

# RBS Collective Investment Funds Limited

## Overall Risk Management Policy and Governance

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## 1. Overall Context

RBS Collective Investment Funds Ltd (“RBSCIFL” or “the management company”) currently acts as Authorised Corporate Director (“ACD”) for three UK Retail Collective Investment Funds including:

- RBS Investment Funds Investment Company with Variable Capital (“ICVC”);
- RBS Stakeholder Investment Fund ICVC;
- RBS Investment Options ICVC.

RBSCIFL’s immediate parent company is RBSG Collective Investments Limited, which is a wholly owned subsidiary of The Royal Bank of Scotland plc (“RBS”), and is managed within the Personal and Business Banking Division of RBS.

Control functions such as Internal Audit, Risk Management and Compliance provide support to all companies within RBS.

RBS employs a “three lines of defence” governance approach, which is detailed in Section 1.2 below.

The overall governance structure of RBSCIFL, which includes risk management, is detailed in Section 2 below.

This Policy will make reference to the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (“COLL”). This Sourcebook will be replaced by the Investment Funds Sourcebook (“FUND”) for the Expert Managed Solutions Funds and the Your Portfolio Funds. At the time of publishing this policy the Financial Conduct Authority (“FCA”) had not published all parts of this Sourcebook. You can find both Sourcebooks on the Financial Conduct Authority’s website.

RBSCIFL is responsible for appointing its investment managers (“IMs”) from time to time, as required. During this process, the parameters within which they operate are agreed. Some of these are mandatory, as required by the Collective Investment Schemes Sourcebook (“COLL”) issued by the FCA.

The parameters set within the Investment Management Agreements (“IMA”)s are designed so that the IMs have clear performance objectives. However, the IMs are allocated a risk budget (referred to as a “tracking error”) so they may pursue their targets. Accordingly, the amount of tracking error allowed can be defined as our risk appetite. Any trading outside legislative limits is prohibited.

Except for the “Your Portfolio” funds, there is a tracking error benchmark set, with a range for each fund. Tracking error is reported to Investment Management Committee (“InvCo”) every month, for discussion and scrutiny. Any departures outwith the range are discussed and challenged, with escalation to the Oversight Committee as appropriate.

For the “Your Portfolio” funds, there is a volatility range set for each fund. This is regularly monitored and reported to InvCo every quarter, for discussion and scrutiny. Any departures outwith the range are discussed and challenged, with escalation to the Oversight Committee as appropriate.

### 1.1 Responsibilities of the ACD

The ACD is responsible for all aspects of risk management including:

- Administration
- Investment Management
- Fund Accounting & Pricing.

These are undertaken by third party suppliers on behalf of the ACD. First Line Compliance oversight is carried out by the Personal and Business Banking Fund Governance team and Financial Control.

Accordingly, the Board of Directors of RBSCIFL is ultimately responsible for the appropriateness and effectiveness of the Risk management process. This is delegated to its Oversight Committee, with day to day management being carried out collectively by the InvCo.

Risk issues can be escalated by the chairman of InvCo, and ad hoc meetings can be convened as long as the meeting has a quorum. Further details are given in Section 2 below.

Additionally, the Board of Directors is responsible for the establishment and implementation of a robust and persuasive Risk culture. This includes responsibility for the procedures and controls in place for the measurement, management and reporting of Risk.

Whilst this document outlines the Risk management arrangements that the management company has in place, it also requires each of the delegated Investment Managers to retain in place Risk Management policies and procedures. See Section 2 for an overview of the oversight arrangements in place in respect of the delegated investment management.

RBSCIFL will fulfil its ACD responsibilities by way of the following:

- (a) Identification and design of appropriate risk policies
- (b) Set appropriate risk appetites
- (c) Put in place appropriate controls to manage these appetites
- (d) Identify and set key risk indicators to monitor the risks contained within the risk policies
- (e) Monitor risks through appropriate management information, challenge and escalation, measuring consistency of information against expectations
- (f) Verification of the management information received to ensure that the controls and monitoring are based on complete and accurate information
- (g) Review the risk policies on a regular basis and re-evaluate the controls and monitoring.

### 1.2 RBS Three Lines of Defence Model

RBS operates a “three lines of defence” model to ensure that appropriate responsibility is allocated for the management, reporting and escalation of risk. Allocation of clear responsibilities for risk management ensures risks are identified, monitored, managed and mitigated so that impacts remain within the defined appetite.

RBS’s risk management framework is embedded in the business through the three lines of defence model, supported by an appropriate level of investment in information technology and people.

This model defines responsibilities and accountabilities as shown below.

### 1.2.1 First Line of Defence

This is the PB&B Fund Governance Team with support from the business and its functions. Broadly, it is responsible for setting Risk Appetite, owning and managing its risks within the overall RBS Risk Appetite, complying with all RBS policies, and testing and certifying the adequacy and effectiveness of its controls to meet these responsibilities.

Additionally, the Compliance departments of the third party suppliers also form part of the first line of defence.

In detail, the business and its functions are responsible for:

- Setting, maintaining and implementing the risk appetite within which employees can operate, as well as ensuring this is articulated and communicated within the business and to Risk Management
- Implementing, investing in and maintaining processes within the business to manage the risks and ensure compliance with all RBS policies. This includes IT systems, tools, MI and general infrastructure
- Ensuring that all employees are aware of their risk management responsibilities through regular communication and training
- Regular testing and certification of the adequacy and effectiveness of controls and compliance with RBS Policies, reporting the results and conclusions
- Ownership, identification, management and mitigation of the risks to which the business is exposed, as well as the issues identified.

Contract Management conduct visits to the third party suppliers to conduct reviews of their systems and controls in respect of the contracted services.

The Client Asset Team undertake oversight and regular reviews of all client money held within RBSCIFL.

Financial Control have overall responsibility for monitoring of all fund pricing together with the production of the accounts for the respective ICVC's within RBSCIFL. Financial Control provide oversight and conduct reviews on the controls in place with RBSCIFL's Fund Accountant, and perform due diligence.

Additionally, the PB&B Fund Governance Team provide oversight and conduct reviews on the controls in place with RBSCIFL's Third Party Administrators ("TPAs").

However, ultimate oversight rests with Commercial and Private Advisory as part of their Second Line of Defence functions.

### 1.2.2 Second Line of Defence

This is Commercial and Private Advisory.

Broadly, it is responsible for owning and developing the risk management framework and tools which the business uses to discharge its responsibilities. It also provides oversight and challenge to the first line on management of its risks.

In detail, it is responsible for:

- Ownership, development and maintenance of the Risk Management framework, tools and methodologies as well as its deployment to the business
- Design of the Risk Management policy standards, which provide the principles and minimum standards for delivering effective risk management
- Delivery of regular communications, training and awareness to the employees on Risk Management
- Oversight and challenge to the businesses and functions on:
  - The adequacy and effectiveness of its use and the application of the risk management framework
  - The appropriateness of its risk appetite levels to deliver a commercially sound, balanced and rewarded portfolio of risks
  - The capability of its people and infrastructure
- Expert support and advice to the business on risk management, including interpretation and compliance with the risk policy standards and risk management framework
- Escalation of concerns to appropriate first line of defence management, as well as escalation of unresolved concerns to Senior Executive level.

### 1.2.3 Third Line of Defence

This is RBS Internal Audit ("IA").

Broadly, it is responsible for providing independent assurance on the design, adequacy and effectiveness of RBS's system of internal controls.

In detail, RBS IA are responsible for:

- Providing independent assurance on the design, adequacy and effectiveness of RBS's system of internal controls
- Linking findings to RBS policies where appropriate.

## 1.3 Additional Risk Controls

The Investment Managers also operate their own risk procedures which help mitigate risk.

All RBSCIFL Investment Managers operate a pre trading compliance system. It is triggered if a trading action looks like it will cause a breach of the Fund restrictions at the next valuation point (normally the next working day). The rules on restrictions, based on either legislation or the terms of the IMA, are either hard or soft coded. This means that the Fund Manager will be asked to contact the Trade Compliance Team if they wish to proceed (or override if soft coded) as long as they are confident that it will not result in a breach. This explanation needs to be given to Trade Compliance. If a transaction breaches post trade, then it is investigated for correctness and the pre-trade override explanation is looked at.

Any breaches to legislation or the IMA are reported to the relevant InvCo meeting for discussion and any remedial action required. A breach form is passed to the Fund Governance Team for recording.

Inadvertent breaches of risk limits can also occur, such as if stock prices move up against market trends, so breaching the maximum holding allowed. Such breaches are managed by the Investment Managers, in consultation with InvCo, to minimise the costs of rectification to the ICVC shareholders. A breach form is passed to the Fund Governance team for recording.



**Role and Responsibilities of the Depositary:**

An ICVC is legally obliged to have a separate institution to act as Depositary. The Depositary must be authorised under Financial Services & Markets Act 2000 and independent from the ACD. Its key role is to act solely in the interests of the investors within the fund. The Depositary is responsible for safeguarding the underlying assets of the fund and also ensuring that the scheme is managed according to the terms of the Prospectus.

The Depositary will typically focus upon key areas that it deems to be of greatest risk. These typically include:

- Valuation of the underlying assets of the fund
- Pricing of Shares, including use of Dilution Levy
- Calculation of Income available for allocation, to include payment of distributions. Additional focus is placed upon those distributions that are 'unclaimed'
- Investment and Borrowing Limits
- Issue and Cancellation / Sale and Repurchase of shares/units in fund

The Depositary is responsible for the safekeeping of the underlying assets of the fund. It therefore has to ensure that they take all practicable steps to ensure the following:

- All documents are completed accurately and promptly to ensure that any transactions entered into by the fund are settled.
- Ensure that the underlying assets in Registered Form are registered in the name of the Depositary or its nominated custodian. Included within this is a requirement to take into its own custody, all associated documents of title.
- Ensure that any transaction entered into in derivatives or a Forward is done so to ensure that any resulting benefit is received by the Depositary
- The relationship between the ACD and the Depositary is critical to the efficient working of the fund as a whole.

**1.7 Remuneration Policy**

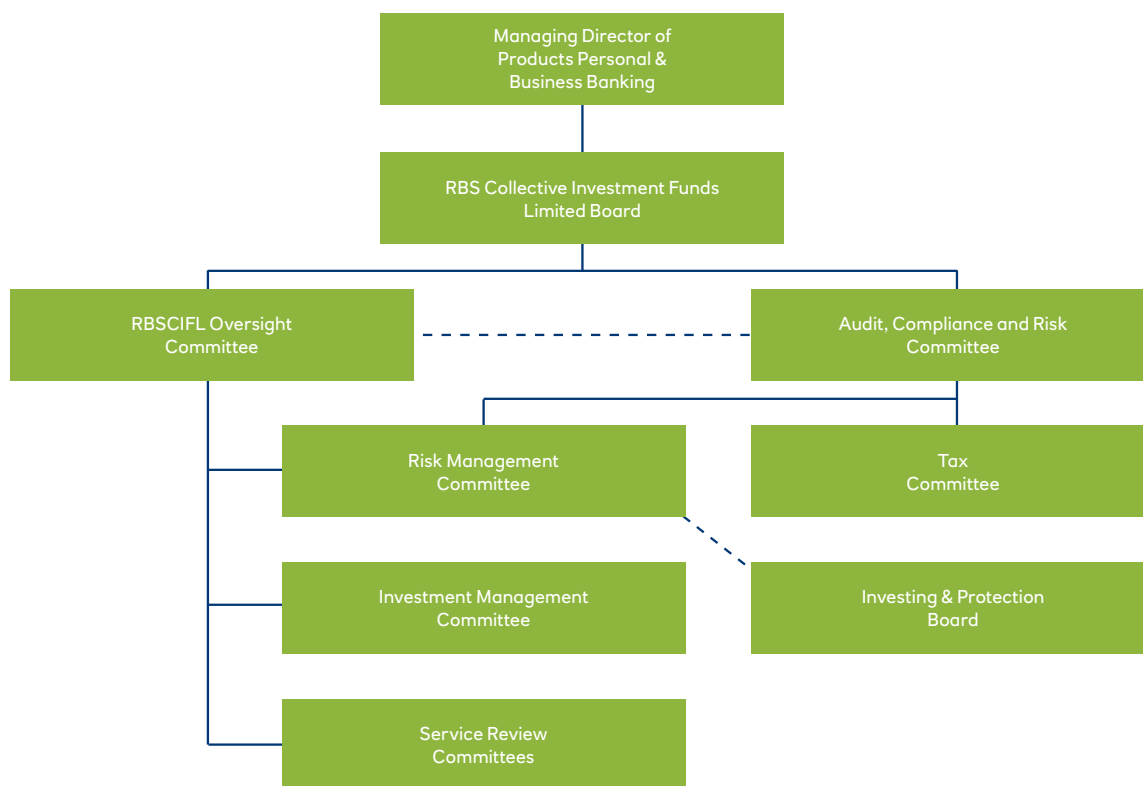
RBSCIFL does not directly remunerate staff however RBS has a remuneration policy which complies with both the Alternative Investment Fund Manager and the UCITS V remuneration codes.

**1.8 Liquidity**

RBSCIFL maintains a liquidity policy where purchases and redemptions are reviewed on a regular basis. Any illiquid assets held within the funds are disclosed through the annual report and accounts. On a quarterly basis RBSCIFL will undertake an assessment of the liquidity of the funds by undertaking stress testing and this will be reviewed at InvCo.

**2. Governance Structure**

The governance structure of the company is defined in its High Level Controls Document. Currently, this is the version approved in February 2016. Excerpts from this are shown below for ease. Further detail can be found in the document itself.



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## 2.1 RBSCIFL Board

The board meets every 2 months. Additional ad hoc meetings may be called as required.

### Principal Function

To direct the affairs of the Company in a manner that meets both RBS Group and regulatory requirements, and enables RBSCIFL as ACD to discharge its responsibilities in managing the collective investment schemes. This includes receiving reports and recommendations from the relevant Committees and making decisions upon them.

### Risk Responsibilities

Additionally, it is responsible for the consideration of the identification, prioritisation and management of key risks to the business, including operational, client money & assets, business continuity, financial, investment, compliance, legal, regulatory, market and reputational risks.

## 2.2 Oversight Committee

This committee meets every 2 months. Additional ad hoc meetings may be called as required.

### Principal Function

To enable the Board to carry out its responsibilities relating to the review of investment performance, the setting of fund parameters, the control of investments and the administration of the investment management.

### Other Responsibilities

The Committee will also over see the remit and workings of the RBSCIFL Investment Management Committee ("InvCo"), the RBSCIFL Risk Management Committee and the Service Review Committees. The Committee can request reports, information and reviews from these Committees and where appropriate, recommendations from these Committees on any matters relating to the review of investment performance, the setting of fund parameters, the control of investments, Administration or Risk Issues and any other relevant matters.

To monitor performance against risk limits and each risk profile of the fund and escalate any emerging risk as appropriate to the RBSCIFL Board.

### 2.2.1 Investment Management Committee

This committee meets monthly for Aviva with a minimum of 11 times per annum. For Standard Life Investments this is quarterly. Additional ad hoc meetings may be called as required.

InvCo meets through 3 main meetings. These are as follows:

- Aviva Investors
- Standard Life Investments.

### Principal Function

To monitor and to make recommendations to the Oversight Committee and the Board on matters relating to the review of investment performance, the setting of fund parameters, the management and control of investments and pricing in line with applicable regulations, and any other matters as may be required from time to time.

### Other Responsibilities

To review investment parameters and revise to ensure achievement of objectives as regards performance, risk profile and Treating Customers Fairly ("TCF").

To review performance against investment parameters and peer groups and identify actions to address issues.

To ensure appropriate communication of performance to management, customers, sales force and staff.

To ensure adherence to the prospectus and fund documentation.

To ensure compliance with FCA Handbook.

To review investment transactions at least quarterly, to ensure they remain well controlled.

To review fund activity and ensure that it is within agreed parameters.

To review the management and control of investments and pricing in line with applicable regulations.

Review investment management agreements periodically and revise to ensure achievement of objectives as regards performance, risk profile (including COLL compliance), TCF or customer expectations.

Review performance against the investment agreements and identify actions to address issues Review suppliers of investment services/benchmark service.

Review suppliers of investment services/benchmark service.

To set guidelines and monitor the use of derivatives and carry out a full review of the derivative management policy at least once a year.

To set guidelines for counterparty exposure and monitor.

To ensure compliance with RBS investment risk requirements.

To review the matching of assets and liabilities.

To initiate actions where control issues are identified.

Consider all risk management issues for UCITS and Non-UCITS products, including derivative risk and Eligible Markets requirements.

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Where necessary, to escalate to the Board or Oversight Committee for action issues identified above and to draw to the attention of the Board or Oversight Committee as appropriate any other matters relevant to the Company's investment performance, fund parameters and control of investments.

Review the pricing policy on an annual basis, including Dilution Levy policy.

Review the tax allowances in unit pricing at least annually.

Review the Terms of Reference annually or where a significant business change warrants a review.

On an annual basis a review of the content and compliance with the Committee's Terms of Reference will be carried out together with an evaluation of the Committee's effectiveness and membership.

The Investment Management Committee will, as a minimum, escalate to the Board or Oversight Committee any actions or recommendations which relate to:

- changes to the strategy or operation of the funds which have a material impact on the valuation or investment strategy of any individual fund;
- issues or events which are assessed (using an appropriate risk measure) to have a potential material impact on the net asset value of the fund, the ACD's ability to accurately value the fund, or the ability to manage the fund in line with the requirements of the applicable rules;
- any actions or recommendations which relate to changes to investment managers; and
- any changes to the investment agreements which have a material impact on the valuation or investment strategy of any individual fund, the ACD's ability to accurately value the fund, or the ability to manage the fund in line with the requirements of the applicable rules.

### 2.2.2 Service Review Committee (SRC)

This committee meets monthly, with a minimum of 11 times per annum. Additional ad hoc meetings may be called as required.

SRC meets through separate meetings with each service supplier.

The Service Review Committee will, as a minimum, escalate to the Oversight Committee any actions or recommendations which relate to:

- breaches of Service Agreements including Service Standards;
- changes in trends of Administration Complaints;
- any regulatory or applicable rule breaches resulting from administration processes; and
- any customer TCF issues as may be identified.

## 2.3 Audit, Compliance & Risk Committee

This committee meets 3 times per annum, of which one will be held immediately prior to the submission of annual financial statements to the Board. Additional ad hoc meetings may be called as required.

### Principal Function

To assist the Board to carry out its responsibilities relating to accounting policies, internal control, financial reporting, actuarial matters, risk management, regulatory reporting and compliance.

### Financial Affairs Responsibilities

- To review the annual financial statements.
- To obtain assurance that the content of all such statements is fairly stated, and that all appropriate disclosures are included in accordance with Group Accounting Policy.
- To review any unusual items or matters requiring the exercise of managerial judgement affecting the preparation of the statements.
- 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 Auditors.
- To review the Company's accounting policies and practices and to assess their compliance with regulatory requirements and their consistency with the accounting policies and practices of RBS.
- To review the arrangements established by management for compliance with the financial reporting requirements of the FCA.
- Where necessary, to escalate to the Board for action issues identified in i-vi above and to draw to the attention of the Board any other matters relevant to the Company's financial affairs.

### Audit Responsibilities

#### (a) Internal

- To endorse the Terms of Reference for Internal Audit.
- To approve the Annual Internal Audit Plan, with reference to the appropriateness of the scope, the timing of proposed coverage in relation to risk.
- To review in broad terms the scope and nature of Internal Audit work, to receive and review its reports, findings and recommendations.
- To confirm the independence of the Internal Audit function.
- To consider the auditing of functions delegated to third parties.
- Where necessary, to escalate to the Board for action issues identified in i-v above and to draw to the attention of the Board any other matters relevant to the Company's internal auditing.

#### (b) External

- To make recommendations to the Board regarding the appointment and remuneration of External Auditors.
- To review the scope and planning of the External Auditors.
- To confirm that, in planning the work, the External Auditors place appropriate reliance on the work of Internal Audit, such that unnecessary overlap is avoided.

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- (iv) To review reports prepared by the External Auditors, including their annual management letter.
- (v) Where necessary, to escalate to the Board for action issues identified in i–iv above and to draw to the attention of the Board any other matters relevant to the Company’s external auditing.

**Risk Management Responsibilities**

- (i) To maintain surveillance of the business risks throughout the Company.
- (ii) To review the Business’s systems and controls in relation to risk and its procedures for monitoring the effectiveness of such arrangements.
- (iii) To report on submission of the Client Money and Assets Return (CMAR) and CASS oversight
- (iv) To monitor significant weaknesses in control, as reported by RBS Internal Audit or the External Auditors, and the implementation by management of appropriate remedial action.
- (v) Where necessary, to escalate to the Board for action issues identified in i–iii above and to draw to the attention of the Board any other matters relevant to the Company’s risk management.
- (vi) To receive and review minutes from the Risk Management Committee.
- (vii) Review ToR annually or where a significant business change warrants a review.

**Compliance Responsibilities**

- (i) To monitor the relationship with the FCA and other relevant regulatory bodies.
- (ii) To review the Company’s compliance with the Financial Services & Markets Act 2000 and related legislation.
- (iii) To review the systems and controls established by management for compliance with the regulatory requirements specified in the FCA Handbook.
- (iv) To review the culture of compliance within the Company.
- (v) To review the Company’s overall compliance position, having particular regard for the FCA’s annual regulatory themes including Treating Customers Fairly.
- (vi) To provide a forum for the discussion and resolution of compliance matters relating to the Company.
- (vii) To provide a forum for discussion, as necessary, with External Consultants and the External Auditors on compliance matters.
- (viii) Monitor performance against the Company’s regulatory commitments to training and ensuring the competence of all its employees, particularly those who are subject to additional Training and Competence and Approved Persons requirements.
- (ix) Consideration of the Company’s reward strategy to ensure that it is consistent with its regulatory obligations.
- (x) Where necessary, to escalate to the Board for action issues identified in i–ix above and to draw to the attention of the Board any other matters relevant to compliance.
- (xi) Approve annual Directors’ Certificate sign-off and ensure is complete and appropriate.

**2.3.1 Risk Management Committee**

This committee meets monthly, with a minimum of 10 times per annum. Additional ad hoc meetings may be called as required.

**Principal Function**

The principal function is to act as a first line of defence in identifying, assessing, managing and escalating all RBS CIFL business risks and to ensure that effective controls are in place throughout the business in order to manage its risks in line with business and Group requirements.

A secondary function is to oversee Investment Risk across all the RBSCIFL Funds, including Box Management, stock-lending, and Global Risk exposures.

The Committee will operate as a risk management function, reporting to the Oversight Committee and the Audit, Risk & Compliance Committee. The remit will be Operational, Regulatory, and Non-operational (including Credit, Market, Liquidity and Capital risk) which have the propensity to affect the Collectives Business. Key responsibilities are:

- To monitor and ensure the effective operation of the risk and compliance frameworks and controls in the Collectives Business and to ensure the existence of robust governance of the businesses.
- To monitor and control the operation of a consistent Risk Management Framework across the Collectives Business in line with regulatory requirements and leading industry practices.
- To set and communicate risk management objectives for the Collectives Business.
- To make recommendations on risk tolerance and best practice to the Board and the Audit, Compliance & Risk Committee for incorporation into Company and business policy and standards. This will encompass reviewing changes in financial engineering of products to ensure that risks are identified and addressed.
- To review, challenge and agree the strategies for managing material risks.
- To review risk implications of the operational plans, level of new business, product development and other projects as appropriate.
- Operational Risk – To review consolidated risk profile and reports of the Collectives Business. Specifically, to focus on:
  - Risks at Significant or Major level
  - Losses
  - Issue management
  - Any exceptions in respect of Business Continuity and/or Information Security
- Credit / Market Risk – To review exposure against agreed limits and any breaches by exception.
- Liquidity Risk – To review the Collectives Business exposure against targets.
- Capital Risk – To review capital positions of regulated companies.
- Regulatory Risk – To review compliance levels with relevant standards and any breaches by exception. To reduce the potential for financial, reputational and regulatory risk through non-compliance with financial regulations, including adherence to the principles of TCF.

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- Client Assets (CASS) – to receive the monthly Dashboard presented by the CASS Operational Oversight Function and review risks, breaches and monitoring output.
- Oversight of all Risk Policies in place for RBSCIFL and ensure that RBSCIFL and Investment Managers adhere to these.
- Approval of any revisions to regulatory documents such as Key Investor Information Documents (KIIDs), Fund Prospectuses and Risk Policies.
- To review and recommend new risk limits to the Board and the Board, Audit, Compliance and Risk Management Committee.
- To review Internal Audit, Group Risk and Regulatory Risk Compliance activity for the next quarter. Specific updates will be provided by each function where appropriate.
- To consider the potential impact of future organisational, regulatory or economic change on the Collectives Business risk profiles on the risk landscape over the next quarter / half year.
- On an annual basis a review of the content and compliance with the Committee's Terms of Reference will be carried out together with an evaluation of the Committee's effectiveness and membership.
- To report to the Board, Oversight Committee and Audit Committees to draw their attention to any other matters relevant to risk within the business.
- Monitor whether unit pricing policy is carried out correctly and address any issues arising.
- Review box policies and procedures at least annually.
- Review and approve all aspects of risk governance, including a review of each risk management policy under the control of the Investment Management Committee.
- Approve all risk assessments for structured investment products as well as all related asset purchases and sales.

The Risk Committee will, as a minimum, escalate to the Oversight Committee any actions or recommendations which relate to:

- any first line of defence identification of business risks.
  - any control issues that are in place throughout the business in order to manage its risks in line with business and Group requirements.
  - Any oversight issues of Investment Risk across all the RBSCIFL Funds, including Box Management, stock-lending, and Global Risk exposures.
- It will also provide updates to the Audit & Risk Committee for each meeting of this committee.

### 3. Risk Principles

These principles are designed to ensure that RBSCIFL complies with all Regulatory requirements and the environment relating to policies as well as meeting best practice and RBS Governance requirements.

Independent oversight is provided by the Depository of each ICVC, which is shown in Section 1.6 above.

Changes to the policies will be identified through:

- Matters identified through business as usual ("BAU") activities
  - Governance structure (i.e. InvCo, the Risk Management Committee, the Oversight Committee and the RBSCIFL Board of Directors)
  - Proactive review of regular management information, including risk limits reporting, through the above committee structure
- Regular review of the policies
- New or improved product offerings, as identified by Retail products; or new / amended regulations, as identified by Regulatory Risk

All the policies will be formally reviewed at least annually.

Changes to the policies will also need to be reflected in other documentation, such as:

- Prospectuses
- Key Investor Information
- Other customer facing literature
- Instruments of Incorporation
- Investment Management Agreements

As mentioned above, the governance rests initially with InvCo.

### 4. Risk Policies

The individual risk policies are written and updated periodically to comply with applicable legislation as well as RBS Group policy.

The policies enclosed as appendices are:

- Best Execution
- Box Management
- Conflicts Policy
- Counterparty Risk
- Market Volatility Plan
- Credit Risk
- Derivatives Risk
- Fair Value Pricing
- Liquidity Risk
- Market Risk
- Market Timing
- Operational Risk
- Prospectus Policy
- Voting Rights

Additionally, the scheme prospectuses may be updated from time to time, as necessary.

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## 5. Reports Management

Under the terms of the IMAs, investment managers are required to furnish monthly reports (quarterly reports in the case of Standard Life) to InvCo. These reports are required to cover all aspects of investment management, as well as all aspects of risk management. The parameters for the risk profiles are held in the IMAs.

Any breach of the IMA, the prospectuses or the risk appetite are required to be corrected as quickly as possible, at no cost to the ACD or the customers, and reported to InvCo.

Full details of this are included in the various IMAs.

The reports provided by the four investment managers, as well as how they are used, are shown below.

Additionally, a weekly report is sent to the Chair of InvCo by each Investment Manager, detailing the global exposure to derivatives.

### 5.1 Aviva Investors Global Services Ltd

Aviva Investors manage the following ICVCs, as shown in Section 1.6 above:

- RBS Investment Funds ICVC
- RBS Stakeholder Investment Fund ICVC and
- RBS Investment Options ICVC.

There are 3 main reports which are provided to InvCo, where they are subject to scrutiny and challenge with the Investment Manager. These cover investment performance and compliance with the terms of the legislation, the IMA and the relevant prospectuses. Each one is discussed below.

#### 5.1.1 Monthly Performance Report

This report reviews the investment performance and is 4 colour RAG coded for ease of use. It covers the current month, as well as the last 3 months, year to date, rolling 12 months, 3 years annualised and since inception annualised.

It also contains investment commentary as well as attribution (asset allocation) details for the RBS Investment Options ICVC.

#### 5.1.2 Monthly Peer Group RAG

This report reviews the investment performance against the respective IMA sector peer group. It covers each fund's percentile ranking and is 4 colour RAG coded for ease of use. It covers the current month, as well as the last 3 months, year to date, rolling 12 months, 3 years annualised and since inception annualised.

#### 5.1.3 Monthly Compliance & Risk Report

This report details any breaches or errors that have occurred during the month. It also the tracking errors for each fund compared with its target and range, as well as the fund turnover for the month in question and the last 12 months. The report covers the following topics:

- Legal restrictions
- IMA & Prospectus restrictions
- Tracking errors
- Fund concentrations
- Derivatives exposure
- Absolute risk
- Fund turnover
- Fund liquidity (to cover encashments)

The report looks at trends as well as the absolute figures for the month, and some items are colour coded for ease of reference to enable focussed discussion and challenge.

These reports are used to manage the Investment Manager against their performance objectives and the parameters within which they are required to operate. This is carried out at InvCo, where the Investment Manager is in attendance. Certain issues may be flagged up to the Oversight Committee at the discretion of the Chairman of InvCo. Additionally, the Chairman of InvCo produces a summary of the main points from all the InvCo meetings for the Oversight Committee, which includes all items which ought to be brought to their attention for discussion or agreement.

### 5.2 Standard Life Investments Ltd

Standard Life Investments Ltd ("SLI") manage the Your Portfolio funds within the RBS Investment Options ICVC. The five funds currently available are:

- Your Portfolio Fund II
- Your Portfolio Fund III
- Your Portfolio Fund IV
- Your Portfolio Fund V
- Your Portfolio Fund VI

A quarterly report is produced for discussion and challenge at InvCo. This details the activity in the funds, including performance, compliance and market commentary. The report shows:

- Performance and volatility against objectives by investment type
- Performance against peer groups
- Performance against indices
- Derivatives exposure (if any)
- Summary of activity
- Reporting of any compliance issues such as breaches, risk reporting and governance issues
- Market commentary.

 <b>90772857v2</b>	client	THE ROYAL BANK OF SCOTLAND	publication	Publication	Operator
	account	Branch Mktg Advice	size	297mm H x 210mm W	QC
	project	RBSCIFL January 17	ins date	01 Jan 1998	Acc. Handler
	job title	RBS Updates Feb 2017	language	Eng	
	order no	510100478738	country	UK	

This report is used to manage the Investment Manager against their performance objectives and the parameters within which they are required to operate. This is carried out at InvCo, where the Investment Manager is in attendance. Certain issues may be flagged up to the Oversight Committee at the discretion of the Chairman of InvCo. Additionally, the Chairman of InvCo produces a summary of the main points from all the InvCo meetings for the Oversight Committee, which includes all items which ought to be brought to their attention for discussion or agreement.

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## Appendices

Appendix A – Best Execution Policy

Appendix B – Box Management Policy

Appendix C – Conflicts Policy

Appendix D – Counterparty Risk

Appendix E – Credit Risk Policy

Appendix F – Derivatives Risk Policy

Appendix G – Fair Value Pricing

Appendix H – Liquidity Risk Policy

Appendix I – Market Risk Policy

Appendix J – Market Timing Policy

Appendix K – Market Volatility Plan

Appendix L – Operational Risk Policy

Appendix M – Prospectus Policy

Appendix N – Voting Rights Policy

Appendix O – Investment Management Agreement – Aviva Investors

Appendix P – Investment Management Agreement – Standard Life Investments

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RBS05464 February 2017

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