

## Second-Party Opinion

# Royal Bank of Scotland: Green, Social and Sustainability Bond

### Evaluation Summary

Sustainalytics is of the opinion that the Royal Bank of Scotland Group plc (RBS) Green, Social and Sustainability Bond Framework is credible and impactful, and aligns with the Green Bond Principles 2018, Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers the projects funded – (i) Renewable Energy, (ii) SME Financing, and (iii) Access to Essential Services – to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** RBS has established a Green, Social and Sustainability Bond Working Group responsible for selecting loans to be included in the bond portfolio and ensuring that the loans are aligned with the criteria of the framework. Sustainalytics considers this to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The net use of proceeds will be managed by RBS on a portfolio basis. The Working Group will on a semi-annual basis, review and approve allocation of bonds proceeds to eligible loans. Any asset that no longer meets the eligibility criteria will be removed and replaced with another eligible loan. Proceeds will be immediately allocated following issuance. Sustainalytics considers this to be in line with market practice.



**REPORTING** RBS will make available to investors an allocation report shortly after the first bond issuance. This report will provide information related to: total amount of proceeds allocated to eligible loans, number of eligible loans included in the portfolio. RBS will also make available an Impact Report which will include relevant impact metrics. Sustainalytics considers this reporting to be in line with market practice.

<b>Evaluation date</b>	November 2019 <sup>1</sup>
<b>Issuer Location</b>	Edinburgh, United Kingdom

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<sup>1</sup> This SPO was updated in November 2019 to reflect additional initiatives of the Bank.

## Introduction

The Royal Bank of Scotland Group plc (“RBS”, the “bank”, or the “Issuer”) formed in 1969 is a UK based financial services company. The bank provides a wide range of products and services to personal, business, commercial, corporate and institutional customers. Its main subsidiary companies include The Royal Bank of Scotland, NatWest Bank, Ulster Bank, NatWest Markets, RBS international and Coutts.

RBS has developed the RBS Green, Social and Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and/or sustainability bond(s) and use the proceeds to finance or refinance, in whole or in part, loans to businesses or projects that support the transition to a low carbon economy and tackle the issue of social inequality across the UK. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
  - a. Wind projects, onshore and offshore energy projects
  - b. Solar projects, photovoltaic energy projects
  - c. Small- scale hydropower projects, <20MW capacity
2. SME Financing
  - a. Loans to SMEs located in the 30% most economically disadvantaged areas in the UK
3. Access to Essential Services
  - a. Infrastructure for hospitals, laboratories, clinics, healthcare and hospices that are affiliated with the NHS, part of the NHS trust, or are more broadly accessible to the whole public
  - b. Infrastructure for the provision of childcare and child, youth or adult education and vocational training services which are broadly accessible to the whole public

RBS engaged Sustainalytics to review the RBS Green, Social and Sustainability Bond Framework dated June 2019 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

As part of this engagement, Sustainalytics held conversations with various members of RBS’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the RBS Green, Social and Sustainability Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the RBS Green, Social and Sustainability Bond Framework and should be read in conjunction with that Framework.

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> Royal Bank of Scotland Green, Social and Sustainability Bond Framework is available on RBS’s website at: <https://investors.rbs.com/>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the RBS Green, Social and Sustainability Bond Framework

#### Summary

Sustainalytics is of the opinion that the RBS Green, Social and Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Sustainalytics highlights the following elements of the RBS Green, Social and Sustainability Bond Framework:

- Use of Proceeds:
  - The Eligible Categories for the Use of Proceeds are recognized as impactful by the Green Bond Principles, and the Social Bond Principles.
  - Under the Renewable Energy category, loans will be granted for financing equipment, development, manufacturing, construction, operation, distribution and maintenance of eligible renewable energy projects.
    - Eligible renewable energy projects are defined as onshore and offshore wind projects, solar energy projects and small- scale hydropower projects of <20MW located in UK and Northern Ireland. When developed responsibly, with proper due diligence and consideration for environmental and social risks and impact, these energy technologies are considered to have net-positive overall impacts due to their provision of clean, low-carbon energy.
  - Under the SME Financing category, proceeds will be used to provide lending to SMEs located in the 30% most economically deprived areas of UK.
    - Sustainalytics views positively the Bank's alignment with the European Commission's definition for SMEs.<sup>4</sup> Additionally, RBS will use public macro data released by the UK Office of National Statistics ('ONS') for determining economically underperforming areas in UK, specifically the Gross Value Added per head and the Unemployment Claimant Percentage.
    - Sustainalytics has a positive view on RBS' internally developed methodology to determine areas that are economically underperforming in the UK. The commonly used Index of Multiple Deprivation<sup>5</sup> (IMD) was found unsuitable to be used by RBS to identify deprived areas because IMD data is not universal across UK. Scotland, England, Wales and Northern Ireland each publish its own individual series of data. Further, IMD for the various regions is only available on a 3 to 5-year cycle, however, the underlying metrics used by RBS to calculate deprived areas – unemployment claimant data and Gross Value Added data, is available on a monthly and on an annual basis respectively.
    - Sustainalytics considers SME lending, broadly, to have social benefits, and views the restriction to disadvantaged regions as a further strength.
  - Under the Access to Essential Service, proceeds will be used towards facilities, equipment and infrastructure for public healthcare and educational services.
  - Within the access to essential services category, the Framework allows for investments in:
    - infrastructure for hospitals, laboratories, clinics, healthcare and hospices that are affiliated with the NHS, part of the NHS trust, or are more broadly accessible to the whole public. Sustainalytics has a positive opinion on this eligibility criteria as healthcare in the United Kingdom is carried out under the auspices of the National

<sup>4</sup> European Commission, What is an SME? [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

<sup>5</sup> The Index of Multiple Deprivation (IMD), calculated by the Department for Communities and Local Government, combines income, employment, health, education, housing, crime, and living environment statistics to provide a normalized score that can be compared across regions. See [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/465791/English\\_Indices\\_of\\_Deprivation\\_2015\\_-\\_Statistical\\_Release.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/465791/English_Indices_of_Deprivation_2015_-_Statistical_Release.pdf)



## Section 2: Sustainability Strategy of the Issuer

### Contribution of Framework to Issuer's sustainability strategy

Sustainalytics is of the opinion that RBS has a comprehensive approach to sustainability and that RBS' Framework clearly supports the Bank's sustainable strategy.

RBS recognizes climate change as a critical global issue that has significant implications for RBS and its stakeholders. The Bank supports the overall objectives of the Paris Climate Agreement and the emission reduction strategies set by the UK and devolved Governments. RBS is taking steps to assess how they will integrate these objectives into their strategy, business model, risk management, operations and processes – including reclassifying climate change as a top risk and starting to integrate climate-related financial risks into their core risk framework. This includes work on scenario-based analysis for both physical and transition risks. In September 2019, RBS became one of the Founding Signatories of the Principles for Responsible Banking, committing to align its business with society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement.

RBS has developed its Energy Lending Policy which outlines that the Bank will not provide project specific lending to new coal fired power plants, new thermal coal mines, oil sands projects, arctic oil projects, unsustainable vegetation or peatland clearance projects.<sup>9</sup> In addition, the Policy also places restrictions on lending to mining companies that generate more than 40% of their revenue from thermal coal as well as power companies that generate more than 40% of their electricity from coal.<sup>10</sup> Other than transitioning away from fossil fuel financing, RBS has funded several renewable energy projects that promote a low carbon economy. Between 2015 and 2017 the bank provided GBP 3.5 billion for sustainable energy financing<sup>11</sup> and more recently RBS has committed a further GBP 10 billion to the Sustainable Energy sector by 2020. This will include continued financing of low carbon generation as well as energy efficiency projects, such as in the real estate sector, and alternative fuel vehicles<sup>12</sup>.

RBS also has several skill development and financial education programmes that promote social upliftment. Over the last 24 years, RBS' MoneySense programme has helped over 6.5m people learn about money management. Additionally, RBS has distributed GBP 10 million in the last four years to its Skill and Opportunity fund to support individuals in starting or developing businesses, assisting nearly 150,000 people and supported about 2000 new businesses. Overall, in 2018, RBS lent approximately GBP 30 billion to SMEs and mid-corporate<sup>13</sup> in commercial banking to develop and grow businesses.<sup>14</sup> RBS's subsidiary NatWest Bank also created the "Back Her Business" programme, which aims to support up to 65,000 new female-led businesses in the UK.

Considering the above, Sustainalytics is of the opinion that RBS' sustainability performance demonstrates the importance it places on achieving positive environmental and social impacts and that the bank is well positioned to issue green, social and sustainability bonds.

### Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the Use of Proceeds from RBS' Framework will be directed towards eligible projects that are recognized by the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines to have positive environmental and social impact, Sustainalytics is aware that there exist environmental and social risks which may be encountered during the development and operation of these projects. The environmental risks may include impact on local biodiversity, air/water/soil pollution from dam construction, and worker health and safety problems. For the social use of proceeds categories, these risks may relate to inadvertently exacerbating existing inequalities. Furthermore, by offering lending and financial services, banks are exposed to risks associated with financing controversial companies and/or projects, and

<sup>9</sup> RBS, "RBS introduces new energy financing policies to support low carbon transition". <https://www.rbs.com/rbs/news/2018/05/rbs-introduces-new-energy-financing-policies-to-support-low-carb.html>

<sup>10</sup> RBS, "RBS introduces new energy financing policies to support low carbon transition". <https://www.rbs.com/rbs/news/2018/05/rbs-introduces-new-energy-financing-policies-to-support-low-carb.html>

<sup>11</sup> RBS, "NatWest Surpasses Sustainable Energy Targets". <https://www.rbs.com/rbs/news/2018/03/natwest-surpasses-sustainable-energy-target-with-p3-5bn-of-uk-fu.html>

<sup>12</sup> RBS Annual Report and Accounts 2018. <https://investors.rbs.com/~media/Files/R/RBS-IR/annual-reports/ar-2018/rbs-fy2018-strategic-report-v2.pdf>

<sup>13</sup> The Government of UK defines SMEs to have a maximum turnover of £25 million per year and a mid-corporate to have a turnover between £25 million to £500 million per year. <https://www.gov.uk/government/collections/mid-sized-businesses>

<sup>14</sup> RBS Annual report 2018. <https://www.investors.rbs.com/~media/Files/R/RBS-IR/annual-reports/ar-2018/rbs-fy2018-strategic-report-v2.pdf>

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activities that have negative social or environmental impacts. Sustainalytics is of the opinion that, despite the potential environmental and social risks associated with financing businesses and projects in the Eligible Categories, RBS is well positioned to identify and manage those risks considering that:

- RBS in its project selection process has ensured that it will not knowingly allocate proceeds from bonds issued under this Framework to business or enterprises that operate in industries which may potentially have negative environmental or social impact.
- RBS will strictly refrain from lending to business that are found to be engaged in illegal business practices.
- Further, non-performing loans and encumbered assets will also be deemed ineligible for allocation of the use of proceeds raised under the Framework.
- RBS has several policies and systems in place that try to minimize and address ESG risk, environmental, social and ethical risks, suppliers related risks, and human and labour rights related risks.<sup>15</sup>

### Section 3: Impact of Use of Proceeds

The three use of proceeds categories are recognized as impactful by GBP, SBP, and SBG.

#### The role of renewable energy in achieving climate goals

The UK is a signatory to the Paris Agreement, which seeks to reduce GHG emissions in order to limit global warming to well below 2°C and pursue efforts to achieve no more than 1.5°C warming and ratified its commitment in November 2016.<sup>16</sup> Through the Climate Change Act 2008, UK has committed to reducing emissions by at least 80% of 1900 levels by 2050.<sup>17</sup> Since almost a third of UK's emissions in 2018 came from energy supply,<sup>18</sup> decarbonizing of its electricity sector is essential for UK to meet its emission reduction target. Therefore, Sustainalytics is of the opinion that RBS' financing renewable energy will provide significant environmental benefits and will aid the UK in reaching its goal of achieving 'net-zero' emissions by 2050<sup>19</sup>.

#### The contribution of SME lending in economically disadvantaged regions to improve the standard of living

SMEs account for 60% of private sector employment in the UK.<sup>20</sup> Seeing as unemployment is one of the single most important reasons for a region to fall in the deprived category, encouraging the establishment of SMEs can help uplift these deprived regions. However, businesses in deprived neighborhoods face numerous difficulties when it comes to attracting investment.<sup>21</sup> With these factors considered, SME lending by RBS in regions suffering from economic disparities broadly can be viewed as economically and socially beneficial.

RBS has ensured that their lending accrue to the most economically vulnerable population. Their lending will emphasize on employment creation and employment retention in the lowest 30% of the deprived areas. For example, according to the Scottish Government, the most deprived areas can have an employment deprivation rate as high as 53%.<sup>22</sup> In this context, promoting economic growth and employment generation in the identified regions through the effects of SME lending will help alleviate the abovementioned geographical inequalities. Keeping in mind some of the shortcomings SMEs may generally have, Sustainalytics positively views RBS' SME lending as a means to uplift economically disadvantaged regions.

<sup>15</sup> Royal Bank of Scotland. <https://www.rbs.com/rbs/sustainability/downloads.html>

<sup>16</sup> Government of UK, "UK ratifies the Paris Agreement". <https://www.gov.uk/government/news/uk-ratifies-the-paris-agreement>

<sup>17</sup> Department of The National Archives, "Climate Change Act 2008". <http://www.legislation.gov.uk/ukpga/2008/27/part/1/crossheading/the-target-for-2050>

<sup>18</sup> 2018 UK Greenhouse Gas Emissions, Provisional Figures – Statistical Release.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/790626/2018-provisional-emissions-statistics-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf)

<sup>19</sup> BBC News, "Climate change: UK government to commit to 2050 target". <https://www.bbc.com/news/science-environment-48596775>

<sup>20</sup> Department for Business, Energy and Industrial Strategy, 2018. "Business Population Estimates for the UK"

<https://www.gov.uk/government/collections/business-population-estimates>

<sup>21</sup> Department for Business, Energy & Industrial Strategy, "Statistical release".

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/746599/OFFICIAL\\_SENSITIVE\\_-\\_BPE\\_2018\\_-\\_statistical\\_release\\_FINAL\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746599/OFFICIAL_SENSITIVE_-_BPE_2018_-_statistical_release_FINAL_FINAL.pdf)

<sup>22</sup> Scottish Government, "The Scottish Index of Multiple Deprivation". <https://www2.gov.scot/Topics/Statistics/SIMD>

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### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
SME Lending	1. No Poverty	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Access to Essential Services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	4. Quality Education	4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
	8. Decent Work and Economic Growth	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

### Conclusion

RBS has developed a Green, Social & Sustainability Bond Framework through which it will raise funds for loans and investments that bring a positive environment and social impact. The use of proceeds will finance eligible wind, solar and small-scale hydro projects as well as refinance loans to SMEs located in the 30% most economically disadvantaged areas in UK and provide loans to finance/refinance healthcare and educational facilities.

The use of proceeds categories specified in the Framework are aligned with Green Bond Principles 2018, Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018. Furthermore, the RBS Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the investments funded by the green, social and sustainability bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular SDG 1, 3, 4, 7, and 8.

Based on the above, Sustainalytics is confident that RBS is well-positioned to issue green, social and sustainability bonds and that the RBS Green, Social and Sustainability Bond Framework is robust, transparent, and in alignment with the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018.

## Appendices

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	Royal Bank of Scotland Group plc (RBS)
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b> <i>[specify as appropriate]</i>	Royal Bank of Scotland Group plc (RBS) Green, Social and Sustainability Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	July 1, 2019
<b>Publication date of review publication:</b> <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.



### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers the projects funded – (i) Renewable Energy, and (ii) Access to Essential Services SME Financing (iii) Access to Essential Services, to have positive environmental and social impacts and to advance the UN Sustainable Development Goals.

##### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

##### Use of proceeds categories as per SBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input type="checkbox"/> Affordable housing  | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input type="checkbox"/> Socioeconomic advancement and empowerment                                 |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBPs:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

## Royal Bank of Scotland Green, Social and Sustainability Bond

Overall comment on section (if applicable):

Royal Bank of Scotland Group plc has established a Green, Social and Sustainability Bond Working Group responsible for selecting loans to be included in the bond portfolio and ensuring that the loans are aligned with the criteria of the framework. Sustainalytics considers this to be in line with market practice.

### Evaluation and selection

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The net use of proceeds will be managed by RBS on a portfolio basis. The Working Group will on a semi-annual bases, review and approve allocation of bonds proceeds to eligible loans. Any asset that no longer meets the eligibility criteria will be removed and replaced with another eligible loan. Sustainalytics considers this to be in line with market practice.

### Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*). Proceeds will be immediately allocated after issuance.

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |

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- Disclosure of portfolio balance of unallocated proceeds
  Other (*please specify*):

## 4. REPORTING

Overall comment on section (if applicable):

RBS will make available to investors an allocation report shortly after the first bond issuance. This report will provide information related to – total amount of proceeds allocated to eligible loans, number of eligible loans included in the portfolio. RBS will also make available an Impact Report which will include relevant impact metrics. Sustainalytics considers this reporting to be in line with market practice.

### Use of proceeds reporting:

- Project-by-project
  On a project portfolio basis  
 Linkage to individual bond(s)
  Other (*please specify*):

### *Information reported:*

- Allocated amounts
  Sustainability Bond financed share of total investment  
 Other (*please specify*): Number of eligible loans included in the Eligible Portfolio, balance of unallocated proceeds, amount and the percentage of new financing and refinancing

### *Frequency:*

- Annual
  Semi-annual  
 Other (*please specify*)

RBS will make available to investors an allocation report shortly after the first bond issuance

### Impact reporting:

- Project-by-project
  On a project portfolio basis  
 Linkage to individual bond(s)
  Other (*please specify*):

### Frequency:

- Annual
  Semi-annual  
 Other (*please specify*): RBS will make available to investors an impact report shortly after the first bond issuance

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Number of beneficiaries   |
| <input type="checkbox"/> Target populations                 | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Installed capacity, annual production of renewable energy, no of jobs created / retained by region and sector and number of loans granted to SMEs |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other (please specify):                        |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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