

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

We have performed a limited assurance engagement in relation to The Royal Bank of Scotland's ('RBS') sustainability reporting for the year ended 31 December 2017 ('the Report')<sup>1</sup> 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 AA1000AS (2008). The criteria we have used to evaluate the Report ("the Criteria") include:

- ▶ The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness; and
- ▶ RBS' own criteria as set out in the Report and the 'Basis of Reporting' document available on its 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.
- ▶ Reviewing selected performance information on a materiality basis and selected documentation supporting assertions made;
- ▶ Reviewing the guidance on data reporting, key processes and quality assurance performed;
- ▶ Selecting a sample of data points from across the business and sought documentary evidence to support the data;
- ▶ Conducting a walk-through of data to test consolidation;
- ▶ Reviewing any explanations provided for significant variances; and
- ▶ Reviewing the Report for the appropriate presentation of the data and coverage of material issues including limitations and assumptions.

Our review of the sustainability data was limited to the following metrics for the 2017 reporting period:

- ▶ Value (£) of attempted fraud prevented in UK
- ▶ Total gender balance in top 3 senior layers
- ▶ Total number of Financial Health Checks
- ▶ Total number of people supported through our enterprise programmes
- ▶ Banking Standards Board survey results
- ▶ % of staff achieving Chartered Banker Professional Standards Board certification
- ▶ % personal customers who are digitally active
- ▶ Total scope 1 and 2 location based CO2-e emissions and Scope 3 emissions from business travel
- ▶ Sustainable energy lending (£)
- ▶ % of complaints upheld

### Limitations

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) 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.

<sup>1</sup> The Report comprises sustainability disclosures in the Annual Report & Accounts for the year ended 31 December 2017 and on [rbs.com/sustainability](http://rbs.com/sustainability)

Completion of our testing activities has involved placing reliance on RBS' 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.

Our assurance was limited to the Report. We provide no assurance over changes to the content after the date of this assurance report.

### 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.
- ▶ **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.

- ▶ RBS has provided details of how it has responded to the key influences in its operating environment during 2017 within its Strategic Report, helping readers to understand more about its sustainability activity. RBS should build on this in future years by highlighting the responses that are most important to an understanding of its performance.
- ▶ RBS publishes details of its non-financial performance against targets for selected KPIs, such as its Net Promoter Score. RBS should consider defining and reporting on targets for other sustainability KPIs that are of strategic importance to the bank.

### Our independence

We comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1<sup>2</sup>. Ernst & Young'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 2017. 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**

**8<sup>th</sup> May 2017**

<sup>2</sup> Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)