatWest Holdings and UBL wide risk issues from the Chief Risk Officer and take action as required;
  - (c) consider risk management matters including risk appetite, risk appetite framework and risk management strategies ensuring they are implemented;
  - (d) ensure that risk considerations are incorporated within the strategic planning and budgeting processes;
  - (e) monitor and manage RBS’s recovery and resolution plans and activities and receive updates on developments and progress as required; and
  - (f) Receive and review General Counsel Reports including key legal risks and developments affecting RBS.
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## 7. Disclosure and Internal Controls

Through the Executive Disclosure Committee (“EDC”), the Executive Committee will:

- (a) monitor, evaluate and enhance disclosure controls and procedures and internal controls over financial reporting;
- (b) review all significant disclosures made by RBS, including those of its subsidiaries; and
- (c) ensure that all significant disclosures made by RBS are accurate and complete; fairly represent the business of RBS and its financial condition; there are no material misstatements or omissions; and that all public disclosures are made on a timely basis as required by the Disclosure and Transparency Rules or the Listing Rules and any applicable regulations.

## 8. Investment

In relation to investments, the Executive Committee, either directly or through the Investment Committee will:

- (a) provide a single view of RBS’s investment spend across the Franchises and Functions and determine whether the proposed spend is appropriate in the context of RBS’s entire investment plan and alignment to its strategic objectives;
- (b) operate within Business Commitment Approval Process (“BCAP”) limits, all investment spend must be endorsed through the Investment Committee where spend is agreed as Mandatory, Control, Remediation, Platform Foundation and Discretionary in nature;
- (c) consider business cases before they are escalated to the Chief Executive and Group Board for approval in accordance with the delegated authority and expenditure limits as set out in ‘How we manage RBS’;
- (d) review the performance of investments allocated through escalation of reports from the Delivery Committee; and
- (e) prior to proceeding with full business case development, endorse (via a sub-committee of the Investment Committee) Investment Cases, subject to £2 million maximum funding.

## 9. Acquisitions and Disposals

The Executive Committee, either directly or through the Acquisitions and Disposals Committee (“ADCo”), will assess the strategic and financial merits, as well as the risk profile, of any proposal relating to strategic merger and acquisition or other transactional activity involving RBS. ADCo will approve and refer any such transaction in accordance with the delegated authority and expenditure limits as set out in ‘How we manage RBS’.

## 10. Operational Issues

The Executive Committee will receive and consider reports on operational matters, where these are material to RBS and take action as it considers appropriate.

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## 11. Transformation Programme

In relation to the Transformation Programme, the Executive Committee, either directly or through the Investment Committee, will:

- (a) oversee and manage the execution risk inherent within RBS's Transformation Programme;
- (b) receive regular reports on the status of the Transformation Programme including, delivery, risk, key exposures and risk mitigation plans and will receive opinions from Risk, Conduct and Restructuring and Internal Audit, as appropriate;
- (c) To conduct deep dives to assess the progress of underlying work streams as mandated by the Committee

## 12. Pensions

The Executive Committee will, either directly or via the Pension Committee, consider the financial strategy, risk management, compliance, remuneration and policy implications of RBS's pension schemes and carry out the decision-making responsibilities of Royal Bank of Scotland plc, NatWest, NatWest Holdings and UBL as Principal Employers under the relevant pension scheme Trust Deed and Rules.

## 13. Customer Issues

The Executive Committee will receive and consider reports on customer matters, where these are deemed material to RBS and take action as it considers appropriate.

## 14. Succession Planning

The Executive Committee will review and consider executive succession planning and make recommendations to the annual Group Board talent session in respect of Executive Committee succession planning.

## 15. Culture and Values

The Executive Committee will actively promote RBS's culture and values.

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### **Escalation**

For management purposes, the Executive Committee will report directly to the Group Board, although statutory and regulatory reports will be made to the Royal Bank of Scotland, NatWest, NatWest Holdings and UBL Boards as necessary.

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### **Authority Delegated by this Committee**

To enable the Executive Committee to carry out its objectives, authority and terms of reference will be delegated to certain executive committees, as required. These will include:

- ERF;
  - EDC;
  - ALCO;
  - ADCo;
  - Investment Committee; and
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- Pensions Committee

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**ToR last approved on**      3 August 2017

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