Directors’ Remuneration Policy

Approved by Shareholders at the Annual General Meeting held on 29 April 2020

The Directors' Remuneration Policy was approved at the AGM of The Royal Bank of Scotland Group plc, prior to the company's name changing to NatWest Group plc on 22 July 2020

Directors' Remuneration Report

Summary of the principles of the executive directors' remuneration policy

Alignment with the aim of building a bank that is simple, safe and customer focused	Alignment via shares between executives and shareholders	Alignment with the growing external consensus on executive pay
Built around a restrained pay position for executive directors, with variable pay delivered entirely in shares as LTI awards. Performance is assessed using a robust framework against pre-set objectives which, though demanding, executive directors would reasonably be expected to achieve, encouraging safe and secure growth. Appropriate for a less incentivised culture, which is consistent with how remuneration is structured across the wider bank.	Aligns executives with shareholders predominantly through holding shares, both during and after employment. The maximum value of LTI awards is smaller than traditional long-term incentive plans and there are significant shareholding requirements in place. Performance is assessed before grant and again before vesting. Awards are adjusted for underperformance or risk failings and are released over eight years, subject to the application of malus and clawback, for a long-term view of performance.	The current policy introduced in 2017 reflected the Executive Remuneration Working Group and Government announcements on executive pay, calling for reduced complexity and quantum. Investors continue to call for restraint, meaningful shareholdings and flexibility of pay design. The proposed amendments to the 2020 policy will align with the Code and best practice guidance on pension rates and post-employment shareholding requirements.

The policy has received strong support from shareholders to date

AGM	2017 Policy	2018 Implementation	2019 Implementation
Votes in favour	96%	99%	99%

Summary of changes to the executive directors' remuneration policy

	Policy element	CEO	CFO	Changes for 2020 Policy
Fixed pay	Base salary (cash)	£1,100,000	£750,000	No further changes proposed for 2020. Salary will be reviewed annually within the terms of the policy.
	Pension (cash)	£110,000	£75,000	Pension rate has been reduced from 35% to 10% of base salary, in line with the rate for the wider RBS workforce*.
	Benefits (cash)	£26,250	£26,250	No change to the level of benefit funding.
	Fixed share allowance (shares)	£1,100,000	£750,000	The percentage of salary (100%) and release period (three years) is unchanged. Awards will be made quarterly, rather than biannually, in future to align with market practice.
Variable pay LTI award (shares)				
Quantum (maximum)		£1,925,000 (175% of salary)	£1,500,000 (200% of salary)	No change.
Vesting period	Pro-rata vesting over years three to seven from grant.			No change.
Retention	12 month retention period applied to each vesting**.			No change.
Leaver terms	Awards lapse unless individual qualifies as good leaver. No pro-rating of awards after grant in good leaver circumstances.			No change. Details on why the disapplication of pro-rating is considered appropriate under the RBS construct can be found on page 86.
Performance conditions	Pre-grant and pre-vest assessments, together with risk & control and stakeholder perception underpins.			No change in approach to performance measurement but some enhancements will be made to disclosures to provide additional narrative on performance outcomes.
Expected value	Expected to vest at 80% of maximum opportunity over time, taking into account the pre-grant and pre-vest tests.			No change.
Other policy elements				
Dividend adjustments	No policy currently to adjust awards.			Flexibility has been added that will allow LTI awards to be granted using an adjusted share price to reflect the absence of the right to receive dividends during the vesting period.
Shareholding requirement	To hold shares whilst employed.	400% of salary	250% of salary	A post-employment shareholding requirement has been added to fully comply with the Code and the Investment Association's Principles.

* 10% of base salary is in line with the rate applicable to the vast majority of the workforce. Over 99.7% of employees in the UK receive this rate.
** the combination of the vesting period and the retention period means shares are released during the four to eight years after grant.

Directors' Remuneration Policy

Remuneration policy for executive directors

Having conducted a detailed review during 2019, the Committee concluded that the principles underpinning the current policy continue to remain relevant for RBS. The intention of the policy is to support the strategy of building a safe, simple and customer focused bank. The table below sets out the proposed remuneration policy for executive directors. Subject to approval from shareholders, the policy will be effective from the date of the 2020 AGM and will apply for a maximum period of three years, until the AGM in 2023.

Fixed pay elements for current executive directors

Fixed pay is intended to provide competitive remuneration for performing the role. The intention is to have less reliance on variable pay and thus discourage excessive risk-taking.

Purpose and link to strategy	Operation	Maximum potential value
Base Salary To provide a competitive level of fixed cash remuneration and aid recruitment and retention of high performing individuals.	Paid monthly in cash and reviewed annually. The rates for 2020 are unchanged following the appointment of Alison Rose as CEO on 1 November 2019: • CEO – £1,100,000 • CFO – £750,000	Any future salary increases will take into account performance in role and will be considered against peer companies. Any increase will not normally be greater than the average salary increase for RBS employees over the period of the policy. Other than in exceptional circumstances, the salary of an executive director will not increase by more than 15% over the course of this policy.
Fixed share allowance To provide fixed pay that reflects the skills and experience required and responsibilities for the role.	A fixed allowance paid entirely in shares. Individuals receive shares that vest immediately subject to any deductions required for tax purposes and a retention period will apply. Shares will be released annually on a pro-rata basis over three years from the date of award. The fixed share allowance will broadly be paid in arrears, in four instalments per year or at any other frequency that the Committee deems appropriate (1). The fixed share allowance is not pensionable.	An award of shares with an annual value of up to 100% of base salary at the time of award, or such higher amount which represents such value rounded up to the nearest whole share.
Benefits To provide a range of flexible and market competitive benefits that is valued by the recipients and assist individuals in carrying out their duties effectively.	Executive directors can select from a range of standard benefits including: company car; private medical cover; life assurance; and critical illness insurance. In addition, executive directors are entitled to travel assistance in connection with company business including the use of a car and driver. RBS will meet the cost of any tax due on the benefit. On rare occasions where they are accompanied by their spouse / partner to business events, RBS may also meet the costs and any associated tax liability. Executive directors are also entitled to holiday and sick pay. Further benefits including, but not limited to, relocation assistance may be offered in line with market practice. RBS may also put in place certain security arrangements for executive directors where that is deemed appropriate. RBS may meet the cost of any tax due on these benefits.	Set level of funding for standard benefits (currently £26,250) which is subject to periodic review. The total value of benefits provided is disclosed each year in the annual report on remuneration. The maximum potential value of benefits will depend on the type of benefit and cost of its provision, which will vary according to market rates. Any non-standard benefits would be subject to approval from the Board.
Pension To encourage planning for retirement and long-term savings.	Provision of a monthly pension allowance paid in cash and based on a percentage of salary. Opportunity to use the cash to participate in a defined contribution pension scheme. • CEO – 10% of base salary • CFO – 10% of base salary	In compliance with the Code, the pension allowance rates for executive directors under the 2020 policy have been aligned with those of the wider RBS workforce, currently 10% of base salary (2). The rate may be increased or reduced in order to remain aligned with the wider RBS workforce.

Notes:

(1) RBS believes that delivery in shares is the most appropriate construct for a fixed allowance to executive directors, qualifying as fixed remuneration for regulatory requirements. If regulatory requirements emerge that prohibit allowances being delivered in shares, or deem that such allowances will not qualify as fixed remuneration, then RBS reserves the right to provide the value of the allowance in cash instead in order to ensure compliance with such requirements.

(2) 10% of base salary is in line with the rate applicable to the vast majority of the workforce. Over 99.7% of employees in the UK receive this rate.

Directors' Remuneration Policy

Variable pay

Variable pay incentivises the delivery of sustainable long-term performance, based on RBS's strategic objectives and its aim of becoming a purpose-led organisation. Performance is assessed against measures which, though demanding, executive directors would reasonably be expected to achieve, encouraging safe and secure growth. Variable pay is delivered entirely in shares with extensive deferral and retention requirements to create strong shareholder alignment.

Purpose and link to strategy	Operation	Maximum potential value	Performance assessment
Variable pay (LTI award) To support a culture where individuals are rewarded for the delivery of sustained performance, taking into account RBS's strategic objectives and purpose. Performance will be assessed across four key performance areas, and include a range of financial and non-financial factors to encourage long-term value creation for shareholders. Delivery in shares with the ability to apply malus adjustments and clawback further supports longer-term alignment with shareholders' interests.	Any variable pay awarded will be delivered as a long-term incentive (LTI) award, paid in shares and subject to performance assessment and employment conditions. LTI awards are subject to: • a one year pre-grant performance period; • a pre-vest performance assessment at the end of a three year period, with vesting taking place from years three to seven after grant; • malus provisions prior to vesting and clawback which applies for seven (and potentially up to ten) years from the date of award; and • a 12 month post-vesting retention period. Awards will be subject to any other terms as required by regulators from time to time. The number of shares awarded may be calculated using a share price discounted to reflect the absence of the right to receive dividends or dividend equivalents during the vesting period. In the event regulations permit the use of dividend equivalents in future, awards may be eligible to receive dividend equivalents instead. With RBSG plc resuming dividend payments to ordinary shareholders, the Committee believes it is appropriate to have the ability to grant LTI awards with reference to an adjusted share price as recipients will not receive the benefit of any dividends or dividend equivalents during the vesting period. Subject to shareholders approving the policy at the 2020 AGM, the earliest date that this discount methodology would be applied would be for LTI awards granted in 2021. The discounted share price will be calculated with reference to estimated dividend yields based on market consensus and the length of the vesting period, and will be reviewed by an independent advisor. For the avoidance of doubt, there is no intention to reflect special dividends in the calculation. LTI awards will be delivered under the RBS 2014 Employee Share Plan, as approved by shareholders at the 2014 AGM.	The maximum award for current executive directors is 175% of salary for the CEO and 200% of salary for the CFO, or such higher amount which represents such value rounded up to the nearest whole share. Awards are also subject to the regulatory requirement that limits the value of variable pay to the value of fixed pay. Award levels are set at the time of grant and may be subject to a discount for long-term deferral in determining the total variable remuneration, in line with European Banking Authority (EBA) guidelines. Prior performance will be taken into account when determining the value of the award at the time of grant. The vesting level of the award can vary between 0% and 100% of the original number of shares granted, depending on performance.	Using pre-grant and pre-vest tests, performance will be assessed in the areas of Finance & Business Delivery, Risk & Operations, Customers & Stakeholder and People & Culture. The Committee will use a robust framework to consider performance against pre-set objectives for each of the categories, in line with RBS's strategic aims and purpose, but will apply its judgement without reference to formulaic targets and weightings. Risk & Control and Stakeholder Perception underpins will also apply which may lead to a downwards adjustment. The majority of the performance variation is expected to take place under the pre-grant test, with the pre-vest assessment representing a final check that, taking all circumstances into account, overall performance has remained satisfactory. The Committee has discretion to vary the performance factors in appropriate circumstances. Further details on the performance factors and assessment will be set out in the annual report on remuneration for the relevant year.

Notes to the policy table

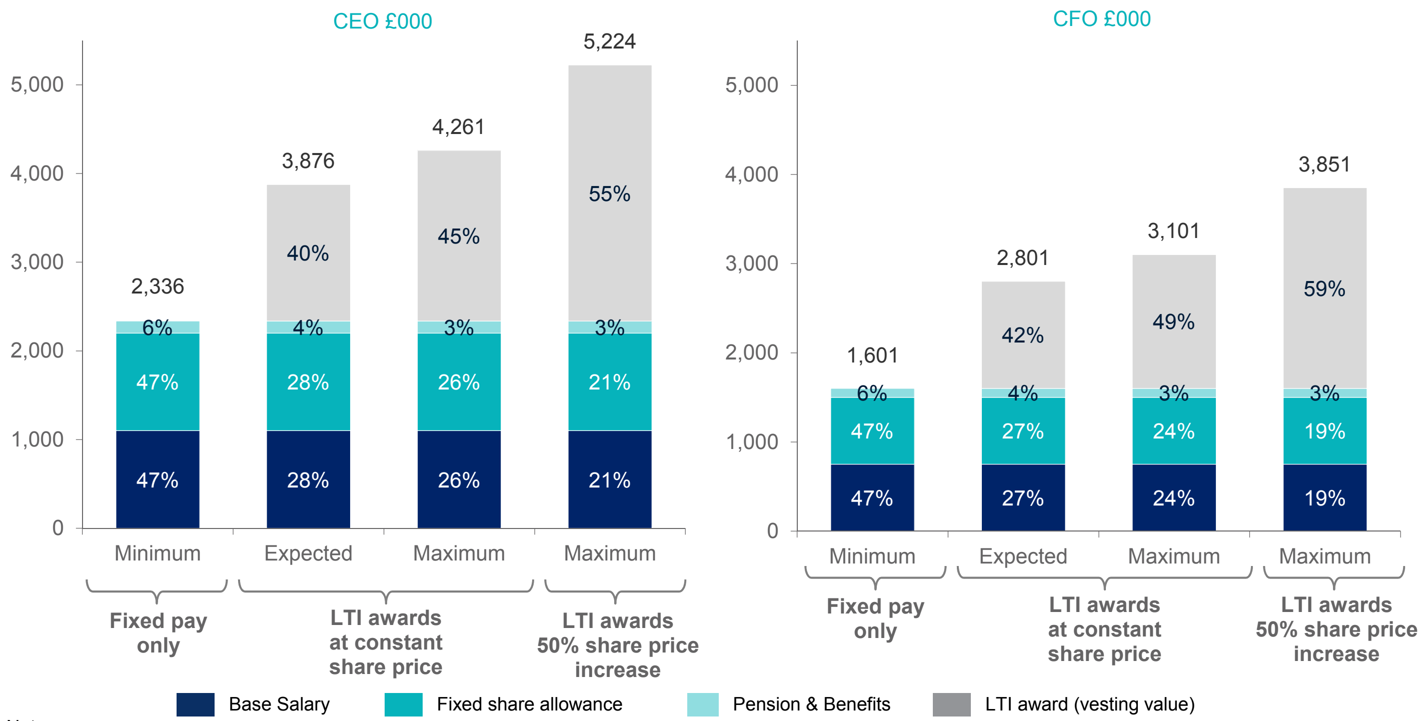
- Changes that have been made under the executive directors' remuneration policy include: lowering the pension rate to 10% of salary; the introduction of a post-employment shareholding requirement; and the ability to apply a discounted share price when calculating LTI awards to reflect award-holders not being eligible to receive dividends or dividend equivalents during the vesting period.
- The performance factors for variable pay awards have been chosen to reward sustained long-term performance which, together with significant shareholding requirements, creates strong alignment with shareholders. Targets are set in line with RBS's strategic priorities.
- The fixed share allowance is part of fixed remuneration and is therefore not subject to any performance adjustment.
- Executive director remuneration is considered against market positioning for similar roles.
- Remuneration for executive directors broadly follows the policy for all employees but generally with a higher element of variable pay and greater delivery in shares which are released over a long time frame.
- Further details on the remuneration policy for all employees can be found on page 102.

Directors' Remuneration Policy

Other elements of the policy for executive directors

Purpose and link to strategy	Operation	Value
Shareholding requirements To ensure executive directors build and continue to hold a significant shareholding to align their interests with the interests of shareholders	Executive directors are required to build up a shareholding equivalent to a percentage of salary. The net of tax shares acquired under the fixed share allowance will qualify towards the shareholding requirement. In the case of LTI awards, shares will be deemed to count on a net of tax basis towards meeting the requirement following the pre-vest performance assessment at the end of year three. Once the respective retention periods have passed, executive directors are permitted to dispose of up to 25% of the net of tax shares received until the shareholding requirement is met. Any shares purchased voluntarily will count towards the requirement but are excluded from the sale restriction. Following cessation of employment, regardless of leaver status, executive directors will be required to hold shares of a value equal to the lower of their shareholding requirement immediately prior to departure or the actual shareholding on departure, for a period of two years. A fixed number of shares for the post-employment shareholding requirement will be determined at the date of departure. The requirement encompasses vested and unvested shares but shares purchased voluntarily are excluded from the post-employment shareholding requirement. Procedures will be put in place in order to assist with the enforcement of the shareholding requirements, both during and after employment. This includes the executive directors agreeing to be bound by the terms of the requirements and the use of prescribed nominee accounts to hold shares subject to restrictions.	CEO - 400% of salary CFO - 250% of salary Requirements may be reviewed in future but are not expected to be reduced.
All-employee share plans An opportunity to acquire RBSG plc shares.	Opportunity to contribute from salary and acquire shares under any of the company's all-employee share plans in operation from time to time, such as the RBS Sharesave Plan and Buy As You Earn (part of an employee Share Incentive Plan). These plans are not subject to performance conditions.	Statutory limits imposed by HMRC or the limits under the relevant share plan rules.
Legacy arrangements To ensure RBS can continue to honour payments due to executive directors.	In approving this policy, authority is given to honour any previous commitments or arrangements entered into with current or former directors, including share awards granted under the 2014 Employee Share Plan. For the avoidance of doubt, all outstanding LTI awards granted prior to 2018, where the performance cycle has been completed, will continue to vest in line with the terms agreed at the time of grant. Authority is also given to honour arrangements agreed with an employee prior to appointment as an executive director that may have different terms or performance conditions.	In line with existing commitments and arrangements.

Illustrative scenarios of annual remuneration for executive directors under the remuneration policy



Notes:
(1) The charts above are for illustration only, with minimum representing fixed remuneration. The expected value has been calculated based on LTI awards vesting at 80% of the maximum opportunity. This is considered appropriate for a less leveraged remuneration construct, with lower award levels and performance assessed on factors which, though demanding, executive directors would reasonably be expected to achieve, encouraging performance within risk appetite.
(2) The first maximum assumes LTI awards vest at 100% after the performance assessment and that the share price remains unchanged for the LTI value. The second maximum assumes both full vesting of the LTI awards and a 50% increase in the RBSG plc share price over the period from grant to vest.
(3) The benefits figure includes standard benefit funding as outlined in the policy but excludes any potential other benefits under the policy such as travel assistance in connection with company business. The value of any taxable business expenses will be disclosed in the total remuneration table each year.

Directors' Remuneration Policy

Remuneration for the Chairman and non-executive directors

A review was undertaken on the remuneration policy for the Chairman and the non-executive directors. The only amendment proposed under the new remuneration policy is that the Chairman will be entitled to life insurance cover, provided the costs are considered by the Board to be reasonable. Offering life insurance for the role of Chairman is in line with the practice by most of the other major UK banks.

Purpose and link to strategy	Operation	Maximum potential value
Fees To provide a competitive level of fixed remuneration that reflects the skills, experience and time commitment required for the role.	Fees are paid monthly in cash. The Board retains discretion to pay fees in cash, shares or a combination of the two. The level of remuneration reflects the responsibility and time commitment required and the level of fees paid to directors of comparable major UK companies. Fees are reviewed regularly and the Board may choose to apply an increase on an annual or less frequent basis, within the limits set out in this policy. Additional fees may be paid for new Board Committees provided these are not greater than fees payable for the existing Board Committees as detailed in the annual report on remuneration. No variable pay is provided so that the Chairman and non-executive directors can maintain appropriate independence, focus on long-term decision making and constructively challenge performance of the executive directors.	The rates for the year ahead are set out in the annual report on remuneration. Any future increases to fees will be considered against fees paid to directors of comparable companies and will not normally be greater than the average inflation rate or salary increases for the wider RBS workforce over the period of the policy, taking into account that any change in responsibilities, role or time commitment may merit a larger increase. Other than in exceptional circumstances, fees will not increase by more than 15% over the course of this policy.
Benefits To provide a level of benefits in line with market practice.	Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. The Chairman and non-executive directors are entitled to travel assistance in connection with company business, including the use of a car and driver where deemed appropriate. Where this is a taxable benefit for the recipient, RBS will meet the cost of any tax due on the benefit. On rare occasions where they are accompanied by their spouse / partner to business events, RBS may also meet the costs and any associated tax liability. Other benefits may be offered in line with market practice. The Chairman is entitled to private medical cover and life insurance cover will also be offered provided that the costs are considered by the Board to be reasonable.	The value of the private medical and life insurance cover provided to the Chairman and any other benefits will be in line with market rates and disclosed in the annual report on remuneration.

Recruitment policy

RBSG plc has a Boardroom Inclusion Policy which aims to promote diversity and inclusion in the composition of the Board. The framework aims to ensure RBS can attract, motivate and retain the best talent and avoid limiting potential caused by bias, prejudice or discrimination. RBS values and promotes inclusion in all areas of recruitment and employment. The key elements of the recruitment policy for directors are set out below.

- The policy on the recruitment of new directors aims to be competitive and to structure pay in line with the policy applicable to current directors, based on the elements of pay detailed in the policy table, recognising that some adjustment to quantum may be necessary to secure the preferred candidate.
- The pension allowance for new executive directors will be in line with that of the wider RBS workforce, currently 10% of base salary, compliant with the Code.
- In the event of an internal promotion, existing commitments can continue to be honoured.
- Buy-out arrangements exist which allow for the replacement of awards forfeited or payments foregone when an individual joins RBS. Any awards made will comply with regulatory requirements.
- The Committee will minimise buy-outs wherever possible and ensure they are no more generous than, and on substantially similar terms to, the original awards or payments they are replacing. No sign-on awards will be offered on joining.
- Any awards granted following the recruitment of a candidate may be made under RBS's employee share plans in place from time to time or under the relevant provisions in the Listing Rules and will need to comply with regulatory requirements. Full details will be disclosed in the next remuneration report following recruitment.
- The maximum level of variable pay which may be granted to new executive directors will be guided by, but not limited to, arrangements for existing executive directors. In any event this will not exceed the limit of one times the level of fixed pay, comprising salary, fixed share allowance, pension and benefits, and valued according to EBA guidelines. The maximum level excludes any buy-out arrangements.

Directors' Remuneration Policy

Other policy elements

Provision	Operation
Notice and termination provisions	Executive directors As set out in executive directors' service contracts, RBSG plc or the executive director is required to give 12 months' notice to the other party to terminate the employment. The Committee will ensure that any proposals relating to termination payments are fair and reasonable and recognise that failure is not rewarded. There are no pre-determined provisions for compensation on termination. There is discretion for RBS to make a payment in lieu of notice (on base salary only) which is released in monthly instalments. The executive director must take all reasonable steps to find alternative work and any remaining instalments will be reduced as appropriate to offset income from any such work. Chairman and non-executive directors The Chairman and the non-executive directors do not have service contracts, they have letters of appointment reflecting their responsibilities and time commitments. They do not have notice periods and no compensation would be paid in the event of termination of appointment, other than standard payments payable for the period served up to the termination date. Under the Board Appointment Policy, non-executive directors are appointed for an initial term of three years, subject to annual re-election by shareholders. At the end of this initial term, a further three year term may be agreed. Non-executive directors may be invited to serve beyond six years, up to a maximum tenure of nine years. The Chairman is not subject to the Board Appointment Policy but is subject to the requirements relating to the maximum tenure period for chairs under the Code. All directors stand for annual election or re-election by shareholders at the company's AGM. Effective dates of appointment for non-executive directors: Frank Dangeard – 16 May 2016 Alison Davis – 1 August 2011 Patrick Flynn – 1 June 2018 Morten Friis – 10 April 2014 Robert Gillespie – 2 December 2013 Baroness Noakes – 1 August 2011 Mike Rogers – 26 January 2016 Mark Seligman – 1 April 2017 Lena Wilson – 1 January 2018
Treatment of outstanding employee share plan awards on termination	On termination, share awards will be treated in accordance with the relevant plan rules as approved by shareholders. **Fixed share allowances** Shares will continue to be released over the applicable retention period helping to ensure that former executive directors maintain an appropriate interest in RBS shares. In all leaver circumstances, executive directors will continue to be eligible to receive a pro-rated fixed share allowance to reflect the period up to the termination date. **LTI awards** LTI awards normally lapse on leaving unless the termination is for one of a limited number of specified 'good leaver' reasons or in exceptional circumstances the Committee may exercise its discretion to determine that an individual qualifies as a good leaver. LTI awards held by good leavers will normally vest on the original vesting dates, subject to the performance conditions being met. In line with typical practice, awards will be pro-rated for the period worked during the financial year prior to the grant of the award. For LTI awards made in 2018 onwards, following the grant, no further pro-rating will occur. Awards will also generally be made to good leavers in respect of the final year of employment, again pro-rated for the period worked during the financial year prior to the grant of the award, and based on performance against the objectives set. The rationale for this approach is set out below. • No pro-rating after grant is fundamental to RBS's LTI construct and allows for a fair level of value to be delivered to the executives whilst having significantly lower maximum variable pay levels compared to peers. • RBS operates an LTI only construct, whilst peers also offer annual bonus awards (which typically are also not subject to pro-rating after grant). • Therefore, without the removal of pro-rating, executives at RBS could potentially receive no variable pay for the year of joining, in line with regulatory requirements, or in the final year of employment. • The main emphasis of the performance assessment is on the pre-grant test, given the award has already been 'earned' to a large extent by the time of grant. • The removal of pro-rating creates higher levels of shareholding for up to eight years post departure meaning executives can be held accountable for, and are financially exposed to, the long-term consequences of their actions, including through malus and clawback. Individuals will only qualify for good leaver treatment if they leave due to ill-health, injury, disability, death, retirement (as agreed with RBS), redundancy, the employing company ceasing to be a member of RBS Group, transfer of the employing business, or any other reason if, and to the extent, the Committee decides in any particular case. If good leaver treatment does not apply then LTI awards will be forfeited on leaving. Factors the Committee would expect to be present before agreeing to good leaver treatment under retirement include: whether the individual has been in role for at least five years, or otherwise qualifies for retirement under RBS's policy, has demonstrated satisfactory performance, is not leaving to work in a capacity considered to be competing directly and materially with RBS, and is leaving at a time and in a manner that is agreed with the Board.

Directors' Remuneration Policy

Provision	Operation
Contractual provisions	Contracts include standard clauses covering remuneration arrangements and discretionary incentive plans (as set out in this report), referencing reimbursement of reasonable out-of-pocket expenses incurred in performance of duties, annual leave, redundancy terms and sickness absence, the performance review process, directors' and officers' insurance, the disciplinary procedure and terms for dismissal in the event of personal underperformance or breaches of RBS policies. The Committee retains the discretion to make payments (including but not limited to professional and outplacement fees) to facilitate smooth handovers, mitigate against legal claims and/or procure reasonable assistance with investigations or claims, subject to any payments being made pursuant to a settlement or release agreement.
Discretion	The Committee has certain discretionary powers under the company's employee share plan rules. For example, the Committee has discretion to determine whether an individual would qualify as a good leaver on departure and also to decide that awards held by good leavers should vest earlier than the normal vesting date. Such discretions would only be used to ensure a fair outcome for the director and for shareholders, taking into account the circumstances of departure, the performance of the director and the need for an orderly transition. If discretion is applied in these circumstances then it will be disclosed in the annual report on remuneration. Further discretions include the ability to: treat LTI awards in a range of ways in the event of a change of control, including the ability for LTI awards to be exchanged for new awards; change any performance measures, targets, and to adjust awards if major events occur (for example corporate transactions and capital raisings); and make administrative changes to the plan rules. In addition, the Committee retains discretion to apply malus and clawback to LTI awards. When assessing performance, the Committee is able to exercise its judgement to determine the appropriate vesting of LTI awards, supported by the application of underpins, which helps to avoid any potentially unintended outcomes that might arise from the application of performance criteria. The Committee retains discretion to make minor amendments to the Directors' Remuneration Policy to reflect changing legal or regulatory requirements or guidelines (including but not limited to any PRA or FCA revisions to their remuneration rules and the EBA remuneration guidelines). For the avoidance of doubt, no material changes would be made to the advantage of directors without reverting to shareholders for approval.
Malus and clawback	Malus allows the amount of any unvested variable pay awards to be reduced, potentially to zero, prior to payment. Clawback allows for recovery of variable pay awards that have already vested. Any variable pay awarded to executive directors in respect of the 2014 performance year onwards is subject to clawback for seven years from the date of grant. For awards made in respect of the 2016 performance year onwards, this period can be extended to ten years where there are outstanding internal or regulatory investigations at the end of the normal seven year clawback period. Circumstances in which RBS may apply malus or clawback include: • conduct which results in significant financial losses for RBS; • the individual failing to meet appropriate standards of fitness and propriety; • an individual's misbehaviour or material error; • RBS or the individual's business unit suffering a material failure of risk management; and • for malus and in-year bonus reduction only, circumstances where there has been a material downturn in financial performance. The above list of circumstances is not exhaustive and RBS may consider any further circumstances as it deems appropriate.