

# Group Performance & Remuneration Committee (RemCo)

## Terms of Reference

<b>Chair</b>	An independent Non-executive Director
<b>Members</b>	At least three independent Non-executive Directors (including the RemCo Chair)
<b>Attendees</b>	Chairman Chief Executive Officer Chief HR Officer Chief Governance Officer and Board Counsel HR Director, Organisation and Performance
<b>Additional Invitees</b>	Senior representatives from HR, Risk, Conduct, Finance & Strategy as required Independent advisers – as required Chairman Additional invitees or subject matter experts may be invited to attend or to present papers for approval and noting to RemCo at the request of the Chair.
<b>Quorum</b>	Two members
<b>Meeting Frequency</b>	At least six meetings per annum and ad hoc as required
<b>Secretary</b>	Deputy Company Secretary and Director Secretariat
<b>This Committee receives its authority from</b>	RemCo operates under delegated authority from the Boards of The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc, National Westminster Bank Plc and Ulster Bank Limited (collectively, the “Board”).
<b>Purpose of this Committee</b>	To oversee the establishment and implementation of a remuneration policy for employees and directors, which is designed to support long term business strategy and values of RBS Group plc and its subsidiaries (RBS), as well as promote effective risk management and comply with applicable legal and regulatory requirements. To review performance and approve remuneration arrangements as set out within its Terms of Reference.
<b>Scope of this Committee’s oversight and responsibility</b>	<ol style="list-style-type: none"> <li>1. <u>Directors</u> <ol style="list-style-type: none"> <li>1.1 To review and make recommendations to the Board on the Directors’ Remuneration Policy, taking into account business strategy, values and the long-term interests of RBS, as well as the need to promote effective risk management, and comply with applicable regulation. The Directors’ Remuneration Policy is subject to Board and shareholder approval.</li> <li>1.2 To review and make recommendations to the Board in respect of service contracts, performance measures, performance assessment and remuneration arrangements<sup>i</sup> for RBS Executive Directors. As part of its review of performance measures and assessment, RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Board Risk Committee, the Sustainable Banking Committee, the Group Audit Committee and the Group’s Control Functions, as it considers necessary or appropriate.</li> <li>1.3 To make recommendations to the Board on any termination payments for RBS Executive Directors, having regard to the terms of the service contract and reasons for termination. RemCo will ensure that any proposals relating to</li> </ol> </li> </ol>

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such payments made are fair and reasonable and recognise that failure is not rewarded and the duty to mitigate loss.

2. RBS Executive Committee

To review and approve performance measures, performance assessment and remuneration arrangements for Executive Committee (“ExCo”) members and formal attendees other than the Executive Directors. As part of its review of performance measures and assessment, RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Board Risk Committee, the Sustainable Banking Committee, the Group Audit Committee and the Group’s Control Functions, as it considers necessary or appropriate.

3. High Earners

- 3.1 To review and approve remuneration arrangements for individuals who earn total annual compensation of  $\geq$  £1 million (“High Earners”). As part of its review of performance measures and assessment, RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Board Risk Committee, the Sustainable Banking Committee, the Group Audit Committee and the Group’s Control Functions, as it considers necessary or appropriate.
- 3.2 To review and approve any individual remuneration arrangements (e.g. severance arrangements) with total or aggregate value of  $\geq$  £1 million.

4. Material Risk Takers

To approve the framework and principles that govern remuneration arrangements for MRTs who fall outside of the ExCo/High Earner population.

5. Bank-wide Population

- 5.1 To review and approve remuneration arrangements for any individuals who fall outside of the ExCo/High Earner populations or otherwise delegate such authority to any of its members, attendees or management, as appropriate.
- 5.2 To review annually and approve the RBS Remuneration Policy (including the design principles for short term incentives) taking into account any applicable regulatory requirements and other relevant guidance.
- 5.3 To review and approve annual bonus pool proposals for the RBS franchises and functions, ensuring they are appropriately performance and risk adjusted. As part of the review, RemCo will consult and receive advice from the Board Risk Committee, the Sustainable Banking Committee, the Group Audit Committee and the Group’s Control Functions, as it considers necessary or appropriate.

6. Employee Share Plans

- 6.1 To assess and approve vesting levels for employee share plan awards granted
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to any individual.

- 6.2 To consider and make recommendations to the Board in relation to any employee share plan proposals which require shareholder approval.
- 6.3 To consider and approve any employee share plan proposals which relate to a RBS-level corporate events.
- 6.4 To monitor levels of shareholder dilution arising from the grant of employee share plan awards.

#### 7. Remuneration Policy Implementation

To review annually a report from management on the operation and effectiveness of the RBS Remuneration Policy including the determination of whether an appropriate level of risk management and performance adjustment has been applied in connection with variable remuneration arrangements.

#### 8. Reporting and Disclosure

- 8.1 To report to the Board after each meeting on all material issues discussed.
- 8.2 To approve the Remuneration Report to Group shareholders which forms part of the Annual Report and Accounts and includes the Directors' Remuneration Policy.
- 8.3 To consider and make recommendations to the Board on remuneration related shareholder resolutions.
- 8.4 To be prepared, through the RemCo Chairman, to answer questions at the Annual General Meeting which relate to any matter within the remit of RemCo.
- 8.5 To engage, as appropriate through the RemCo Chairman, with key stakeholders on remuneration issues.

#### 9. Regulatory

- 9.1 To approve the annual Remuneration Policy Statement ("RPS") to be submitted to the Prudential Regulation Authority ("PRA"). The RemCo Chairman will be available to meet with the PRA and the Financial Conduct Authority to discuss the RPS and other remuneration related matters.
- 9.2 To review any other significant remuneration disclosures or notifications as required by regulation from time to time.

#### 10. Performance Review

- 10.1 To arrange periodic assessments of its own performance.
- 10.2 To review periodically these Terms of Reference and recommend any changes to the Board for approval.

#### 11. External Advice

To engage, at the expense of RBS, any external advisers, as it determines necessary, to carry out its duties.

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<b>Escalation</b>	<p>RemCo will report and make recommendations to the Board, identifying any matters within its remit in respect of which it considers that further action / approval is required.</p> <p>The remuneration arrangements of the Executive Directors will be referred to the Board for approval.</p> <p>The minutes of the RemCo will be made available to the Board.</p>
<b>Authority Delegated by this Committee</b>	<p>RemCo has delegated authority as follows:</p> <ul style="list-style-type: none"> <li>• to management, to approve remuneration proposals for MRTs falling outside of the ExCo/High Earner populations. RemCo will oversee the delegation of this authority through an annual report<sup>ii</sup> ;</li> <li>• to management, to approve share-based award proposals for any individuals falling outside of the ExCo/High Earners. RemCo will oversee the delegation of this authority via the annual report on remuneration arrangements approved by management in respect of MRTs<sup>iii</sup> ; and</li> <li>• to the CHRO, in respect of employee share plan matters not expressly reserved under these Terms of Reference, including for the avoidance of doubt, the approval of proposals relating to corporate events.</li> </ul> <p>RemCo may delegate authority to management, as considered necessary or appropriate, for any other matter from time to time.</p> <p>Where authority has been delegated, management will ensure no employee will be involved in the determination of his/her own pay.</p>
<b>ToR last approved on</b>	02 August 2017 by RemCo and 03 August by Group Board

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<sup>i</sup> For the purpose of these Terms of Reference ‘remuneration arrangements’ include proposals relating to the grant of share-based awards and application of malus, clawback and leaver provisions.

<sup>ii</sup> Responsibility for approving or overseeing non-share based remuneration arrangement for individuals falling outside the RBS Executive Director/ExCo/High Earner/MRT populations falls outside the scope of these Terms of Reference and will remain the responsibility of management.

<sup>iii</sup> See footnote 2 above