

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

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 2018 ('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 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.

- 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 2018 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)
- Total gender balance in top 3 senior layers (%)
- Percentage of digitally active customers (%)
- Minimum percentage of customer feedback responded to successfully within four days (%)
- Value of attempted fraud prevented in UK (£)
- Number of financial health checks undertaken (#)
- Percentage of total RBS exposures to sectors having particular exposure to climate risks and opportunities (%)
- Banking Standards Board Survey result (Score)
- Minimum number of jobs created by businesses participating in NatWest's Entrepreneur Accelerator programme (#)
- Number of first time buyer mortgage customers supported (#)

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.

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.

Our assurance was limited to the RBS 2018 Strategic Report and RBS.com webpages. 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.

- The bank has made progress in integrating additional non-financial information in its strategic report over recent years. We noted an improved process for determining report

content, seeking input from a range of stakeholders. There is an opportunity to further develop the KPIs used to measure sustainable banking to focus on measuring the impacts on stakeholders from RBS's activities.

- We observed differing levels of maturity in the controls and data collection processes across the KPIs within our scope. With increasing scrutiny from investors and stakeholders on non-financial information, it is important that the controls and processes that underpin non-financial data continue to develop.

Our independence

We comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC11. 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 2018. 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

23rd April 2019

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