

Group Audit Committee (GAC)

Committee Terms of Reference

Defined terms in these Terms of Reference document are contained and explained in the Universal Glossary contained in the 'How we manage RBS' document.

Chairman	An independent Non-Executive Director
Members	<ul style="list-style-type: none">• At least three independent Non-Executive Directors. The Chairman and at least one other member must be a financial expert as defined in the SEC Rules under the US Exchange Act.• Each member of the GAC shall be a member of the Board of The Royal Bank of Scotland Group plc (the "Group Board") but shall otherwise be independent. In addition to the definition in provision B.1.1 of the UK Corporate Governance Code, to be considered independent a member of the GAC may not, other than in his or her capacity as a member of the GAC, the Group Board, The Royal Bank of Scotland plc, National Westminster Bank Plc, Ulster Bank Limited or NatWest Holdings Limited (together "the Banks") Boards (the "Bank Boards") or any other committee of the Group Board or the Bank Boards:<ul style="list-style-type: none">- accept (directly or indirectly) any consulting, advisory, or other compensatory fee from the Royal Bank of Scotland Group plc or any subsidiary thereof (altogether "RBS"); or- be an Affiliated Person of RBS. An "Affiliated Person" of RBS means any person who, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, RBS.
Attendees	<ul style="list-style-type: none">• Group Chairman• Chief Executive Officer• Chief Financial Officer• Chief Governance Officer and Board Counsel• Chief Legal Officer and General Counsel• Chief Audit Executive• Chief Risk Officer• Chief Accountant• Deputy Chief Financial Officer• The External Auditor
Additional Invitees	Additional invitees or subject matter experts may be invited to attend or to present papers for approval and noting to the GAC at the request of the Chairman.
Quorum	Two members, one of whom is the Chairman of the GAC or Chairman of the Board Risk Committee.
Meeting Frequency	<ul style="list-style-type: none">• A minimum of six meetings per annum, with four of these meetings being held immediately prior to submission of the quarterly financial statements to the Group Board.• Ad hoc meetings can be called, as required, at the request of the Chairman of GAC, a GAC member, the Chief Executive Officer, the Chief Audit Executive or the External Auditor.

Secretary	Corporate Governance and Regulatory Affairs
This Committee receives its authority from	<ul style="list-style-type: none"> The GAC operates under delegated authority from the Group Board and the Bank Boards.
Purpose of this Committee	<p>The GAC will act as the Audit Committee of the Group Board and the Bank Boards and will be responsible for:-</p> <ul style="list-style-type: none"> Assisting the Group Board and the Bank Boards in carrying out their responsibilities relating to accounting policies, internal control and financial reporting functions; and Assisting on such other matters as may be referred to it by the Group Board or the Bank Boards.
Scope of this Committee's oversight and responsibility	<p>Financial Affairs</p> <ul style="list-style-type: none"> To monitor the integrity of the financial statements of the Group and Banks (and any discussion or analysis thereof including annual and interim investor presentations) and any formal announcements relating to the Group and the Banks' actual and forecast financial performance, reviewing significant financial reporting judgements contained in them. Where appropriate, the GAC may delegate its responsibilities in relation to the review and approval of formal financial announcements, and reporting judgements contained therein, to the Executive Disclosure Committee. To review any unusual items or matters brought to its attention requiring the exercise of managerial judgement affecting the preparation of the statements and announcements. Where requested by the Group Board and Bank Boards the GAC will provide advice on whether the annual report and accounts, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy. To provide a forum for the discussion and resolution of areas of disagreement in relation to the statements and announcements, e.g. between management and the External Auditor. <p>Accounting, Financial Reporting and Regulatory Compliance</p> <ul style="list-style-type: none"> To review the accounting policies and practices of the Group and the Banks, and to consider their compliance with regulatory requirements. To review the controls and procedures established by management for compliance with regulatory and financial reporting requirements and with the requirements of external regulators. To monitor the relationship with the Financial Conduct Authority and the Prudential Regulation Authority and other relevant regulatory bodies, including review of the scope and results of work conducted by the Reporting Accountants approved by the Prudential Regulation Authority and Financial Conduct Authority. <p>Standards of Internal Control</p> <ul style="list-style-type: none"> To review the arrangements of RBS' systems of internal controls in relation to financial management, compliance with laws and/or regulations relating to financial reporting or accounting issues and safeguarding of assets. The GAC will also review the procedures for monitoring the effectiveness of such controls; To monitor any significant deficiencies and material weaknesses in internal controls and disclosure controls and procedures, as reported by Internal Audit and the External Auditor, and the implementation by management of appropriate remedial action; and To review arrangements for the receipt, retention and treatment of complaints <ul style="list-style-type: none"> - regarding accounting, internal accounting controls or auditing matters;

or

- submitted directly to the Chief Executive Officer, his executive team, or the Chairman.

Whistleblowing

- To review and monitor RBS' whistleblowing procedures by which employees may, in confidence and with anonymity, raise concerns including those of questionable financial reporting, accounting or auditing matters. The GAC will consider the operational effectiveness of the whistleblowing framework and its compliance with laws and regulation. The chair of the GAC will act as RBS' whistleblowing champion.

Internal Audit

- To review the Internal Audit Charter for IA.
- To approve the Annual Plan of IA and its budget, with reference to the appropriateness of proposed risk coverage.
- To monitor and review, at least annually, the effectiveness of IA.
- To receive and review a summary of Quality Assurance results.
- To assess and confirm the independence of the IA function.
To receive and review IA's periodic Opinions, which report on the overall effectiveness of the governance, risk management and internal control framework; iterative issues; and the adequacy of remediation activity.

The primary reporting line of the Chief Audit Executive will be to the Chairman of the GAC and a secondary reporting line to the Chief Executive Officer for administrative purposes.

The GAC is responsible for the appointment and termination of the Chief Audit Executive.

The objectives, performance review and remuneration of the Chief Audit Executive are determined by the Chairman of the GAC with support from the CEO.

External Audit

- To make recommendations to the Group Board, to enable it to put forward the GAC's recommendations to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and the removal of the External Auditor;
- To fix the remuneration of the External Auditor as authorised by shareholders;
- To approve the terms of engagement of the External Auditor;
- To resolve any disagreements between management and the External Auditor regarding financial reporting;
- To review the scope and planning of the External Auditor.
- To confirm that, in planning its work, the External Auditor places appropriate reliance on the work of Internal Audit, such that unnecessary overlap is avoided.
- To review reports prepared by the External Auditor, including its annual management letter.
- To review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration all relevant professional and regulatory requirements.
- To review the overall financial relationship between the Group, the Banks and the External Auditor.

Audit and Non-Audit Services Policy

- To develop and implement policy on the engagement of the External Auditor to supply audit and non-audit services (the "Policy"), taking into account relevant legislation and ethical guidance regarding the provision of audit and non-audit
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services by the External Auditor.

- To consider and approve audit and non-audit service to be provided by the External Auditor in accordance with the Policy.

Governance and Communication

- To make available its terms of reference, including the GAC's role and the authority delegated to it by the Group and Bank Boards;
- To describe in the Group's annual report the work of the GAC including:
 - a summary of the role of the GAC;
 - the names and qualifications of all members of the GAC during the period;
 - the number of GAC meetings during the period;
 - a report on the way the GAC has discharged its responsibilities;
 - a description of the Group's policy and procedures for the approval of audit and non-audit services and an explanation of how External Auditor objectivity and independence is safeguarded where the External Auditor provides non-audit services; and
 - a description of the External Auditor's fees and services.

Performance Review

- To arrange periodic assessments of its own performance and review periodically its terms of reference and recommend any changes to the Group and Bank Boards for approval.

Other

- The GAC may engage, at the Group's expense, independent counsel and other advisers, as it determines necessary, to carry out its duties. The GAC may also obtain appropriate funding, as it so determines, for payment of compensation to such advisers, to any auditors and for ordinary administrative expenses of the GAC that are necessary or appropriate for carrying out its duties.

Escalation

- The GAC will report to the Group and Bank Boards, identifying any matters within its remit in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- The minutes of the GAC will be made available to the Group and Bank Boards.
- The GAC will be informed of risk matters through appropriate representation at the Group and Bank Board Risk Committees.

Authority Delegated by this Committee

Business Risk Committees

The GAC will receive quarterly reports from the Business Risk Committees ("BRCs") and will review at least annually the Terms of Reference for the BRCs. The quarterly reports will include:

- a summary of the role and work of the BRCs, confirming that they have met all responsibilities as laid down in its Terms of Reference over the period in question; and
- significant matters which ought to be brought to the attention of the GAC.

The GAC will review and approve significant changes to the composition and responsibilities of BRCs.

Reporting

The GAC will receive reports from the Executive Disclosure Committee and review all matters that are referred to the GAC for consideration.

ToR last approved on

1 August 2017

