

Group Ethical Code for Suppliers

Introduction

We recognise that as one of the world's largest financial institutions, our responsibilities extend outside of our commercial business interests, and that we play an important role in the economies in which we trade. We are committed to increasing our focus on Corporate Responsibility within our supply chains through specific improvement programmes and to reengineer our key supply chains to eliminate waste and improve efficiency. We have put in place a rigorous assessment process for our key suppliers which takes into account the wide range of factors which we believe are inherent to operating as a responsible business. This code sets out our expectations of suppliers in this area.

In 2003, the Group became a signatory of the Global Compact, a widely adopted United Nations standard for responsible business, covering human rights, labour rights, the environment and anti-corruption. As a globally recognised and universally applicable set of standards, *the Ten Principles of the Global Compact* form the basis of our ethical code for suppliers.

We are further committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, in line with all legal & regulatory requirements, and expect that suppliers operate to these same principles. This document is divided into two parts, outlining our key commitments to our suppliers, and detailing our ethical expectations of the companies that we work with.

Part I - Our Commitments to Suppliers

The performance of our suppliers is critical to our business. We aim to treat our suppliers with respect, and increasingly make it our policy to invest in long-term partnerships that benefit both sides. The Group's objective is to deliver best value from our suppliers on a long-term basis. While price matters, it is only part of the purchasing decision.

Developing our Relationship

Wherever practical and cost-effective, the purchasing and supply requirements of all the brands and businesses within the RBS group have been centralised and rationalised. This allows us to invest more time with each supplier, and to seek greater shared efficiencies throughout our supply chain.

Our Selection Process

Our sourcing teams aim to conduct the supplier tendering and assessment process in an open and transparent manner, sharing information wherever possible to improve performance. When selecting our suppliers, we assess them against a wide range of criteria, which include:

- Management capability and financial strength, to ensure long-term reliability.
- Ability to deliver enduring quality and value. We conduct rigorous due diligence before and after the bidding process, involving a full cost breakdown analysis, to ensure that the contract can be fulfilled.
- Commitment to innovation and their ability to help us develop new products, processes and ways of working that will give the bank a commercial edge.
- Commitment to the wider corporate responsibility agenda. We encourage suppliers to develop and comply with their own detailed corporate responsibility policies and guidelines, and we actively assess their practices and commitment.

Supplier Diversity

RBS Group is committed to providing equal opportunities in sourcing, regardless of race, gender, marital status, age, disability, religious belief, political opinion, or sexual orientation.

We aim to maximise supply chain opportunities by proactively seeking and building strong, value-focused relationships with all our suppliers.

We believe that diversity in our work force and in our supply base contributes to a stronger, better organisation, able to draw from a variety of resources in order to deliver increased value to our customers and investors. The value created from our supplier relationships will enable us to maintain long-term growth, solidify our partnerships with our customers and preserve a competitive advantage.

Consultation and Engagement

We meet our suppliers regularly to review our business relationships, share ideas and encourage best practice. Furthermore, we encourage feedback on the RBS group as a customer. We particularly welcome feedback on how we can improve our policies and processes.

Part II - Our Expectations of Suppliers

Purpose and Scope of this Code

As a financial services business, many of our social and environmental impacts are manifested through the operations of our suppliers. To ensure that we continue to improve our corporate responsibility performance, it is important that we work with suppliers who share our determination to be highly successful and customer focused, **and** who run their businesses to the same high standards as our own, managing their social and environmental impacts responsibly. This code set out our expectations of suppliers in this area. The code is applicable to the operations of all our direct suppliers, although we would encourage them to ensure that their own upstream supply chain suppliers adhere to the spirit of these business principles.

Ethical Code for Suppliers

Legal and Regulatory Compliance

Sourcing on a global basis means that there will always be an element of variation in the local regulations and standards to which our suppliers operate. **We insist that all suppliers adhere rigorously to all relevant legislation and regulation in their operations.** This includes all applicable employment, health, safety, environmental and Bribery & Corruption legislation. Regulatory breaches that come to our attention will be taken into account when renegotiating supplier relationships.

Business Principles

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, and expect that suppliers operate to these same principles. We further expect that suppliers are committed to operating to relevant best-practice standards of employment, health, safety and environmental management in the workplace, and that suppliers provide adequate working facilities for all employees. Our expectations of suppliers go beyond regulatory compliance. To summarise these expectations, we believe that it is useful to reference the UN Global Compact Principles set out below.

Human Rights

We expect that:

Principle 1: [Suppliers] should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

We expect that:

Principle 3: [Suppliers] should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

We are committed to strong business growth that is not achieved at the expense of the environment, and believe that all businesses should do their utmost to minimise their impact on the environment.

The RBS group, as a provider of financial services, affects the environment directly through our own operational activities and indirectly through the activities of our suppliers across the world. The environmental challenges facing us all include our use of resources, the creation of pollution, the effects of our activities on climate change, and our impact on species and habitats. It is important that we not only monitor our own behaviour but also encourage others to adopt best practice.

We therefore expect that:

Principle 7: [Suppliers] should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

The Group has a strict policy on Anti-Bribery and Corruption. It will not engage in bribery or corruption in any form and has a zero tolerance approach to any breach whether it involves private individuals or public officials (including in relation to facilitation payments). As such we expect that our suppliers enforce an equally robust Anti-Bribery & Corruption policy of their own, as well as complying with any relevant legislation.

We expect that:

Principle 10: [Suppliers] should work against all forms of corruption, including extortion and bribery.

Further information

The Global Compact's Ten Principles in the areas of human rights, labour rights, the environment and anti-corruption are derived from the universally recognised standards set out below:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Further explanatory information about the application and intent of the Ten Principles is available at: www.unglobalcompact.org

Whistleblowing

Whistleblowing channels are available, allowing suppliers to report unethical conduct with regards to their relationship with the RBS Group.

The link to this service can be found here: <https://rbsrightcall.alertline.eu/gcs/welcome>