

Terms of Reference

Chairman	The Chairman of The Royal Bank of Scotland Group plc (RBSG) as appointed by the RBSG Board, or, in their absence, the Senior Independent Director or the Chairman appointed by the meeting.
Members	The RBSG Board of Directors.
Observers	<p>At the invitation of the RBSG Board, all Double Independent Non-Executive Directors appointed to the Boards of the NWH Sub Group shall have a right to attend meetings of the RBSG Board, subject to appropriate management of any conflicts of interest.</p> <p>The NWH Sub Group comprises NatWest Holdings Limited, The Royal Bank of Scotland plc, National Westminster Bank Plc and Ulster Bank Limited.</p>
Additional Invitees	<p>At the invitation of the RBSG Board, Executives and Function Heads may be requested to attend to present matters relating to their business or functions and for any other relevant items.</p> <p>Specialists may be requested to attend for specific items or to make presentations to the RBSG Board.</p>
Quorum	The quorum shall be a minimum of 3 directors.
Meeting Frequency	At least five times per year and ad hoc as required.
Secretary	Group Chief Governance & Regulatory Officer and Board Counsel.
This Board receives its authority from	RBSG’s shareholders, who appoint the RBSG Board.
Purpose of this Board	<ul style="list-style-type: none">• The RBSG Board is collectively responsible for the long-term success of RBSG and the delivery of sustainable value to shareholders.• The RBSG Board’s role is to provide leadership of RBSG within a framework of prudent and effective controls which enables risk to be assessed and managed.• The RBSG Board sets the strategic aims of RBSG and its subsidiaries (collectively, the “Group”), ensures that the necessary resources are in place for the Group to meet its obligations, is responsible for the allocation and raising of capital and reviews business and financial performance.• The RBSG Board leads the development of the Group’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 RBSG 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 RBSG Board. All other matters are delegated as set out in the following section. The RBSG Board will:</p> <p>Strategy</p> <ol style="list-style-type: none">1. Review and set the Group’s strategic direction including, as appropriate, setting parameters for the strategies for each of the Group’s businesses and ensuring a sustainable business model.

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2. Oversee execution of the Group's strategy and hold executive management to account for its delivery.
 3. Approve material acquisitions and disposals of assets and share acquisitions and disposals which are significant in terms of the business of RBSG in line with Group risk appetite for merger and acquisition risk.
 4. Approve material joint ventures, strategic partnerships and alliances which are significant in terms of the business of RBSG.
 5. Consider longer term strategic threats to the Group's business operations.

Culture and Values

1. Lead the development of the Group's culture, values and standards.

Risk (including Conduct) and Controls

1. Review and approve:-
 - (a) The Group-wide risk appetite framework ("the Framework").
 - (b) Risk appetite for strategic and material risks in accordance with the Framework.
2. Monitor performance against risk appetite for RBSG.
3. Consider any material risks and approve, as appropriate, recommended actions escalated by the Group Board Risk Committee.
4. Receive reports on and review the effectiveness of the risk management and internal control systems of RBSG.
5. Review and approve the Basel Risk Data Aggregation and Risk Reporting framework.
6. Receive and consider reports from executive management on the design, operation and monitoring of Group policy and procedures for the detection and prevention of bribery.

Financial

1. Approve RBSG'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 the Group.
3. Consider and, as appropriate, approve:-
 - (a) the key vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory Enterprise-wide stress tests.
 - (b) the results of Enterprise-wide stress tests (including mitigants)
 - (c) material Group regulatory submissions and returns, in particular in relation to the Internal Capital Adequacy Assessment Process; the Individual Liquidity Adequacy Assessment Process; the Recovery Plan; and the Resolution Pack.

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4. Review and approve proposals for the allocation of capital within the Group.
 5. Review and approve the Group annual financial budget and plan (and any material changes thereto).
 7. Receive regular consolidated Financial Reports for the Group and review actual performance in the light of Group strategy, objectives, business plans and budgets.
 6. Approve RBSG's Annual Report and Accounts and its other published financial statements and other material and significant statements issued to shareholders or the London Stock Exchange.
 7. 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.
 8. Review the application of accounting policies and practices, including approving 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.
 9. 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.
 10. Approve expenditure over specified limits in relation to the Group.
 11. Approve or recommend (as the case may be) any changes relating to RBSG's capital structure including any reduction of capital, share issues or share buy backs, including the use of treasury shares.

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. Review and approve any changes to RBSG's listing or its status as a public limited company.
 3. Consider and, as appropriate, authorise any actual or potential conflicts of interest in accordance with the Companies Act 2006 and RBSG's Articles of Association.
 4. Approve the issue of all circulars, prospectuses and listing particulars to equity shareholders of RBSG.
 5. Receive the Minutes of and/or reports from the Boards of NWH, NatWest Markets Plc ("NWM"), The Royal Bank of Scotland International (Holdings) Limited ("RBSI"), and the Committees of the RBSG Board.
 6. Approve high level corporate governance arrangements to ensure these reflect principles of good governance including transparency and accountability, and support the Group's values and sustainability of the business over the longer term.
 7. Review periodically its terms of reference and, as appropriate, agree changes
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to the terms of reference of the Boards of NWH, NWM and RBSI, and Committees established by the RBSG Board.

8. Consider and approve appointments to the RBSG Board and its Committees, including the Group Executive Committee and specifically the Group Chief Risk Officer. 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 RBSG will be approved by the RBSG Board, excluding the Chairman.
9. Ensure adequate succession planning for the RBSG Board and senior management so as to maintain an appropriate balance of skills and experience within the Group and on the RBSG Board.
10. Determine the independence of non-executive directors in light of their character, judgement and relationships.
11. Arrange a periodic assessment of the RBSG Board's own performance, that of its committees and individual directors.
12. Approve the appointment of those corporate advisors which RBSG 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.
13. Approve the division of responsibilities and delegate levels of activity between the Chairman and the Group Chief Executive Officer.
14. Approve delegated authorities for expenditure limits.
15. Approve the overall levels of insurance including for directors and officers and indemnification of directors of RBSG and its subsidiaries.
16. Review and as appropriate approve material pension strategy proposals.
17. Ensure a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
18. Approve the appointment (or removal) of the Company Secretary.
19. Receive and consider high level reports on matters which it considers material to RBSG as appropriate, including:
 - (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 RBSG Board are set out above.
- To enable the RBSG Board to carry out its objectives, authority and terms of reference will be delegated to committees appointed by the RBSG Board on either a standing or temporary basis, as required.
- In particular, there will be the following standing committees: a Group Audit Committee, Group Board Risk Committee, Group Performance and

Remuneration Committee, Group Nominations and Governance Committee, Group Sustainable Banking Committee and a Technology and Innovation Committee each comprising non-executive directors.

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

Conflicts of Interest

Any actual or potential conflicts of interest will be managed in accordance with the Directors' Conflict of Interest Policy.

ToR last approved on

30 May 2018 – RBSG Board
