

## Terms of Reference

<b>Chair</b>	An independent Non-executive Director of NatWest Group plc (“NWG”) who must have served on the Group RemCo or the remuneration committee for another company for at least twelve months before appointment as Chair.
<b>Members</b>	At least three independent Non-executive Directors of NWG (including the Group RemCo Chairman)
<b>Attendees</b>	Group Chairman Group Chief Executive Officer Group Chief Human Resources Officer Group Chief Governance Officer and Company Secretary Human Resources Director, Group Reward & Employment
<b>Additional Invitees</b>	Senior representatives from HR, Risk, Finance and Strategy as required Independent advisers – as required Additional invitees or subject matter experts may be invited to attend or to present to Group RemCo at the request of the Chair.
<b>Quorum</b>	Two members
<b>Meeting Frequency</b>	At least five meetings per annum and ad hoc as required
<b>Secretary</b>	Corporate Governance
<b>This Committee receives its authority from</b>	Group RemCo operates under delegated authority from the NWG Board.
<b>Purpose of this Committee</b>	To oversee the establishment and implementation of a remuneration policy for employees and directors, which is designed to support long term business strategy and values of NWG and its subsidiaries (the “Group”), as well as promote effective risk management and comply with applicable legal and regulatory requirements (the Group Remuneration Policy). To review performance and approve remuneration arrangements* as set out within its Terms of Reference. Group RemCo members will also ensure that due consideration is given to the Group’s Purpose in Group RemCo discussions and decisions.
<b>Scope of this Committee’s oversight and responsibility</b>	<ol style="list-style-type: none"> <li>1. <u>Directors</u> <ol style="list-style-type: none"> <li>1.1 To review and make recommendations to the NWG Board on the Directors’ Remuneration Policy, taking into account business strategy, values and the long-term interests of the Group, as well as the need to promote effective risk management, and comply with applicable regulation. The Directors’ Remuneration Policy will also take into account remuneration and related policies of the wider workforce and the alignment of incentives and rewards with culture. The Directors’ Remuneration Policy is subject to NWG Board and shareholder approval.</li> <li>1.2 To review and make recommendations to the NWG Board in respect of service contracts, performance measures, performance assessment and remuneration arrangements<sup>1</sup> for NWG Executive Directors. As part of its</li> </ol> </li> </ol>

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review of performance measures and assessment, Group RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.

- 1.3 To make recommendations to the NWG Board on any termination payments for NWG Executive Directors, having regard to the terms of the service contract and reasons for termination. Group RemCo will ensure that any proposals relating to such payments made are fair and reasonable and recognise that failure is not rewarded and the duty to mitigate loss.

2. Group Executive Committee (Group ExCo) and direct reports of the Group CEO<sup>1</sup>

To review and approve performance measures, performance assessment and remuneration arrangements for Group ExCo members and attendees (other than the NWG Executive Directors) and direct reports of the Group CEO<sup>2</sup> including the CEOs of NatWest Markets Plc and The Royal Bank of Scotland International (Holdings) Limited. As part of its review of performance measures and assessment, Group RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.

3. High Earners and key legal entity CEOs

- 3.1 To review and approve remuneration arrangements for individuals who earn total annual compensation of  $\geq$  £1 million ("High Earners") and the CEOs of Coutts & Company and Ulster Bank Ireland DAC.
- 3.2 To review and approve any individual remuneration decision with total or aggregate value of  $\geq$  £1 million arrangements (e.g. severance arrangements).

4. Material Risk Takers

- 4.1 To approve the framework and principles that govern remuneration arrangements for MRTs who fall outside of the ExCo/High Earner population.
- 4.2 To review and approve remuneration arrangements for any MRT individual who falls outside of the ExCo/High Earner populations or otherwise delegate such authority to any of its members, attendees or management, as appropriate.

5. Group-wide Population

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<sup>1</sup> In her capacity as CEO of Group and NatWest Holdings.

<sup>2</sup> See note 1 above

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- 5.1 To review workforce remuneration and related policies annually and approve the Group Remuneration Policy (including the design principles for short term incentives) taking into account any applicable regulatory requirements and other relevant guidance.
  - 5.2 To ensure that the Group Remuneration Policy is transparent, that it is not unduly complex and that it aligns with the Group's culture so that it should drive behaviours consistent with the Group's purpose, values and strategy.
  - 5.3 To exercise independent judgement and discretion when making remuneration decisions and to take account of company and individual performance and wider circumstances. The exercise of discretion shall enable the overriding of formulaic outcomes.
  - 5.4 To disclose and explain any exercise of discretion.
  - 5.5 To review and approve annual bonus pool proposals for the Group's customer businesses, services and functions, ensuring they are appropriately performance and risk adjusted. As part of the review, Group RemCo will consult and receive advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.
  - 5.6 To provide an annual update to the Colleague Advisory Panel (CAP) on the remuneration policy for NWG Executive Directors and an explanation as to how it aligns with the wider Group Remuneration Policy. To consider any updates provided to Group RemCo by the Chair of the CAP.

## 6. Employee Share Plans

- 6.1 To assess and approve vesting levels for employee share plan awards granted to any individual including exercising discretion to override formulaic outcomes.
- 6.2 To consider and make recommendations to the NWG Board in relation to any employee share plan proposals which require shareholder approval.
- 6.3 To consider and approve any employee share plan proposals which relate to NWG level corporate events.
- 6.4 To monitor levels of shareholder dilution arising from the grant of employee share plan awards.

## 7. Remuneration Policy Implementation

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To review annually a report from management on the operation and effectiveness of the Group Remuneration Policy including the determination of whether an appropriate level of risk management and performance adjustment has been applied in connection with variable remuneration arrangements.

8. Reporting and Disclosure

- 8.1 To report to the NWG Board after each meeting on all material issues discussed.
- 8.2 To approve the Remuneration Report to NWG shareholders which forms part of the Annual Report and Accounts and includes the Directors' Remuneration Policy.
- 8.3 To consider and make recommendations to the NWG Board on remuneration related shareholder resolutions.
- 8.4 To be prepared, through the Group RemCo Chairman, to answer questions at the Annual General Meeting which relate to any matter within the remit of Group RemCo.
- 8.5 To engage, as appropriate through the Group RemCo Chairman, with key stakeholders on remuneration issues.

9. Regulatory

- 9.1 To approve the annual Remuneration Policy Statement ("RPS") to be submitted to the Prudential Regulation Authority ("PRA"). The Group RemCo Chairman will be available to meet with the PRA and the Financial Conduct Authority to discuss the RPS and other remuneration related matters.
- 9.2 To review any other significant remuneration disclosures or notifications as required by regulation from time to time.

10. Performance Review

- 10.1 To arrange periodic assessments of its own performance.
- 10.2 To review periodically these Terms of Reference and recommend any changes to the NWG Board for approval.

11. External Advice

To engage, at the expense of NWG, any external advisers, as it determines necessary, to carry out its duties.

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**Escalation**

Group RemCo will report and make recommendations to the NWG Board, identifying any matters within its remit in respect of which it considers that further action / approval is required.

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The remuneration arrangements of the NWG Executive Directors will be referred to the NWG Board for approval.

The minutes of the Group RemCo will be made available to the NWG Board.

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**Authority Delegated by this Committee**

Group RemCo has delegated authority as follows:

- to management, to approve remuneration arrangements for MRTs falling outside of the ExCo/High Earner populations. Group RemCo will oversee the delegation of this authority through an annual report. In accordance with the Risk Governance Modification application submitted to and approved by the Prudential Regulation Authority, remuneration arrangements for the individual who performs the dedicated support role to the Double Independent Non-Executive Directors (DINEDS) of NatWest Holdings Limited, must also be approved by the DINEDs acting by majority;
- to management, to approve share-based award proposals for any individuals falling outside of the ExCo/High Earners/MRT populations. Group RemCo will oversee the delegation of this authority through an annual report\*\* ; and
- to the Group Chief Human Resources Officer, in respect of employee share plan matters not expressly reserved under these Terms of Reference, including for the avoidance of doubt, the approval of proposals relating to corporate events.

Group RemCo may delegate authority to management, as considered necessary or appropriate, for any other matter from time to time.

Where authority has been delegated, management will ensure no employee will be involved in the determination of his/her own pay.

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**ToR last approved on**

Group RemCo – 28 July 2020

The Royal Bank of Scotland Group plc Board – 29 April 2020

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\* For the purpose of these ToR, 'remuneration arrangements' include variable remuneration, fixed pay adjustments, pension arrangements malus and clawback, in-year reductions and placing or lifting vesting suspensions, severance and new hire arrangements.

\*\* Responsibility for approving or overseeing non share-based remuneration arrangements for individuals falling outside the NWH and Key Legal Entity Executive Director/ExCo/High Earner/MRT populations falls outside the scope of these ToRs and will remain the responsibility of management.