

**RBSG Re-baseline and Restatement Policy
2015**

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1. RBS Group – Environmental Data Disclosure Re-baseline and Restatement Policy

The purpose of this policy is to articulate the rules and triggers for the recalculation and / or restatement of environmental data, including our 2011 baseline GHG emissions figures.

Rationale

From time to time, changes to our basis of reporting require an adjustment to the data we have disclosed externally, including changes to our baseline year calculations. For example, changes to the structure of our business, such as through acquisitions or divestments, or changes to our GHG emissions calculation methodology.

The Greenhouse Gas Protocol requires an organisation to have and use a re-baseline and restatement policy applicable across the reporting organisation. Our intention is to apply this policy across our environmental data as defined in the Policy Scope section, below.

Policy Scope

This policy relates to entities over which RBSG is deemed to have operational control.

This policy relates to data concerning the following; GHG Emissions from Scope 1 and Scope 2, business travel, water consumption, paper consumption and waste.

Key Definitions

- **Base year:** year prepared for RBS's quantitative target.
- **Starting year:** earliest disclosed year.
- **Trigger candidates:** Triggers that may lead RBS to change historical data. The specific reasons or impacts are less relevant so long as they are candidates.
- **Recalculation:** Making any changes to historical data which has been formally reported internally and/or externally
- **Base year adjustment:** Making any changes to any historical years including base year to achieve 'like for like' comparison internally and/or externally.
- **Restatement:** Making any changes to any historical year apart from base year for any reason such as error collection, structural change, change in methodology, etc.

2. Trigger Events and Significant Changes for Data Restatement

Trigger Events

Trigger events are events to generate candidates for potential recalculation.

Typical cases for data restatement are as follows:

- Acquisition
- Merger
- Divestment
- Entering or exiting a Joint Venture over which RBSG has operational control
- Change in calculation approach due to
 - methodological change (e.g. change in emission factors EF)
 - improved activity data (e.g. new / improved data due to legislative update)
- Error correction

The following **do not trigger data restatement**

- Construction of new site
- Establishment of a new operation, e.g. a new market
- Closure of site not associated with the sale of a business/brand (organic decline)
- Reduction of production volumes or headcount at a site

Introduction of a new KPI

- If a new KPI is introduced then this should be established back to the baseline year where practical.

Timing

The assessment of whether to rebaseline or restate occurs once a year before environmental performance data is consolidated and then reported externally.

Significant Changes

1. Significant threshold is the trigger for recalculation

- Certain adjustments are subject to a significance threshold. Significant threshold is defined as any change or cumulative changes greater than or equal to 5% (either positively or negatively) in the current or any historical reporting year at the RBSG level.
- 5% of the reported RBSG Scope 1 and Scope 1 emissions total is to be tested as our “Significant threshold” for greenhouse gas reporting at present.

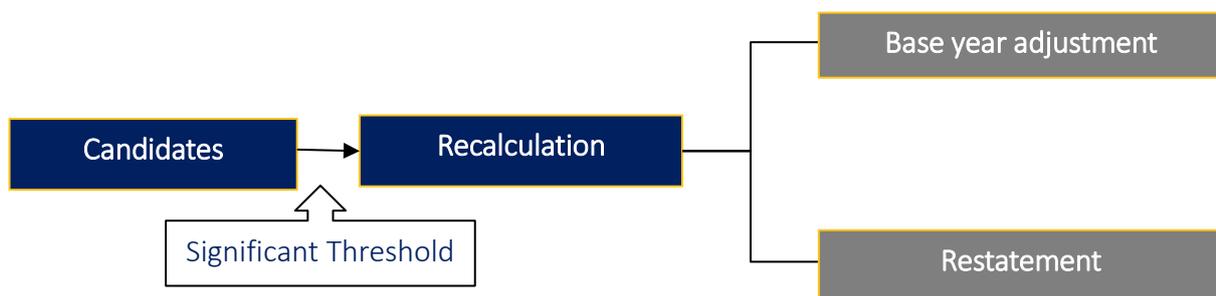
- The threshold % will be revisited in future years. Between 2015 and 2020, RBS is planning a number of material changes to its business (e.g. divestment of Williams and Glynn). Therefore a threshold of 5% is considered appropriate and is line with Greenhouse Gas Protocol Corporate Standard. However, this threshold will continue to be reviewed annually.
2. If a significant change is identified for a particular year, then that data point will also be restated for all other historical reporting years (irrespective as to whether the change in the other years is significant or not).
 3. Changes will be assessed for significance on a cumulative basis in the current reporting year.
 4. For non-emissions data, changes will be assessed per each data type, e.g. water changes are assessed for significance based on water data.

3. Structure for Recalculation

Step 1: Recalculation candidates are gathered

Step 2: Sum of each year candidates are compared with significant threshold. If sum of one year exceed 5% of the year's amount, it will be recalculated.

Step 3: There are 2 type methods for recalculation; Base year adjustment and restatement



1. Base year adjustment

- For “like for like” comparison, relevant data of GHG emissions and GHG intensity target are recalculated from the base year.
- If an activity was not included in RBSG but existed in the world, its emissions should be treated as if it belonged to RBSG from the base year.

2. Restatement

- It is recalculation of relevant past years, NOT including the base year.

- Restatement should be recognized within RBSG valid target period.
- Restatement includes recalculation for an activity which was neither included in RBSG nor existed in the world in the base year.

3.1. Base year adjustment

- “Base year” is a concept to realize meaningful and consistent comparison for a company who has a GHG emission reduction target.
- Thus, RBSG Recalculation Policy for Scope 1 & Scope 2 assumes that it is prepared primarily for GHG emissions and GHG intensity target.
- If an activity was not included in RBSG but existed in the world before the base year, its emissions should be treated as if it belonged to RBSG from the base year. An example is a structural change with big impact such as acquisition.
- In certain circumstances, it may be appropriate to estimate environmental data to ensure apple to apple comparison. For example, a business which was operational in 2009 and was subsequently acquired by RBSG for which no data of ‘sufficient quality’ could be obtained. In this case, data should be estimated.

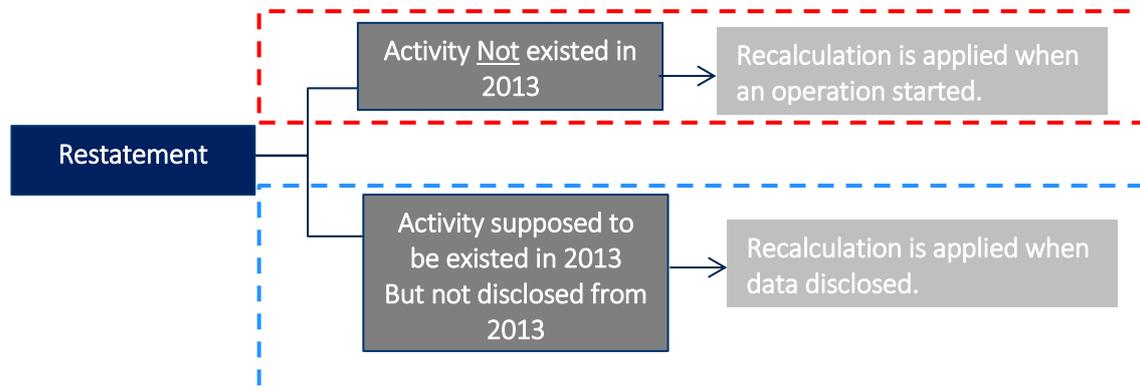
Events Requiring Base Year Adjustment

<i>Structural Changes – Acquisitions, divestments, in-sourcing, outsourcing</i>	Any acquisition or divestment of a company / subsidiary will trigger a baseline adjustment. No baseline adjustment will apply when organic growth, i.e. not related to acquisition, divestures, in- or out-sourcing, or for non-production related acquisitions or divestments.
<i>Methodology Changes</i>	Changes in our calculation method that result in a Significant Change will trigger a baseline adjustment.
<i>Data Changes</i>	Improvements or corrections to our emissions data that result in a Significant Change will trigger a baseline adjustment.
<i>KPI Changes</i>	If a new headline global KPI is introduced or removed, the same approach to rebaselining for acquisitions and divestments will be taken for this KPI. Where a new global sub-indicator is introduced or removed, the same approach to rebaselining for acquisitions and divestments will be taken for this sub-indicator, allowing for continued year-on-year comparison of the relevant headline KPI.

3.2. Restatement

A restatement can be defined as “Past years’ adjustment excluding the base year”.

Example: Company A was established in 2014 and acquired by RBSG in 2015. Therefore recalculation is applied from 2014.



4. Data priority for recalculation

1. Actual data with sufficient quality
2. Extrapolation with sufficient convincing evidences
3. "Back casting"* using its latest reliable year's data

"Sufficient quality" data

- In cases where we are divesting a site or business, the previously disclosed data on that entity to be of sufficient quality.
- In some cases, sufficient quality data could not be obtained at the date of divesting or outsourcing.
- For those instances, data will then be extrapolated using the most appropriate and robust methodology.
- Recalculation of divestment or outsourcing of emissions **shall** occur as close to the legal completion of the activity as feasibly possible
- Recalculation of merger, acquisition or insourcing of emissions **should** occur at a date post completion of the activity, given commercial reasons.