

Investor Factsheet

Social Bond



November 2019

Building a more sustainable bank

- We are building a more sustainable bank. We are aware of our responsibilities to the communities we serve, given the central role we play in the economy. The environment in which we operate influences our ability to serve customers and create value for the long term.
- In September 2019 we became one of the Founding Signatories of the Principles for Responsible Banking, committing to strategically align our business with the Sustainable Development Goals and the Paris Agreement on Climate Change.
- This commitment supports our continued focus on priority areas such as financial capability, enterprise and the environment. Examples include:

Back Her Business

Our commitment to help create an additional 65,000 new female-led businesses by 2025 by inspiring and supporting 400,000 women to consider enterprise as a career.

Skills & Opportunities Fund

This distributed £10 million over four years. The funding helped nearly 150,000 people and supported approximately 2,000 new businesses.

MoneySense

Our financial education programme for 5–18 year olds, through which we have helped over 6.5 million young people to be more financially aware over the last 24 years.

Use of Proceeds

- Our Green, Social and Sustainable Bond Framework sets out the use of proceeds categories we have selected for potential issuance. These are aligned to the ICMA Green Bond Principles and Social Bond Principles.
- As we continue to address regional inequality, we have opted to focus on SMEs for our inaugural issuance, targeting the most deprived parts of the UK.



Objective

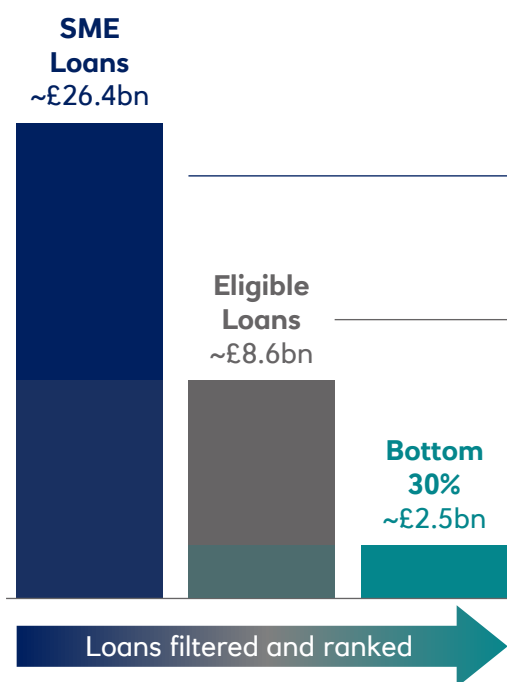
Contribute to access to decent work and economic growth.

Benefit

Facilitate job conservation or creation, revitalise economically depressed areas and reduce poverty.

Asset Selection

- We have developed a bespoke methodology to identify eligible SME loans, leveraging Office of National Statistics data.
- Loan-level postcode data is used alongside Local Administrative Unit (LAU) classification.
- An equally weighted analysis of Gross Value Added (GVA) per capita and Unemployment Claimant rates (UCP) in the LAU corresponding to each loan is used to identify relative deprivation.
- We'll seek to include loans from each of the bottom 3 deciles in the bond portfolio at initial allocation, and maintain this distribution on a best-efforts basis.



Including both The Royal Bank of Scotland Plc and NatWest Bank Plc originated assets.

Loans are filtered by loan age, performance, sector and encumbrance. A list of excluded sectors is included in our Framework.

The remaining loans are ranked into deciles by GVA and UCP. We use this combined ranking to identify the bottom 30% across the UK.

At Q1 we reported total SME lending of £26.4bn as part of our Postcode Lending report, available on RBS.com. For the purposes of the Social Bond we narrowed the scope to particular account types for which we have the most granular data. Filtered pool sizes are as at 31-October-2019. All pool sizes subject to change. Loans originated after 1-January-2017 are currently considered to be eligible. Date cut-off is revised annually. Full loan eligibility criteria is detailed in our June 2019 Green, Social and Sustainable Framework.

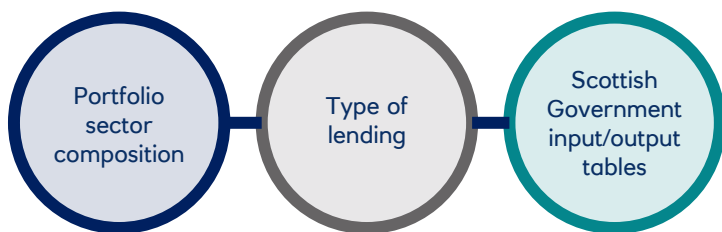
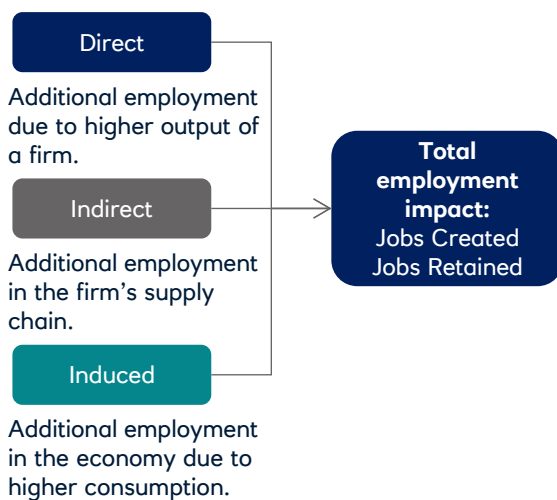
Management of Proceeds

- Our GSS Framework details how bond proceeds will be managed, in order to maintain portfolio compliance.
 - Our dedicated Working Group, comprising senior managers from across the bank, will ensure robust governance around issuance proceeds.
 - We will manage the portfolio on a monthly basis. Underlying metrics will be updated regularly, enabling accurate portfolio management.
 - The Working Group will approve any portfolio amendments at loan-level, in conjunction with the eligibility criteria.
 - The sector-composition of our portfolio will be monitored and recorded on a monthly basis to facilitate accurate impact reporting.

Loan Portfolio	
Live loan data	✓
Loan-level tracking	✓
Monthly review	✓
Maturity aligned	✓

Reporting

- Allocation and impact reports will be prepared in line with ICMA recommendations and made available on RBS.com.
- We are using a standardised methodology for impact reporting, led by RBS Group Economics, leveraging Scottish Government input/output tables¹ which are applied nationally.
- The calculation depends on whether the loan is for the purpose of investment or working capital, giving rise to employment created and retained respectively.
- The report will be available 12 months after issuance. A separate methodology document may be provided alongside the report.



¹Input-Output Tables provide a complete picture of the flows of products (goods and services) in the economy for a given year.

External Review

- In producing the Second Party Opinion, Sustainalytics reviewed our framework and methodology, confirming the merits of our proposals and their alignment with ICMA principles.
- Their SPO is available on the Sustainalytics website and at RBS.com.

“Sustainalytics is of the opinion that the RBS Green, Social and Sustainability Bond Framework is credible and impactful. The bank is well positioned to issue green, social and sustainability bonds.”

ESG Ratings are available at RBS.com

We're available to support your research.

Scott Forrest, Head of Treasury DCM
+44 131 626 1329

Paul Pybus, Head of Debt IR
+44 207 672 1754

Sustainable Bonds Mailbox
sustainablebonds@rbs.com
Sustainable Banking at RBS
rbs.com/rbs/sustainability