

## **Asset Protection Scheme ("APS")**

### **Senior Oversight Committee – Terms of Reference**

#### **1 Introduction**

- 1.1 This document constitutes the SOC Terms of Reference applicable to The Royal Bank of Scotland plc's ("RBS") participation in the APS as referred to in Condition 21 of the terms and conditions of the APS set out in the documents entitled "UK Asset Protection Scheme Terms and Conditions" which is in the agreed form (the "Conditions").
- 1.2 This document is a Scheme Document.
- 1.3 Pursuant to the Conditions, the SOC shall be governed by, and shall have the functions described in, the Conditions and these Terms of Reference.
- 1.4 Subject to Condition 39, this document may be modified from time to time, with the agreement of SOC and the Commissioners of Her Majesty's Treasury (the "Treasury" or "HMT").

#### **2 Interpretation**

Capitalised terms used but not defined in these Terms of Reference have the meanings given to them in the Conditions.

#### **3 Membership**

- 3.1 The membership of the SOC shall at all times comprise at least one non-executive director of the Participant's Ultimate Parent, the Scheme Head and such members of the senior management team of the Participant's Group as may, in each case, be approved in writing in advance by the Treasury (acting reasonably) (each a "Member").
- 3.2 The number of Members of the SOC shall at all times be no fewer than five.
- 3.3 A list of the initial Members of the SOC (as approved by the Treasury) is appended hereto as Schedule 1.
- 3.4 The Head of Risk & Restructuring of RBS from time to time (or, in his or her absence from any meeting, another Member designated by him or her for the purposes of that meeting) will act as chairman of each meeting of the SOC (the "Chairman").

#### **4 Quorum requirements**

- 4.1 Subject to paragraph 4.2, the quorum at any meeting of the SOC shall be the Chairman and three or more Members.
- 4.2 If the Chairman considers that it is necessary to convene a meeting of the SOC for the purposes of considering urgent or extraordinary business in circumstances where, due to timing constraints, it would not be possible to achieve the quorum

required under paragraph 4.1, the Chairman may, with the prior approval of the Treasury (such approval not to be unreasonably withheld or delayed, and such approval shall be deemed to be given if Treasury does not respond within 24 hours of the Chairman's request for approval), designate such meeting as a "**Fast Track Meeting**". The Chairman may propose to the Treasury, from time to time, certain classes or categories of extraordinary or urgent business which, if the Treasury (acting reasonably) agrees, shall automatically qualify for a Fast Track Meeting without requiring any additional approval from Treasury. The quorum for any meeting designated as a Fast Track Meeting in accordance with this paragraph 4.2 shall be the Chairman and any one or more Members.

## **5 Frequency and methods of Meetings**

- 5.1** The SOC shall meet at least monthly and on such other occasions as it considers necessary or appropriate in order to carry out its functions, having regard to (amongst other things) the frequency of approvals of Conduct Requiring Approval required from the SOC in accordance with the Conduct Approvals Hierarchy.
- 5.2** The Participant shall use all reasonable endeavours to ensure that meetings of the SOC (including Fast Track Meetings) are scheduled within business hours in the United Kingdom, taking into account the nature and urgency of the business of such meeting. If a Treasury Observer (as defined below) notifies the Chairman that the Treasury Observer (as defined below) cannot attend a meeting in person, the Participant shall use all reasonable endeavours to facilitate the attendance of that Treasury Observer (as defined below) by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other.

## **6 Treasury Observers**

- 6.1** The Treasury shall have the right to appoint, from time to time and at its sole discretion, any individuals to attend meetings of the SOC as non-voting observers (the "**Treasury Observers**") and shall notify the Participant in writing of the identities of the Treasury Observers from time to time.
- 6.2** The initial Treasury Observer shall be Stephan Wilcke; additional Treasury Observers will notified to the Participant in due course following Accession.
- 6.3** The Participant shall give the Treasury and the Treasury Observers the same period of notice of the time, date and location (and, where applicable, dial-in details) for all meetings of the SOC (including Fast Track Meetings) as is given to the Members of the SOC (or any member of the SOC) and the Participant shall send to the Treasury and the Treasury Observers copies of all documents circulated for the purposes of such meetings and all minutes of those meetings at the same time as they are sent to the Members of the SOC (or any Member of the SOC).
- 6.4** The Treasury Observers may, but shall not be required to, speak or participate in any way in any meeting of the SOC and shall not be entitled to exercise any vote in respect of any decision taken by the SOC.

## **7 Notice and Attendance**

- 7.1 Each Member shall be given no less than one Business Day's notice of each meeting of the SOC (including Fast Track Meetings), save in the event of exceptional circumstances which the Chairman and the Scheme Head reasonably consider to warrant a meeting on shorter notice.
- 7.2 Notwithstanding paragraph 4 (*Quorum requirements*) above, it is envisaged that meetings of the SOC (other than Fast Track Meetings) will be attended by all Members of the SOC.
- 7.3 Attendance at a meeting of the SOC by personnel of the Participant's Group or any other persons that are non-Members may be permitted by the Chairman having regard to the items to be reviewed and/or discussed at the meeting and the expertise and level of responsibility of the relevant non-Member.
- 7.4 Non-Members of the SOC may speak or participate in any meeting of the SOC which they are permitted to attend pursuant to paragraph 7.3, but shall not be entitled to exercise any vote in respect of any decision taken by the SOC.
- 7.5 All or any of the Members of the SOC and the Treasury Observers may participate in any meeting of the SOC (including a Fast Track Meeting) by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A Member so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in the quorum accordingly.

## **8 Voting procedures**

- 8.1 The SOC shall be entitled to approve any decision by way of a simple majority of votes of its Members.
- 8.2 In the event of an equality of votes, the Chairman shall be entitled to a second or casting vote.

## **9 Functions of the SOC**

The functions of the SOC shall include the following:

### **General oversight and compliance**

- 9.1 The SOC shall ensure, set strategy for, and provide oversight and supervision of, compliance with the Scheme Documents, including with respect to:
  - 9.1.1 the calculation of the Quarterly Payables (and other amounts which fall to be calculated, accounted for or reported pursuant to and in accordance with the Scheme Documents);
  - 9.1.2 the Asset Management Conditions and the Monitoring and Reporting Conditions; and
  - 9.1.3 the establishment of systems, controls and processes to comply with the Scheme Documents.
- 9.2 The SOC shall review, approve and periodically reassess the business strategies and governance arrangements of the members of the Covered Group in

connection with the APS (including the Asset Management Framework, the Conflicts Management Policy, Business-Level Guidelines and any other policies and practices relating to the Participant's participation in the APS) which have been developed by the Scheme Executive Team from time to time, including proposed modifications to such strategies and governance arrangements arising out of changes to business conditions, Applicable Law or Good Industry Practice, and shall monitor execution of approved strategies and ensure that they comply with the Scheme Documents.

- 9.3 The SOC shall oversee compliance with the terms of the Scheme Documents and assess efficacy of monitoring processes, identify weaknesses with respect to policy, processes or behaviour and prescribe corrective measures as appropriate. The SOC shall review and consider the Annual Assurance Report and any recommendations contained in it.
- 9.4 The SOC shall be responsible for the delivery and implementation of the systems, controls and processes described or referred to in the Transitional Exceptions Document.
- 9.5 The SOC shall ensure fully open, transparent and constructive communications and relations with the Treasury in respect of the APS and the Covered Assets and compliance with the Scheme Documents.
- 9.6 The SOC shall monitor financial results of the Covered Assets.
- 9.7 The SOC shall sign-off each Quarterly Statement prior to its delivery to the Treasury and may delegate such authority to a Member.

#### **Asset Management**

- 9.8 The SOC shall be kept informed of emerging and evolving high profile or potentially significant problem exposures on an individual Covered Asset case and Covered Asset Class basis and of strategies undertaken to ensure attainment of the Asset Management Objective.
- 9.9 The SOC shall (where required pursuant to the Asset Management Conditions and the Conduct Approvals Hierarchy) determine whether or not to approve Conduct Requiring Approval notified to it.
- 9.10 The SOC shall ensure and monitor the effective operation of the Conduct Approvals Hierarchy.
- 9.11 The SOC shall review the Asset Management Framework and the Conflicts Management Policy no less frequently than annually following the Accession Date (and the in first year commencing on the Accession Date, no less frequently than every six months) to determine any modifications thereto that the SOC reasonably considers necessary or appropriate for the purposes of ensuring that the Asset Management Framework and the Conflicts Management Policy comply with the Scheme Documents.
- 9.12 The SOC shall determine whether or not to approve modifications to the Asset Management Framework, Conflicts Management Policy or Credit Aggregation Policy, referred to it and shall present to the Treasury any modifications approved by the SOC for the Treasury's approval in accordance with the Scheme Documents.

## **Personnel**

- 9.13 The SOC shall be responsible for allocation of optimal resources to the management of Covered Assets – both dedicated and non-dedicated - to ensure efficient operation of participation in the APS, and shall have regard to any recommendations of the Scheme Executive Team in this context.
- 9.14 The SOC shall determine the functions and responsibilities to be carried out by the Scheme Executive Team in addition to those functions and responsibilities of the Scheme Executive Team specified in the Conditions.
- 9.15 The SOC shall determine whether or not to approve modifications to the Detailed Organisational Structure referred to it in accordance with the Scheme Documents.
- 9.16 The SOC shall determine the organisational structure and initial composition of the Scheme Executive Team, and shall determine whether or not to approve any modifications to such structure or composition referred to it in accordance with the Scheme Documents.
- 9.17 The SOC shall consult with the Remuneration Committee over the setting of the remuneration of Scheme Personnel in accordance with the Remuneration Policy and the Remuneration Conditions.
- 9.18 The SOC shall evaluate the performance of the Scheme Head and the other members of the Scheme Executive Team against such goals, objectives and performance criteria (including those referred to in the Scheme Documents) as are specified in the Remuneration Policy and provide a report of those evaluations to the Remuneration Committee. The Scheme Head should not be present when his or her own performance is evaluated.
- 9.19 The SOC shall liaise with the Scheme Executive Team to identify any material concerns that the Scheme Executive Team may have regarding the performance of personnel (other than Scheme Personnel) who are involved in the Management and Administration of Covered Assets or Related Party Assets to a material extent or who carry out other functions in connection with RBS's participation in the APS to a material extent, including any respects in which the Scheme Executive Team considers that the performance of such personnel may not comply with the Scheme Documents in any material respect, and report any such concerns (if the SOC considers them to be legitimate) to the Remuneration Committee.

## **Other Protection Schemes**

- 9.20 The SOC shall oversee and assess any impact on the Covered Assets or RBS's participation in the APS arising from or relating to any Other Protection Scheme in which any member of the Covered Group participates.

## **10 Secretary and Minutes**

- 10.1 A secretary shall be appointed by the SOC from time to time (the "**Secretary**") for the purposes of carrying out the administrative functions set out in this paragraph 10.

- 10.2** The Secretary shall not be entitled to exercise any vote in respect of any decision taken by the SOC.
- 10.3** The Secretary shall be responsible for:
- 10.3.1** organising the logistics of all SOC meetings (including the provision of notice to Members and Treasury Observers), distributing relevant papers and other materials to each Member of the SOC and each Treasury Observer prior to or at each such meeting and producing written minutes for all SOC meetings; and
  - 10.3.2** in the case of any Fast Track Meeting, organising the requisite Fast Track Meeting quorum, distributing relevant papers and other materials and ensuring that, if any transactions are to be considered by the meeting, a representative of the relevant sponsoring business area is present.
- 10.4** Action points emerging from any meeting of the SOC shall be recorded clearly in the minutes for that meeting and be formed into cases where they relate to actions required in terms of policy or practice initiatives or amendments and shall be assigned clearly to an owner and be time-bound.
- 10.5** The Participant shall provide to the Treasury and the Treasury Observers copies of all reports, presentations, records and other documents given to or created by the SOC (or any of its Members in connection with the functions of the SOC), together with all minutes of meetings of the SOC, as soon as reasonably practicable following the receipt or creation thereof.

Schedule 1

Initial SOC Members

Title	Name
Head of Risk & Restructuring (Chair) *	[REDACTED]
Scheme Head*	[REDACTED]
Group Chief Financial Officer	Bruce Van Saun
RBS Board Non-Executive Director	Joe MacHale
Chief Risk Officer of Non-Core & APS Division*	[REDACTED]
Head of APS and Non-Core Division*	[REDACTED]
Head of Global Restructuring Group*	[REDACTED]