

Independent Assurance Statement to the Directors of the Royal Bank of Scotland plc

We have performed a limited assurance engagement in relation to selected sustainability content within The Royal Bank of Scotland's ('RBS') Strategic Report and the Sustainable Banking pages on RBS.com for the year ended 31 December 2019 ('the Report') in order to state whether anything has come to our attention that causes us to believe that the Subject Matter is not presented, in all material respects, in accordance with the Criteria as identified below.

Respective responsibilities

RBS management are responsible for the collection and presentation of the information within the Report. RBS management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error. Our responsibility, in accordance with RBS management's instructions, is to carry out a 'limited level' assurance engagement on selected data and performance claims in the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and to meet the requirements of a Type 2 assurance engagement as defined by AA1000 AccountAbility Assurance Standard (AA1000AS, 2008)¹ with 2018 Addendum (AA100AP, 2018)².

The Report content and the selected metrics have been evaluated against the following criteria:

- The AA1000AP (2018) assurance principles of Inclusivity, Materiality, Responsiveness and Impact; and
- RBS' own criteria as set out in the 'Basis of Reporting' document available on the RBS website.

Summary of work performed

Our assurance procedures performed were based on our professional judgement and included, but were not limited to:

- ▶ Interviewing selected business unit and group level personnel to understand the key sustainability issues

and processes for the collection and accurate reporting of performance information;

- ▶ Reviewing RBS' approach to stakeholder engagement through interviews with employees with responsibility for managing engagement activities, and reviewing selected associated documentation;
- ▶ Reviewing the coverage of material issues within the Report against the key issues raised by RBS' stakeholder engagement activities, external media reports, and the topics discussed by the Sustainable Banking Committee.
- ▶ Reviewed the guidance on data reporting, key processes and quality assurance performed;
- ▶ Selected a sample of data points from across the business and sought documentary evidence to support the data;
- ▶ Conducted a walk-through of data to test consolidation;
- ▶ Reviewed any explanations provided for significant variances;
- ▶ Reviewed selected performance information on a materiality basis and selected documentation supporting assertions made, and;
- ▶ Reviewed the Report for the appropriate presentation of the data including limitations and assumptions.

Our review of the sustainability data was limited to the following metrics for the 2019 reporting period, marked in the strategic report and on rbs.om with a (*):

- ▶ Total scope 1 and 2 location-based CO₂-e emissions and Scope 3 emissions from business travel (tCO₂e)
- ▶ Percentage of total RBS exposures to sectors having particular exposure to climate risks and opportunities (%)
- ▶ Banking Standards Board Survey result (Score)
- ▶ Total gender balance in top 3 senior layers (%)
- ▶ Percentage of digitally active customers (%)
- ▶ Net Promoter Score (score)
- ▶ Number of financial health checks undertaken (#)
- ▶ Value of attempted fraud prevented in UK (£)
- ▶ Number of first-time buyer mortgage customers supported (#)
- ▶ Minimum number of jobs created by businesses participating in NatWest's Entrepreneur Accelerator programme (#)

¹ Type 2 moderate level assurance: an engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and verifies the reliability of specified sustainability performance information (AA1000AS (2008) Standard). For further information see www.accountability.org/standards/.

² The 2018 Addendum (AA1000AP) serves as a guiding framework of principles for sustainability management rather than a (prescriptive) standard and introduces a fourth, overarching principle — Impact — that supports results-based management and accountability. For further information see www.accountability.org/standards/.

Limitations

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 (Revised) and defined by AA1000AS 2008 Type 2 assurance engagement) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement and therefore a lower level of assurance is provided.

The scope of our engagement was limited to the reporting period of 1st January 2019 to 31st December 2019 and did not include an assessment of performance information relating to prior reporting periods.

Completion of our testing activities has involved placing reliance on RBS's controls for managing and reporting sustainability information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. Our controls testing relates specifically to the metrics identified above and does not extend to controls relating to RBS' underlying IT systems.

We have not provided assurance over claims made by RBS that are statements of belief or forward looking in nature.

Our assurance was limited to the RBS 2019 Strategic Report and RBS.com webpages. We provide no assurance over changes to the content after the date of this assurance report.

The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with RBS' management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

Our conclusions

Based on our limited assurance procedures, as described in this statement, our conclusions are outlined below:

- ▶ **Inclusivity** - Has RBS been engaging with stakeholders across the business to develop its response to sustainability issues?
 - ▶ We are not aware of any key stakeholder groups that have been excluded from dialogue.
 - ▶ We are not aware of any matters that would lead us to conclude that RBS has not applied the inclusivity principle in developing its response to sustainability issues.
- ▶ **Materiality** - Has RBS provided a balanced representation of key topics concerning the sustainability performance of RBS?
 - ▶ We are not aware of any key topics concerning the sustainability performance of RBS which have been excluded from the Report.
- ▶ Nothing has come to our attention that causes us to believe that RBS management has not applied its processes for determining material issues to be included in the Report.
- ▶ **Impact** - Has RBS monitored, measured and showed accountability for how their actions affect their broader ecosystems?
 - ▶ We are not aware of any matters that would lead us to conclude that RBS has not applied the impact principle in considering the matters to be reported.
- ▶ **Responsiveness** - Has RBS responded to stakeholder concerns?
 - ▶ We are not aware of any matters that would lead us to conclude that RBS has not applied the responsiveness principle in considering the matters to be reported.
- ▶ **Completeness and accuracy of selected performance disclosures**
 - ▶ Nothing has come to our attention that causes us to believe that the selected metrics listed above are not presented, in all material respects, in accordance with the Criteria.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to RBS management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- ▶ We note the greater integration of non-financial reporting processes with financial reporting procedures. There are clearer roles and responsibilities across teams compared to prior years;
- ▶ We have observed that RBS' TCFD disclosures have improved year-on-year, this year particularly providing further details on the strengthened governance, including the activities of the Climate Change Programme (GCCP). RBS is also reporting on the treatment of climate change within its risk management profile and we acknowledge that RBS is currently in the process of enhancing its approach to climate scenario analysis;
- ▶ We provided a number of recommendations for strengthening the governance and documentation for specific KPIs within our scope to improve consistency and accuracy of reporting;
- ▶ The relevance of non-financial reporting is developing rapidly. As a result, it is important that the controls and processes that underpin the data reported on these topics are further developed to build increased confidence in performance information. We acknowledge that the bank is currently undertaking various activities to support this endeavour.

Our independence

We comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC³. EY's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to RBS whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2019. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London

20th April 2020

³ Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)