

# Terms of Reference

<b>Chairman</b>	An independent Non-Executive Director of The Royal Bank of Scotland Group plc (“RBSG”)
<b>Members</b>	At least three independent non-executive directors of RBSG (including the GAC Chairman). The Chairman and at least one other member should be a financial expert as defined in the SEC Rules under the US Exchange Act.
<b>Attendees</b>	<ul style="list-style-type: none"> <li>• Group Chairman</li> <li>• Group Chief Executive Officer</li> <li>• Group Chief Financial Officer</li> <li>• Group Chief Governance &amp; Regulatory Officer and Board Counsel</li> <li>• Group Chief Legal Officer and General Counsel</li> <li>• Group Chief Audit Executive</li> <li>• Group Chief Risk Officer</li> <li>• Director of Finance</li> <li>• The External Auditor</li> </ul>
<b>Additional Invitees</b>	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.
<b>Quorum</b>	Two members, one of whom is the Chairman of the GAC or Chairman of the Group Board Risk Committee.
<b>Meeting Frequency</b>	<ul style="list-style-type: none"> <li>• At least four meetings per annum, with these meetings being held immediately prior to submission of the quarterly financial statements to the RBSG Board.</li> <li>• Ad hoc meetings can be called, as required, at the request of the Chairman of GAC, a GAC member, the Group Chief Executive Officer, the Group Chief Audit Executive or the External Auditor.</li> </ul>
<b>Secretary</b>	Corporate Governance and Regulatory Affairs
<b>This Committee receives its authority from</b>	The GAC operates under delegated authority from the Board of RBSG.
<b>Purpose of this Committee</b>	<p>The GAC will act as the Audit Committee of the RBSG Board and will be responsible for:-</p> <ul style="list-style-type: none"> <li>• Assisting the Board of RBSG in carrying out its responsibilities relating to accounting policies, internal control and financial reporting functions; and</li> <li>• Assisting on such other matters as may be referred to it by the Board of RBSG.</li> </ul>
<b>Scope of this Committee’s oversight and responsibility</b>	<p><b>Financial Affairs</b></p> <ul style="list-style-type: none"> <li>• To monitor the integrity of the financial statements of RBSG (and any discussion or analysis thereof including annual and interim investor presentations) and any formal announcements relating to RBSG’s 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 Group Executive Disclosure Committee.</li> <li>• 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 of RBSG.</li> </ul>

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- Where requested by the Board of RBSG, 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.

#### **Accounting, Financial Reporting and Regulatory Compliance**

- To review the accounting policies and practices of RBSG and its subsidiaries (collectively, the Group), to consider their compliance with regulatory requirements, to consider requests for exceptions to Group accounting policies from any subsidiaries of RBSG and to make recommendations to the Board of RBSG in relation to any significant changes in accounting policies and practices.
- To review the controls and procedures established by management of RBSG for compliance with regulatory and financial reporting requirements and with the requirements of external regulators.
- To monitor the Group's 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.

#### **Standards of Internal Control**

- To review RBSG's 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 relating to RBSG, 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
  - regarding RBSG accounting, internal accounting controls or auditing matters; or
  - submitted directly to the Group Chief Executive Officer, his executive team, or the Group Chairman.

#### **Whistleblowing**

- To review and monitor the Group's 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 the Group's whistleblowing champion.

#### **Internal Audit (IA)**

- To review the IA Charter.
- To approve the consolidated 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 consolidated Opinions, which report on the overall effectiveness of the governance, risk management and internal control framework of RBSG; iterative issues; and the adequacy of remediation activity.

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

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

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

#### **External Audit**

- To conduct the tender process for the appointment of the external auditors, and to make recommendations to the Board of RBSG, 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 in relation to the audit of RBSG.
- 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 in relation to RBSG, 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 and the External Auditor.

#### **Audit and Non-Audit Services Policy**

- To develop and implement a 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 services by the External Auditor.
- To consider and approve audit and non-audit services to be provided by the External Auditor in accordance with the Policy.

#### **Performance Review**

- To arrange periodic assessments of its own performance and review periodically its terms of reference and recommend any changes to the Board of RBSG for approval.
- To receive reports on the performance of the Audit Committees of NatWest Holdings Limited ("NWH"), NatWest Markets plc ("NWM") and The Royal Bank of Scotland International (Holdings) Limited ("RBSI Holdings").

#### **Other**

- The GAC may engage, at the RBSG'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.
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<b>Escalation</b>	<ul style="list-style-type: none"> <li>• The GAC will report and make recommendations to the Board of RBSG, identifying any matters within its remit in respect of which it considers that further action/ approval is required.</li> <li>• The minutes of the GAC will be made available to the Board of RBSG.</li> <li>• The GAC will be informed of risk matters through appropriate representation at the Group Board Risk Committee.</li> </ul>
<b>Authority Delegated by this Committee</b>	<p><b>Franchise Risk and Subsidiary Audit Committees</b></p> <p>The GAC will receive quarterly reports from relevant franchise risk committees and principal and material regulated subsidiary audit committees and will review at least annually the Terms of Reference for these committees. The quarterly reports will include:</p> <ul style="list-style-type: none"> <li>• a summary of the role and work of the committee, confirming that it has met all responsibilities as laid down in its Terms of Reference over the period in question; and</li> <li>• significant matters which ought to be brought to the attention of the GAC.</li> </ul> <p>The GAC will review significant changes to the composition and responsibilities of relevant franchise risk committees and material regulated subsidiary audit committees.</p> <p><b>Reporting</b></p> <p>The GAC will receive reports from the Group Executive Disclosure Committee and review all matters that are referred to the GAC for consideration.</p>
<b>ToR last approved on</b>	<p>Group Audit Committee – 24 April 2019 RBSG Board – 24 April 2019</p>