

Board Terms of Reference

Chair	The Chairman of Group ¹ as appointed by the Group Board, or, in his absence, the Senior Independent Director or the Chairman appointed by the meeting.
Members	The Group Board of Directors which comprises Group's executive directors along with the Chairman and non-executive directors.
Attendees	All members of the Executive Committee for customer, risk and other relevant items.
Additional Invitees	Specialists may be requested to attend for specific items or to make presentations to the Group Board.
Quorum	The quorum may be fixed by the directors and unless so fixed at any other number shall be three in accordance with the Articles of Association.
Meeting Frequency	At least nine times per year and ad hoc as required.
Secretary	Chief Governance Officer and Board Counsel.
This Board receives its authority from	Group's shareholders, who appoint the Group Board of Directors.
Purpose of this Board	<ul style="list-style-type: none"> • The Group Board is collectively responsible for the long-term success of Group and the delivery of sustainable value to shareholders. • The Group Board's role is to provide leadership of Group within a framework of prudent and effective controls which enables risk to be assessed and managed. • The Group Board sets the strategic aims of Group and its subsidiaries ("RBS"), ensures that the necessary resources are in place for RBS to meet its obligations, is responsible for the allocation and raising of capital and reviews business and financial performance. • The Group Board leads the development of RBS's culture, values and standards and ensures that its obligations to its shareholders and others are understood and met. In carrying out the duties of the Group Board, the directors will act in accordance with all relevant and applicable legislative and regulatory rules. In particular, they will take into account the Directors' Duties contained in the Companies Act 2006 and will consider the factors listed in Section 172 of the Companies Act 2006 and any other relevant factors.
Scope of this Board's oversight and responsibility	<p>The following matters are specifically reserved to the Group Board. All other matters are delegated as set out in the following section. The Group Board will:</p> <p>Risk (including Conduct)</p> <ol style="list-style-type: none"> 1. Review and approve:- <ol style="list-style-type: none"> (a) RBS's risk appetite framework. (b) RBS-wide risk appetite for strategic risks (capital adequacy, funding and liquidity, earnings volatility, stakeholder confidence). (c) In respect of material risks: <ul style="list-style-type: none"> • the qualitative statements of appetite for Credit and Market Risk together with the related limits and triggers that comprise their Board Risk Measures²; and

¹ Means The Royal Bank of Scotland Group plc

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- the qualitative statements of appetite and Board Risk Measures for other material risks.

(d) The cascade of RBS-wide risk appetite for strategic risks to The Royal Bank of Scotland plc (“Royal Bank of Scotland”), NatWest Holdings Limited and National Westminster Bank Plc (“NatWest”), as appropriate.

2. Monitor performance against risk appetite for Group.
3. Consider any material risks and approve, as appropriate, recommended actions escalated by the Board Risk Committee.
4. Receive reports on and review the effectiveness of the risk management and internal control systems of Group.
5. Review, and as appropriate approve the results of, and actions arising from, Prudential Regulation Authority and other enterprise-wide regulatory stress tests or other regulatory tests or investigations.
6. Review and approve the Basel Risk Data Aggregation and Risk Reporting framework.
7. Receive and consider reports from executive management on the design, operation and monitoring of RBS policy and procedures for the detection and prevention of bribery.

Financial

1. Approve Group's key financial objectives including:
 - (a) Prudential and other ratios; and
 - (b) Target rates of return on capital and on assets.
2. Keep under review the capital and liquidity positions of RBS.
3. Consider and, as appropriate, approve material financial regulatory submissions and returns, in particular in relation to the Individual Liquidity Adequacy Assessment Process and Internal Capital Adequacy Assessment Process of Group.
4. At least annually, review and, as appropriate, approve the RBS Recovery Plan and approach to resolution planning and receive updates (as required) on RBS recovery and resolution planning activities.
5. Review and approve proposals for the allocation of capital within RBS.
6. Review and approve the RBS annual financial budget and plan (and any material changes thereto).
7. Receive monthly Business and Financial Reports from the franchises and consolidated reports for RBS and review actual performance in the light of RBS strategy, objectives, business plans and budgets.
8. Approve Group's Annual Report and Accounts and its other published financial statements and other material and significant statements issued to

² 'Board Risk Measures' are the measures for credit risk and market risk that if they were to be breached, would have an impact on RBS' ability to achieve business plans and could threaten the confidence of its stakeholders.

shareholders or the London Stock Exchange.

9. Determine dividend policy and approve the amount of dividends to be recommended to shareholders and determine and make arrangements for the payment of interim dividends.
10. Review the application of accounting policies and practices, including approving of significant changes in accounting policies and practices, and monitor the maintenance of adequate accounting and other records and systems of planning and internal control and inspection.
11. Make recommendations to shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the External Auditor, following receipt of recommendations from the Group Audit Committee.
12. Approve expenditure over specified limits in relation to Group.

Strategy

1. Review and approve the strategic direction of RBS including, as appropriate, the strategies for each of the franchises.
2. Approve material acquisitions and disposals of assets and share acquisitions and disposals which are significant in terms of the business of Group.
3. Approve material joint ventures, strategic partnerships and alliances which are significant in terms of the business of Group.
4. Consider longer term strategic threats to the business operations of RBS.

Legal, Regulatory and Governance

1. Approve arrangements for Annual and other General Meetings, including approval of notices of meeting and any other ancillary documents.
 2. Approve or recommend (as the case may be) any changes relating to Group's capital structure including any reduction of capital, share issues or share buy backs, including the use of treasury shares.
 3. Review and approve any changes to Group's listing or its status as a public limited company.
 4. Consider and, as appropriate, authorise any actual or potential conflicts of interest in accordance with the Companies Act 2006 and Group's Articles of Association.
 5. Approve the issue of all circulars, prospectuses and listing particulars to equity shareholders of Group.
 6. Receive the Minutes of and/or reports from the Boards of Royal Bank of Scotland, NatWest Holdings Limited, NatWest, and Ulster Bank Limited ("UBL") and the Committees of the Group Board.
 7. Approve high level corporate governance arrangements to ensure these reflect principles of good governance including transparency and accountability, and support RBS values and sustainability of the business over the longer term.
 8. Review and, as appropriate, agree changes to the terms of reference of the
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Royal Bank of Scotland, NatWest Holdings Limited, NatWest and UBL Boards, and Committees established by the Group Board.

9. Consider and approve appointments to the Boards and Committees of Group, Royal Bank of Scotland, NatWest Holdings Limited, NatWest and UBL. The Chairman and non-executive directors will approve performance assessment and remuneration arrangements for executive directors. Fees for non-executive directors will be approved by the Chairman and executive directors. The fee for the Chairman of Group will be approved by the Group Board, excluding the Chairman.
10. Ensure adequate succession planning for the Group Board and senior management so as to maintain an appropriate balance of skills and experience within RBS and on the Group Board.
11. Determine the independence of non-executive directors in light of their character, judgement and relationships.
12. Arrange a periodic assessment of the Group Board's own performance, that of its committees and individual directors, and review periodically its terms of reference.
13. Approve the appointment of those corporate advisors which Group is required to retain in accordance with its obligations as a listed company such as corporate brokers, appointed in accordance with Rule 3 of the UK City Code on Takeovers and Mergers.
14. Approve the division of responsibilities and delegate levels of activity between the Chairman and the Chief Executive Officer.
15. Approve delegated authorities for expenditure limits.
16. Approve the overall levels of insurance including for directors and officers and indemnification of directors of Group and its subsidiaries.
17. Review and as appropriate approve material pension strategy proposals.
18. Ensure a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
19. Approve the appointment (or removal) of the Company Secretary.
20. Receive and consider high level reports on matters which it considers material to Group as appropriate, in particular:
 - (a) relations with regulatory authorities;
 - (b) health and safety;
 - (c) information systems and technology;
 - (d) insurance cover;
 - (e) litigation and claims; and
 - (f) investor and public relations.

**Authority Delegated by
this Board**

- The matters specifically reserved to the Group Board are set out above.
 - To enable the Group Board to carry out its objectives, authority and terms of reference will be delegated to the committees appointed by the Group Board, as required.
 - In particular, there will be a Group Audit Committee, Board Risk Committee,
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Group Performance and Remuneration Committee, Group Nominations and Governance Committee, Sustainable Banking Committee, and a GRG Board Oversight Committee, each comprising non-executive directors and a Chairman's Committee to which the powers of the Group Board will be devolved, as appropriate from time to time. All matters set out in those Board Committee terms of reference are matters which the Group Board has specifically delegated to those Board Committees.

- All other matters, including the day to day responsibility for operation of Group not specifically reserved to the Group Board or delegated to a committee are delegated to the Chief Executive Officer and Executive Committee in accordance with such policies and directions as the Group Board determines appropriate including the Chief Executive Officer's role profile and the Executive Committee terms of reference.
- The Executive Committee will provide executive input to the Group Board, and will update the Group Board, as required, on all operational and day to day activities in relation to Group's franchises. The Board Committees will report to the Group Board on material matters considered.
- The terms of reference of these committees will be reviewed at least annually.

ToR last approved on

3 August 2017
