

United Nations Global Compact

Communication on progress

September 2017



“Our commitment to the international progress of human rights includes being a signatory of the United Nations Global Compact since 2003, and we reaffirm our commitment to the ten principles of the Global Compact. We are committed to the implementation of the UN Guiding Principles on Business and Human Rights.

We are committed to running the bank as a more sustainable and responsible business, serving today’s customers in a way that also helps future generations, generating long term value for all of our stakeholders and society. We continued with our commitment to manage our impacts on climate change and support our customers to move towards the transition to a low-carbon economy. We continue to support financial education and our goal is to help a further one million more young people understand all about money by the end of 2018.”

RBS CEO, Ross McEwan

How we meet our commitment to the UNGC ten principles

What sustainable banking means for us is serving today’s customers in a way that also helps future generations. It requires us to put our customers first, make RBS a great place to work, support our communities and be mindful of our environmental and social impacts.

RBS has an established and robust framework in place for the governance of sustainability issues. The Sustainable Banking Committee was set up in 2009 and is a Board level Committee. The Committee’s role is to support the Board in overseeing, supporting and challenging actions being taken by management to run RBS as a sustainable business. The Committee is supported by the RBS Sustainable Banking team, which leads the company’s efforts to integrate sustainable banking to the heart of everything we do.

We recognise that our actions and those of our clients present a number of Environmental, Social and Ethical (ESE) risks. We continually assess our lending in relation to sensitive sectors and issues, conduct appropriate due diligence and aim to be a responsible lender. RBS has developed ESE risk policy positions for eight industry sectors which present higher ESE risk.

We have developed a Sustainable Procurement Code to guide our approach with suppliers. And have a robust Code of Conduct and Yes Check for employees to affirm their role in meeting our obligations, including to society and the environment and our responsibilities towards our staff.

RBS recognises its responsibility to respect and uphold human rights, and we welcome the UK’s Modern Slavery Act 2015 to combat slavery and human trafficking. We are taking the necessary steps to ensure there is no modern slavery in our business or supply chain.

In the table below we set out how we apply the ten principles of the United Nations Global Compact across our business against the 21 advanced criteria.

This report covers the period September 2015 – December 2016.

Implementing the Ten Principles into Strategies & Operations		
Criteria	Comment	Reference
1. The COP describes mainstreaming into corporate functions and business units	We continue to embed sustainable management practices and policies across our business, including the areas of human rights, labour, environment and anti-corruption. We measure performance and report on this in detail in our combined Strategic Report, and on our Sustainable Banking webpages. In 2017, for the first time, we published our first combined Strategic report bringing together financial and non-financial information, describing how we create value and the key influences in our operating system.	http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf www.rbs.com/sustainable
2: The COP describes value chain implementation	RBS creates value through enabling people to run their daily lives and businesses through the operation of the millions of transactions carried out each day. Another key role we play is to support and enable economic growth. The successful running of RBS can provide wider benefits through employment, tax contributions, and, of course, the provision of liquidity in the economy through our lending to business. Being a sustainable business is also about how we choose to operate, and how we can go further to shape the world in a positive way. Smart products, innovative lending models, progressive employment practices, supporting low carbon solutions – these are all big opportunities for us, but also for our customers and the communities we live in. Read our Strategic Report for comprehensive information on how we are building a more sustainable RBS.	http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf
Robust Human Rights Management Policies & Procedures		
Criteria	Comment	Reference
3: The COP describes robust commitments, strategies or policies in the area of human rights	RBS recognises our corporate responsibility to respect and uphold human rights, as expressed in the International Bill of Rights (the Universal Declaration of Human Rights, International Covenant on Civil and Political Rights and International Covenant on Economic, Social and Cultural Rights.)	Strategic Report 2016, p 36. http://www.investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf
4: The COP describes effective management systems to integrate the human rights principles	We are committed to the implementation of the UN Guiding Principles on Business and Human Rights and we	https://www.rbs.com/rbs/sustainability/responsible-

<p>5: The COP describes effective monitoring and evaluation mechanisms of human rights integration</p>	<p>work with our peers through UNEPFI and the Thun Group to understand our responsibilities. We contributed to the Thun discussion paper on the implications of UN Guiding Principles 16-21 for banks. Our Statement on Human Rights sets out the scope of our work in this area.</p> <p>We have also adopted and contributed to a number of internationally accepted initiatives, the Equator Principles and the UN Global Compact, which specifically address the management of human rights issues.</p> <p>We welcome the UK's Modern Slavery Act and are taking the necessary steps to ensure there is no modern slavery in our business or supply chain.</p> <p>In June 2017, we published our Modern Slavery Act Annual Statement outlining the measures we've taken to protect victims and potential victims of modern slavery, and our aim to prevent and eradicate modern slavery in our business and supply chain. We reviewed our policy statement to ensure it meets the Modern Slavery Act requirements, identifying and addressing high risks within the business and supply chain and providing bespoke training and raising general awareness around modern slavery and human trafficking.</p> <p>We have also updated our sourcing process and the Sustainable Procurement Code to include specific requirements of the Modern Slavery Act.</p> <p>The activities of our customers can have environmental, social and ethical (ESE) impacts including the potential for human rights infringements. To help us assess and manage these risks, we operate an ESE risk management framework. As part of this process, we conduct due diligence on relevant customers and transactions, considering their impacts as well as expecting our customers to adhere to environmental, social and human rights standards.</p>	<p>business/business-and-human-rights.html</p> <p>https://www.rbs.com/rbs/sustainability/responsible-business/modern-slavery-act.html</p> <p>https://www.rbs.com/rbs/sustainability/responsible-business/reputational-and-environmental-social-ethical-e-se-risks-/managing-e-se-risk.html</p>
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Robust Labour Management Policies & Procedures

Criteria	Comment	Reference
6: The COP describes robust commitments, strategies or policies in the area of labour	Developing and nurturing a healthy and inclusive culture throughout the bank is crucial. We are determined to make the bank a great place to work, to encourage people to bring the best of themselves to work and help each other to realise our full potential.	Strategic Report 2016, p 28 & 36.
7: The COP describes effective management systems to integrate the labour principles	To really live our values we continue to reinforce them in our systems, our policies and processes, our	http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf

<p>8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration</p>	<p>communications, training and leadership role modelling.</p> <p>We monitor our progress against our goals. We gather feedback from our colleagues, and through metrics and key performance indicators to assess our progress and respond accordingly. We do this in tandem with feedback from regulators and industry bodies.</p> <p>Almost 63,000 colleagues completed our most recent colleague survey. The results showed we're changing the culture of the bank for the better. We remain above the global financial services norm for wellbeing, our inclusion scores continue to improve and there is a strong sense that managers act consistently with Our Values. But some of the scores have fallen. Scaling down RBS and dealing with some difficult legacy issues have left us with lower scores in engagement, pride and leadership, compared to 2015.</p> <p>We continue to embed 'Determined to lead' (Dtl), our core leadership programme across the bank. Dtl provides consistent tools to lead and engage our colleagues and is transforming the way we operate. In 2016, almost 16,000 leaders participated in the programme.</p> <p>We also offer a broad range of learning which can be mandatory, role specific or related to personal development.</p> <p>We updated our Code of Conduct in 2016 which outlines the behaviours we expect of each other and what our customers and communities can expect from us – includes a clear commitment to respect human rights. We also have a simple decision-making guide (called the "YES check") has been included in the Code of Conduct. It is a simple, intuitive set of five questions, designed to ensure RBS values guide day-to-day decisions.</p> <p>Keeping our employees physically and mentally healthy is a big part of making RBS a great place to work. For example, we offer choice in working locations and patterns, and launched several mindfulness support tools. When colleagues wish to report concerns relating to wrong doing or misconduct and breaches in human rights, they can raise concerns via Speak Up, the bank's whistleblowing service. In 2016, 213 cases were raised compared to 142 in 2015.</p> <p>To help our colleagues develop a work life balance, to create an inclusive, flexible working culture and to help us focus on our customers' needs, we offer choice in working locations and patterns. Over 18,000 colleagues involved in flexible working projects in 2016. We set up a number of spoke sites in existing buildings around London making it easier for colleagues to work closer to home and closer to customers.</p> <p>We became an accredited Living Wage employer in November 2014, which applies to our operations and suppliers in the UK. The Living Wage is an hourly rate set independently and according to the basic cost of living (as</p>	<p>https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/OurCode_External.pdf</p> <p>http://www.rbs.com/news/2014/11/rbs-becomes-an-accredited-living-wage-employer.html</p> <p>https://www.rbs.com/rbs/sustainability/working-at-rbs.html</p> <p>https://www.rbs.com/rbs/sustainability/working-at-rbs/creating-a-healthy-culture.html</p>
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	<p>calculated using the Minimum Income Standard for the UK). Employers can choose to pay the living wage on a voluntary basis.</p> <p>We continue to work towards our goal of having at least 30% senior women in our top three leadership layers across each business by 2020 and to be fully gender balanced (50/50) by 2030. We have a positive action approach in place, tailored by business, according to the specific challenges they face.</p> <p>RBS is also committed to equal opportunities for suppliers, and we recognise that diversity strengthens our supply chain.</p> <p>Selected 2016 highlights include:</p> <ul style="list-style-type: none"> • We got a 'silver award' score of 88% in the Business Disability Forum Standard. In 2015, we were unrated. • We moved up 19 places to 13th in the Top 100 Stonewall Workplace Equality Index – the highest ranking we've ever had. • We retained Platinum for our work on Gender in Business in the Community's Opportunity Now benchmark and our place in the Times Top 50 Employers For Women to work index. • We retained Gold for our work on Race in Business in the Community's Race for Opportunity benchmark. • We achieved Top Ten Employer status in the Working Families benchmark. • Our employee led networks (ELNs) have grown to over 16,000 members globally. • We continued to deliver against our gender targets and across all areas of our inclusion agenda. 	
Robust Environmental Management Policies & Procedures		
Criteria	Comment	Reference
9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship	RBS aims to be a leader among global financial institutions in terms of managing our own environmental impacts as well as seeking to influence other businesses on how they manage theirs. During 2016 we outperformed our 2020 targets of 20% carbon, 5% water and 50% paper reduction. We have recently increased our ambition in these areas.	Strategic Report 2016 – page 35 http://www.investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf
10: The COP describes effective management systems to integrate the environmental principles	We also published a new statement setting out our	

<p>11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship</p>	<p>approach to climate change to meet commitments set out at COP21, and signed the Paris Pledge for Action. We state we will not provide funding to undiversified thermal coal mining companies, and that we plan to continue reducing our exposure to thermal coal year-on-year as that energy source declines in the UK energy mix.</p> <p>We make significant lending available to support the transition to a low carbon economy. In 2016, we lent over £1 billion to sustainable energy. We have also been externally recognised as the largest lender to the UK Renewable energy sector by number of transactions (2011-2016) according to InfraDeals, a renewables and infrastructure market data provider. This included taking a lead role in financing the Beatrice Offshore Wind Farm, located 13.5km from the Caithness Coast.</p> <p>These actions demonstrate that as a provider of financial services, we also have a responsibility to understand and manage the wider environmental risks associated with the sectors we support, as well as our direct impacts. Our stakeholders are often interested in RBS's clients who operate in sensitive sectors with high social and environmental impacts. We report on our risk management policies, processes and operations in our Strategic Report.</p> <p>RBS includes environmental criteria in its Sustainable Procurement Code, which requires suppliers to minimise environmental impacts from the production and distribution of products or services.</p>	<p>https://www.rbs.com/rbs/sustainability/responsible-business/approach-to-climate-change.html</p> <p>https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Downloads/rbs-protecting-the-environment-policy.pdf</p> <p>https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Downloads/sustainable_procurement_code_Dec_2016.pdf</p>
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Robust Anti-Corruption Management Policies & Procedures

Criteria	Comment	Reference
12: The COP describes robust commitments, strategies or policies in the area of anti-corruption	<p>RBS has a zero tolerance approach to bribery, corruption, money laundering, sanctions and terrorism financing. In May 2016 we published a revised version of our Anti-Bribery and Corruption (ABC) Statement. We continue to enforce our Anti-Money Laundering and Sanctions Policies and Mandatory Procedures, and conducted a Financial Crime Assessment within all our franchises. In 2015, over 95% of employees completed training on anti-money laundering, anti-bribery and corruption and sanctions. In 2016, we continued to record over 95% of employees completed training on anti-money laundering, anti-bribery and corruption and sanctions.</p> <p>We are committed to the responsible management of our tax affairs and are signatories to the Government's Code of Practice on Taxation for Banks.</p>	Sustainability Report 2015 - page 32 - 33. https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Downloads/Sustainability_Report_2015.pdf
13: The COP describes effective management systems to integrate the anti-corruption principle		Transparency International: http://www.rbs.com/news/2014/11/rbs-leads-the-field-in-transparent-reporting.html
14: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption		https://www.rbs.com/rbs/sustainability/responsible-business/our-tax-responsibilities.html

Taking Action in Support of Broader UN Goals and Issues

Criteria	Comment	Reference
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<p>15: The COP describes core business contributions to UN goals and issues</p>	<p>Through our participation in industry initiatives we support broader UN goals and issues. We have adopted the Equator Principles (EP) since its inception in 2003 and are members of the EP Association Steering Committee. We were heavily involved in the work on 'EP III.'</p> <p>We are members of UNEPFI and signatory to the UNEPFI statement of commitment by Financial Institutions on Sustainable Development.</p> <p>We have been members of the United Nations Global Compact since 2003 and we actively participate in the development of this initiative through representation on the Advisory Committee of the UK members network. We hosted one of their Sustainable Development Goals Working Group meetings in June 2017 to discuss defining priorities towards the SDGs.</p> <p>We work with our peers in other banks to contribute to the sector response to the UN Guiding Principles for Business and Human Rights, through the Thun Group and UNEPFI.</p> <p>We also run programmes and initiatives aimed at supporting communities, such as improving financial capability through the development of good money management skills. We run MoneySense - a flagship financial education programme, which is estimated to have helped 4.5 million young people learn about money since we started 22 years ago. It is the only financial education programme to deliver learning to 5-18 year olds, both in the classroom and at home. By the end of 2018, we will have helped a further one million young people.</p> <p>In India, we established a new partnership between RBS Foundation India and the UN Climate Adaptation Fund.</p>	<p>Sustainability Report 2015, pages 12, 21, 28, 37-39, 54.</p> <p>https://www.rbs.com/content/dam/rbs.com/rbs/PDFs/Sustainability/Downloads/Sustainability_Report_2015.pdf</p> <p>https://www.rbs.com/rbs/sustainability/sustainable-banking-at-rbs/external-commitments.html</p> <p>UNEPFI: http://www.unepfi.org/members/</p> <p>UN Global Compact UK Network: https://www.unglobalcompact.org/what-is-gc/participants/8080-Royal-Bank-of-Scotland-</p> <p>Supporting financial education: https://www.rbs.com/rbs/sustainability/customer-focused/financial-capability.html</p>
<p>16: The COP describes strategic social investments and philanthropy</p>	<p>Our recorded community investment for 2016 was £31.5 million, measured using the London Benchmarking Group standard.</p> <p>In March 2016, RBS concluded our partnership with Sport Relief, raising over £1.5 million (including GiftAid).</p> <p>In Autumn 2016, we held our second cycle challenge in which colleagues cycled from London to Edinburgh, raising over £470,000 for Princes Trust.</p> <p>Our Social and Community Capital charity has provided around £4.3m social finance to personal community finance institutions (CDFIs). These organisations provide an affordable, community-led alternative to payday loans and work in some of the most under-served communities in the country.</p> <p>Do good, feel good is our bank-wide community campaign for 2017 with a call to action to get all employees involved in fundraising and volunteering regardless of where in the world they work. This campaign has 4 targets: to give 100,000 hours of our work time to charitable causes, raise</p>	<p>https://www.rbs.com/rbs/sustainability/responsible-business/giving-and-volunteering.html</p> <p>Strategic Report 2016 – pages : 16, 23 & 65. http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf</p> <p>https://www.rbs.com/rbs/sustainability/responsible-business/enterprise.html</p>

	<p>at least £4m for charitable causes, 2,500 employees delivering MoneySense lessons and to train 40,000 of our employees in CPR.</p> <p>We provide philanthropic support to enterprise in the UK, including £2.5m in grants to not-for-profit organisations under our Skills and Opportunities Fund; £1m to the Prince's Trust to support young people into employment and £4.1m investment into Entrepreneurial Spark to support start-up businesses to grow.</p> <p>We run a dedicated programme to support Women in Business. We have also set a target for each Executive Committee member to have at least 30% women in senior roles (the top three leadership layers) by 2020 and we continue to work to be fully gender balanced (50/50) by 2030.</p> <p>Through the Innovation Gateway we road test innovative ideas and products for saving resources (energy, water and waste) on our premises, providing a live testing environment, which helps bring these products to market. Our Innovation Gateway crowdsourcing community is a partnership with corporates and universities, now sourcing new solutions from 1,300 SMEs. We've tested 34 of these new products in our facilities since 2014 with notable success in reducing water usage.</p> <p>In December 2016, we accepted donations through our branch and ATM networks to the Disasters and Emergency Committee (DEC) appeals for the Yemen Crisis Appeal. We also waived international transfer fees to Yemen and made a corporate donation to the appeal, taking the total raised to almost £800,000.</p>	
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<p>17: The COP describes advocacy and public policy engagement</p>	<p>We support various UK Government initiatives and engage in public policy on a range of issues including on our core themes of enterprise and financial capability as well as issues such as renewable energy - participating in the WWF Taskforce on the future of renewables, in which RBS provided input on evidence-based policy recommendations for the UK government in the renewables space, and participating in the Government consultations on the revised UK National Action Plan on Business and Human Rights. We work with the City of London Police to tackle complex financial crimes and with the Metropolitan Police to develop the 'Little Book of Big Scams' aimed at stopping fraud and identity theft.</p> <p>We are the first bank to sponsor 'Friends Against Scams', the National Trading Standards Scams Team's fraud and scams awareness initiative.</p> <p>In 2016, we extended our innovative Citizens Advice partnership, where Citizens Advice colleagues are located within one of our Specialist Support teams providing independent generalist/debt advice to our most vulnerable customers. We have helped over 1,000 vulnerable customers since this partnership commenced in September 2015.</p>	<p>Sustainability Report 2015 - pages 11, 21, 29. https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Downloads/Sustainability_Report_2015.pdf</p> <p>https://www.rbs.com/rbs/sustainability/customer-focused/financial-capability.html</p> <p>https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Listening_to_our_stakeholders.pdf</p> <p>https://www.rbs.com/rbs/sustainability/customer-focused/customers-in-vulnerable-situations.html</p>
<p>18: The COP describes partnerships and collective action</p>	<p>We describe some of our key international External Commitments on our website such as Equator Principles, UNGC, Thun Group. We became a signatory to the Green Bond Principles in 2014, and supported the growth of the Green Bond market during 2015. In addition, we work in partnerships with others to provide specific support to enterprise and financial capability, which are our two core focus areas, as well as partnerships for our community investment and philanthropic activities, and supporting customers in vulnerable situations.</p>	<p>Strategic Report 2016 - pages 26-30, 36, 40. http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf</p> <p>https://www.rbs.com/rbs/sustainability/responsible-business/reputational-and-environmental-social-ethical-esg-risks-equator-principles.html</p> <p>https://www.rbs.com/content/dam/rbs_com/rbs/PDFs/Sustainability/Listening_to_our_stakeholders.pdf</p>
<p>Corporate Sustainability Governance and Leadership</p>		
Criteria	Comment	Reference
<p>19: The COP describes CEO commitment and leadership</p>	<p>See above statement of support from our CEO and his review in the 2016 annual Strategic Report, on our ongoing commitment to the UNGC.</p> <p>We are committed to participate with our peers in initiatives such as the Thun Group and United Nations Environment Programme Finance Initiative.</p> <p>We have adopted the Equator Principles Association Steering Committee, since their inception in 2003, to manage social and environmental risks, including human rights, in project-related transactions. We will not provide project finance where the borrower will not, or cannot,</p>	<p>http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf</p> <p>https://www.rbs.com/rbs/sustainability/sustainable-banking-at-rbs/external-commitments.html</p>

	comply with these principles of socially responsible investment.	
20: The COP describes Board adoption and oversight	The governance section of the Strategic Report 2016 describes our governance structure and oversight and outlines in further detail the role of the Board-level Sustainable Banking Committee, chaired by Independent Director, Penny Hughes.	Strategic Report 2016 - page 54 & 60. http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf
21: The COP describes stakeholder engagement	Our Stakeholder engagement which includes regular roundtable meetings held by our Sustainable Banking Committee with external stakeholders ensures senior level engagement. We hold regular meetings and briefings with a wide range of external stakeholders from customers to investors, media to NGOs, which is outlined in our Strategic Report 2016.	Strategic Report 2016 - page 8 & 54. http://investors.rbs.com/~media/Files/R/RBS-IR/annual-report-2016/strategic-report-2016.pdf https://www.rbs.com/rbs/sustainability/sustainable-banking-at-rbs/stakeholder-engagement.html