

## 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, one of whom is the Chairman of the Group Audit Committee.
<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 Risk Officer</li><li>• Group Chief Governance &amp; Regulatory Officer and Board Counsel</li><li>• Group Chief Audit Executive</li><li>• Group Chief Legal Officer &amp; General Counsel</li></ul>
<b>Additional Invitees</b>	<ul style="list-style-type: none"><li>• The Chief Executive Officers (or equivalents) of relevant legal entities and franchises will attend as required.</li><li>• Specialists may be requested to attend for specific items or to make presentations to the Committee.</li></ul>
<b>Quorum</b>	Two members, one of whom is the Chairman of the Committee or Chairman of the Group Audit Committee.
<b>Meeting Frequency</b>	<ul style="list-style-type: none"><li>• A minimum of four meetings per annum.</li><li>• Ad hoc meetings can be called, as required, at the request of the Group Chairman, a Committee member, the Group Chief Executive Officer, the Group Chief Risk Officer or the Group Chief Audit Executive.</li></ul>
<b>Secretary</b>	Corporate Governance and Regulatory Affairs
<b>This Committee receives its authority from</b>	<ul style="list-style-type: none"><li>• The Committee operates under delegated authority from the RBSG Board.</li><li>• The Committee is authorised:<ul style="list-style-type: none"><li>○ to undertake and investigate any activity within its remit; and</li><li>○ to obtain any information it requires from any employee of RBSG and/or its subsidiaries and to call any employee to be questioned at its meetings as and when required, acting within the remit and purpose of its Terms of Reference.</li></ul></li></ul>
<b>Purpose of this Committee</b>	<p>The Committee will be responsible for:-</p> <ul style="list-style-type: none"><li>• Providing oversight and advice to the RBSG Board in relation to (i) current and potential future risk exposures of RBSG and its subsidiaries, including indirect subsidiaries (the “Group”) and future risk profile, including determination of Group risk appetite; and (ii) the effectiveness of the Group risk management framework and (in conjunction with the Group Audit Committee) internal controls required to manage risk.</li><li>• Assisting on such other matters as may be referred to it by the RBSG Board.</li><li>• Acting as the Board Risk Committee of the RBSG Board.</li><li>• Promoting a risk awareness culture within the Group.</li></ul>

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**Scope of this Committee's oversight and responsibility**

**Risk Policy**

- To review the design and implementation of risk management and compliance policy across the Group.
- To receive management information in relation to material breaches of the RBS Group Policy Framework, including resultant actions in respect of such breaches.

**Risk Profile**

To review the effectiveness of the Group risk management framework and, in conjunction with the Group Audit Committee, internal controls required to manage risk. In undertaking this responsibility the Committee shall:

- Review the performance of the Group relative to risk appetite and monitor any risk trends and concentrations. Review all material risk exposures and management's recommendations to monitor and control such exposures, including market, credit, operational, regulatory, conduct, compliance, financial crime, enterprise-wide risk management, reputational, cyber, pension risk, business risk, and balance sheet risk (capital, liquidity, funding, interest rate).
- Consider the Group's risk profile relative to current and future Group strategy. Review the due diligence of any proposed material strategic transaction (involving a merger, acquisition or disposal) prior to the RBSG Board approval of the transaction, and monitor the risks associated with the delivery of any such transaction.
- Exercise oversight of the material execution risks inherent within material major change programmes Group-wide.
- Receive and review reports from the Chief Legal Officer and General Counsel on key legal risks and developments affecting the Group.
- Consider material findings from regulatory reviews and interactions with regulators which impact on risk governance or risk management processes.
- Report to the RBSG Board on its consideration of the above matters, identifying those areas where improvement is needed and make recommendations as appropriate.

**Risk Appetite, Framework and Limits**

- To consider and recommend for approval by the RBSG Board a Group-wide risk appetite framework (the "Framework").
- To consider and recommend for approval risk appetite for strategic and material risks in accordance with the Framework
- To oversee management's implementation of the Framework and the embedding of risk appetite within the Group, including management's response to breaches of risk appetite in accordance with the Framework.
- To review and approve the Group's most material credit exposures / transactions, considering the Group's risk appetite for the transaction from the perspective of strategic coherence and capital deployment, in accordance with the Large Transaction Approval Process.

**Capital and Liquidity**

- To receive reports that explain the impact of crystallisation of risks and threats identified through rigorous Enterprise-wide stress and scenario testing of the Group's business and to consider the level of risk mitigation in place.

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- To approve the key assumptions, vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory Group-wide Enterprise-wide stress tests and regulatory submissions.
  - To consider and recommend for approval to the RBSG Board:
    - the results of Enterprise-wide stress tests (including mitigants).
    - material Group regulatory submissions and returns following Executive review, in particular in relation to the Internal Capital Adequacy Assessment Process; the Individual Liquidity Adequacy Assessment Process; the Recovery Plan; and the Resolution Plan.

#### Risk Operating Model

- To review the operating model and adequacy and effectiveness of resource within Risk Group-wide, as well as Risk's access to information and independence from management;
- To review and monitor the effectiveness of the Group Chief Risk Officer.

#### Models

- To review the framework for the management of model risk and the performance of that framework.
- To review compliance with regulatory expectations for the use of models in stress testing.

#### Risk Data Aggregation and Reporting

- To review and approve the Group's risk data aggregation and risk reporting framework, as well as adequacy of resources deployed.

#### Remuneration

- To provide advice to the Group Performance and Remuneration Committee ("Group RemCo") to enable the Group RemCo to consider adjustments to the Group bonus pool to reflect risk management;
- To review the annual risk and control performance objectives/measures of Group Executive Committee members and formal attendees ("Group ExCo") and recommend these to the Group RemCo;
- To review the year-end performance of Group ExCo against risk and control performance objectives/measures and advise the Group RemCo of any specific recommendations;
- To consider regulatory reportable events/other significant Group-wide investigations and resulting accountability reviews and to advise the Group RemCo on any concerns as to the appropriateness of the recommendations;
- To review and provide recommendations to the Group RemCo regarding (i) LTI performance measures of Group ExCo to monitor that risk perspectives are appropriately reflected; and (ii) the effectiveness of risk management during the relevant LTI performance period(s) prior to the grant and vesting of the LTI awards to Group ExCo.

#### Group Chief Risk Officer

- The Group Chief Risk Officer ("Group CRO") will report directly to the Group Chief Executive Officer, with a secondary reporting line to the Chairman of the Committee and a right of access to the Committee.
  - The Committee will make recommendations to the RBSG Board on the appointment of the Group CRO following recommendation by the Group Chief Executive Officer and the acceptance, agreement and the specific terms of the resignation or termination of contract for the Group CRO.
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- The Committee Chairman will discuss the remuneration arrangements of the Group CRO with the Chairman of the Group RemCo as required.

#### Performance Review

- The Committee will arrange periodic assessments of its own performance and review periodically its terms of reference and recommend any changes to the RBSG Board for approval.

#### Other

- The Committee may engage independent counsel and other advisers, as it determines necessary, to carry out its duties. The Committee 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 Committee 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 Committee will report to the RBSG Board, 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.</li><li>• The minutes of the Committee will be made available to the RBSG Board.</li></ul> |
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| <b>Authority Delegated by this Committee</b> | <ul style="list-style-type: none"><li>• The Committee will receive updates from the Group Executive Risk Committee (and its sub committees as required) (“Group ERC”) and will review all matters that are referred to it by the Group ERC for consideration.</li><li>• The Committee will receive updates from the Risk Committees of NatWest Holdings Limited, NatWest Markets Plc and The Royal Bank of Scotland International (Holdings) Limited and will review all matters referred to it by those fora for consideration.</li></ul> |
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<b>ToR last approved on</b>	Group BRC – 23 April 2019 RBSG Board – 24 April 2019
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