

Corporate Responsibility Report 2005

**£659m**  
lent to small  
businesses in the  
UK's most deprived  
communities



**143,518**  
people employed by  
the Group



**£56.2m**  
invested in the  
community

**£2.1bn**  
paid to our  
shareholders in  
dividends

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About this Report

Our Annual Report quantifies our financial results. Our Corporate Responsibility (CR) Report explains how we deliver this performance sustainably.

This Report covers developments in the 2005 calendar year, with some additional material from the beginning of 2006. It draws from all our activities, and focuses on the most important social, ethical and environmental issues which affect our business, as identified by us and by a broad range of people whose interests are affected by what we do. It builds on the reporting structure we developed for last year's Report, which takes into account the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the financial services sector supplement.

Our 2004 Corporate Responsibility Report included our first corporate responsibility assurance statement, provided by Deloitte & Touche LLP. We have continued this relationship, supported by our Group Internal Audit department, and have expanded the scope of our assurance statement this year. The areas covered are similar to those of last year, with the breadth widened

to include more from our business units, as well as from the Group level functions.

Supplementary information is available online at [www.rbs.com/cr](http://www.rbs.com/cr), signposted where appropriate within the text.

Throughout the Report, all references to 'the RBS group' mean the overall Group. Spelt in full, 'The Royal Bank of Scotland' means The Royal Bank of Scotland retail banking business.

2005 was a good year for RBS. We increased our earnings and profits, and strong generation of capital has enabled us to continue investing for growth, raise our dividend significantly and embark on a programme of repurchasing our shares. But these results can only be maintained if we continue to engender the trust and goodwill of our customers, investors and employees.



We provide financial services to over 36 million people, enabling them to manage their money efficiently and save for the future. We help businesses to flourish and grow. We help people and businesses to manage risk. Through the returns we make for our shareholders, the remuneration we pay to our employees, the payments we make to our suppliers and the taxes we pay to governments, we make a substantial contribution to the prosperity of society.

In 2005 we made good progress in our corporate responsibility performance and reporting. We reduced the cost of fraud to the Group by 31%. We continued to invest in our branches and expanded the UK's largest free ATM network. Our 2005 Employee Opinion Survey achieved a record 86% response rate and the Group improved its score, outperforming the global financial services norm in each of the 14 categories surveyed. We have launched new initiatives to encourage innovation and leadership. Our new Business School is helping to develop the vision and quality of management that the Group will need in the changing markets of the future.

We also further improved our environmental performance investing in recycled paper for office use and electricity from renewable sources. Our new Group Headquarters at Gogarburn, Edinburgh achieved full ISO 14001 certification for its Environmental

Management System, adding to its "Excellent" rating awarded under the Building Research Establishment Environmental Assessment Methodology. And our community programmes, including our contribution to financial education, our partnerships with charities and our support for volunteering, all continued to expand in 2005.

Our performance against a range of standards which determine the long-term sustainability of our business has matched our excellent financial performance for 2005. Whilst we are pleased with our scores in the indexes – our Dow Jones Sustainability Index score improved by 12% to 76%, which is 28% above the global average for the sector – the true measure of our success lies in the continuing trust of our customers, employees and shareholders.

We hope you find this report informative and interesting. Please let us have your views and recommendations. They are important to us.

**Sir Fred Goodwin**  
Group Chief Executive

Corporate Markets



Retail Markets



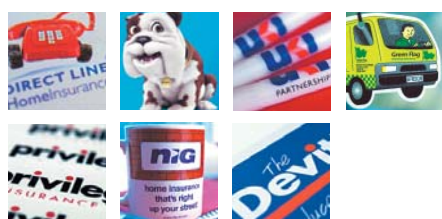
Ulster Bank Group



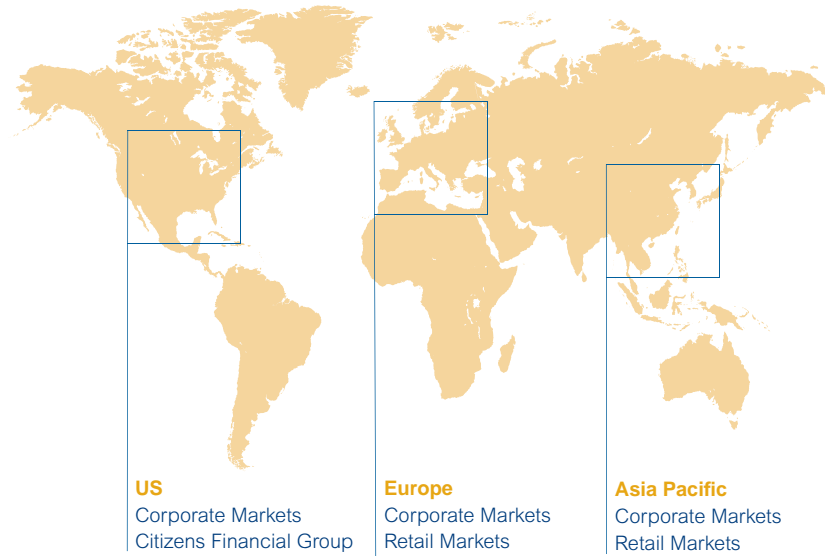
Citizens Financial Group



RBS Insurance



Manufacturing



The RBS group is one of the world's top ten banking groups, providing banking and insurance services to retail and corporate customers in the UK, the rest of Europe, the US and the Asia Pacific region.

Through Corporate Markets (formerly Corporate Banking and Financial Markets), we provide banking services and integrated financial solutions to corporate customers in the UK and major corporates and financial institutions globally.

Retail Markets, which includes The Royal Bank of Scotland and NatWest, has the largest network of bank branches and ATMs in the UK. It has leading positions in credit card issuing, merchant acquiring, consumer finance and supermarket banking, and provides private and offshore banking services.

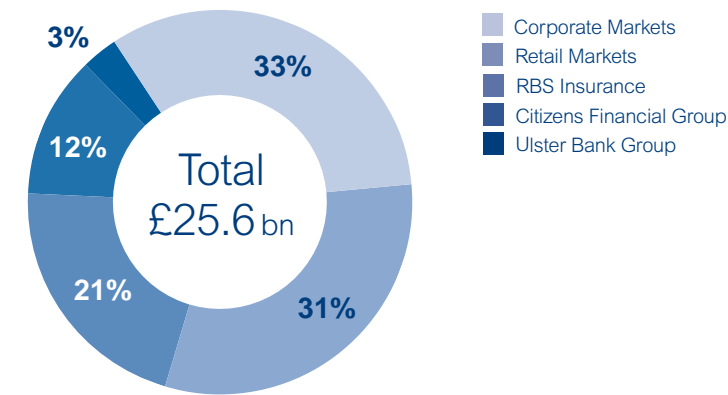
The Ulster Bank Group brings together Ulster Bank and First Active, and provides a full range of financial products and services for personal and business customers in Northern Ireland and the Republic of Ireland.

In the US, Citizens Financial Group is the eighth largest commercial banking organisation by deposits, and provides retail and corporate banking services to customers in New England, the Mid-Atlantic and Midwest, through the Citizens and Charter One brands.

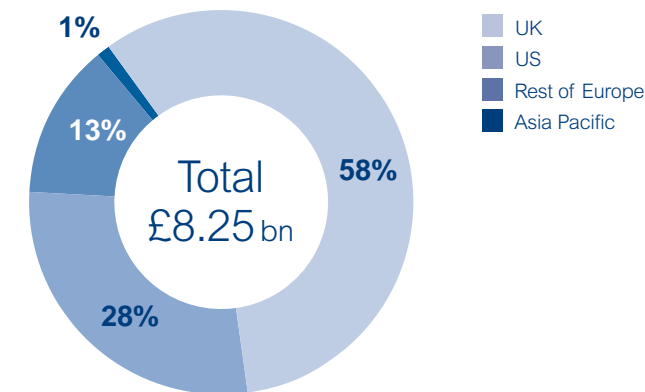
RBS Insurance is the second largest general insurer in the UK and a growing provider of general insurance in Spain, Italy and Germany. Its brands include Direct Line, Churchill, Privilège, Green Flag and NIG.

Manufacturing manages the Group's telephony, account management, lending, mortgage and money transmission services, and is also responsible for the Group's technology, purchasing and property.

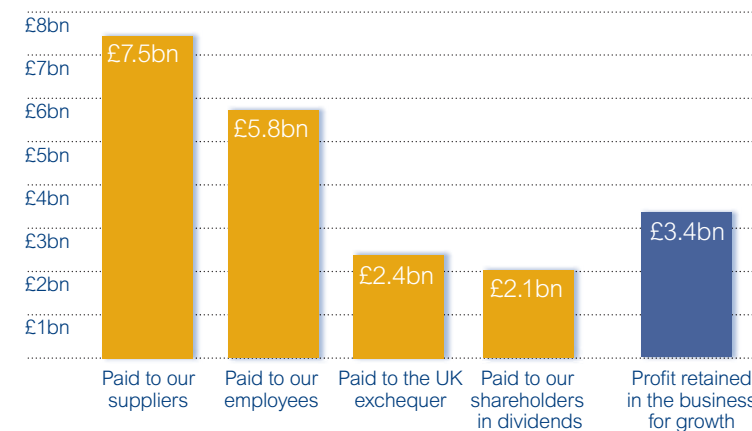
Income by division



Group operating profit



Economic impacts



Corporate responsibility highlights 2005

Customers

- We increased our ATM network to 6,438. This is the largest free ATM network in the UK and has grown by more than 20% in the last five years.
- The Royal Bank of Scotland and NatWest supply one third of all basic bank accounts in the UK accessible through Post Offices.
- In June 2005 the RBS group's small business lending in the 5% most deprived wards in the UK stood at £659 million, an estimated leading market share of 39%.
- Customers want reassurance that the RBS group manages their money securely. Overall fraud loss across the Group fell by 31% in 2005. Plastic card fraud losses for the Group in the UK fell by 42% as a result of key initiatives such as Chip & PIN.

Employees

- We received a Gold Standard in both the 'Opportunity Now' and 'Race for Opportunity' diversity indexes.
- 22% of our employees have flexible working arrangements.
- In our 2005 Employee Opinion Survey we scored above the global financial services norm in every category and achieved an 86% response rate.
- We introduced our Employee Involvement Policy encouraging more employees to volunteer in their communities.

The Environment

- We reduced our property based carbon footprint in the UK and Ireland by 33%.
- We invested in switching to recycled paper, with 80% recycled content, for office use in the UK and Ireland.
- The new Group headquarters at Gogarburn, Edinburgh achieved full ISO 14001 certification.

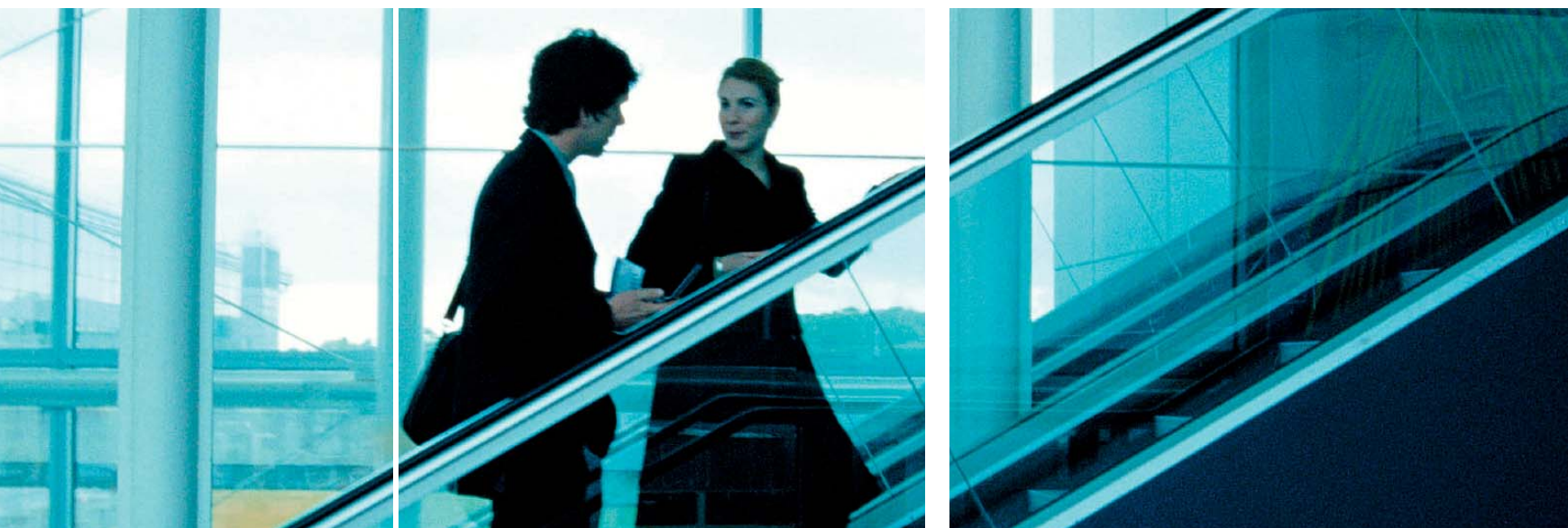
Communities

- In 2005 the Group invested £56.2 million in the community. This included generating £12 million for charities through our unique double-matching Give As You Earn programme and Community Cashback Awards.
- 260,000 young people received financial education through our Face 2 Face with Finance in schools programme.
- 112 school playgrounds were transformed into attractive and stimulating places to play through our Supergrounds programme.

## Managing our Business responsibly

How do we manage corporate responsibility in RBS?

How did we perform in 2005?



### Our corporate responsibility performance in 2005

We need integrity at all levels of our business to inform the judgements that affect the interests of our customers, employees and shareholders. How can we ensure we do not lend more than people can afford? How can we make our services as accessible as possible? Should we lend to projects that carry high environmental risk? How can we make our products more clearly understood? How can we best tackle financial crime? How should we focus our training to gain the most from our people?

These are just some of the questions we deal with in the course of our business. Sustainable businesses have to be managed responsibly at all levels, and our customer satisfaction surveys, employee opinion surveys and shareholder response collectively suggest that we are getting much of this right. But sometimes there remains an inherent suspicion of the influence and motivation of large and financially successful companies. We understand that investors, customers, employees and other opinion formers seek reassurance that a sense of corporate responsibility is intrinsic in what we do, and not a veneer.

In RBS we made significant progress in both our corporate responsibility reporting and performance

in 2005. While the true measure of our performance lies in the improved perceptions of our investors, customers and employees, our position has also risen in both our Index and reporting scores. In 2005, our Dow Jones overall score rose by 12% to 76%, placing us 4th amongst global banks, and we were again included in the FTSE4Good Index. We also commissioned a benchmarking assessment from AccountAbility of our 2004 corporate responsibility reporting, comparing our performance with the top 100 companies of the Fortune Global 500. This report placed us 14th amongst this comparison group, and 2nd amongst global banks.

In addition, we elicited comment on our 2004 corporate responsibility reporting and performance from a wide range of sources, both to ensure that we have our priorities right and to benchmark our performance. We analysed feedback from our investors and our corporate responsibility auditors, obtained detailed analysis on our Index entries, and commissioned reviews from specialists. These reviews covered all areas of corporate responsibility management and performance.

The feedback, in its totality, revealed three main areas where we could strengthen our reporting and performance. First, showing evidence of a clear and embedded corporate responsibility strategy, governance and management across the organisation;

### Benchmarking our performance

#### Indexes



In 2005, our Dow Jones overall score rose by 12% to 76%, placing us 4th amongst global banks.



FTSE4Good Index Series

The Group continues to meet the socially responsible investment criteria required for inclusion in the FTSE4Good Index.

#### Reporting

We commissioned a benchmarking assessment from AccountAbility of our 2004 corporate responsibility reporting, comparing our performance with the top 100 companies of the Fortune Global 500. This report placed us 14th amongst this comparison group, and 2nd amongst global banks.

second, developing greater rigour around identification of the most important issues for the Group; and third, reporting progress against clear and meaningful targets set by the business. These areas are now addressed in greater detail.

### Managing corporate responsibility within RBS

Corporate responsibility is managed as part of the existing system of governance within the Group. The different businesses of the Group - specifically Retail Markets, Corporate Markets, RBS Insurance, Ulster Bank Group, Citizens Financial Group and Manufacturing - are responsible for managing corporate responsibility within their businesses. This responsibility covers regulation, risk, compliance and reputational issues. It also means that Chief Executives of the businesses and Directors of Group functions are responsible for incorporating the relevant corporate responsibility principles into their core operating procedures.

Decisions required at Group level are referred to the Group Executive Management Committee (GEMC), and the Group Board. The Group Chief Executive has responsibility for corporate responsibility matters on the GEMC and Board. The Group's Corporate Responsibility team is part of the Directorate of Public Policy and Government Affairs, and reports directly to the Group Chief Executive each quarter. Corporate responsibility matters are reported formally to the GEMC and the Board twice a year.

The Group's Corporate Responsibility Policy, which has been formally endorsed by the Board, summarises our position on key social, ethical and environmental issues. This is one of the 14 policies included in the Group Corporate Standards Policy which applies to all the Group's businesses. All Chief Executives carry the responsibility for ensuring annually that these have been distributed, read, understood and fully complied with throughout their business areas.

On a day to day basis corporate responsibility is managed within the businesses. To support this work, a Corporate Responsibility Working Group has been in place for three years. This comprises senior executives from all the Divisions and relevant Group functions. Meeting four times per annum it provides a forum for updating members on developments within corporate responsibility; looking at examples of best practice; sharing information on programmes across the business units; considering the Group's current performance and proposing new initiatives.

# Managing our Business responsibly

## How do we determine the issues that matter?

### What are our key areas of focus for 2006?

#### Identifying and focusing on the most important topics

We know that the true measure of success lies in the perceptions by an organisation's stakeholders of the issues that matter to them.

In 2005 we carried out two pieces of work to identify the most important topics that are of interest to our investors, customers and employees. The first was the FORGE IV project, and the second was our own comparative internal review.

The Forge Group, comprising seven of the leading UK banks and insurance companies was formed in 1999 to address common corporate responsibility challenges for the financial services sector. The FORGE IV project sought to identify issues of greatest interest in financial services to our stakeholders. Seventeen corporate responsibility risks and opportunities were identified to be of high importance for the financial services sector, and they are listed in the table (right).

There is a high degree of compatibility between the output of the FORGE IV project and our own internal research. This research made extensive use of material available within our businesses and included meetings with our largest institutional investors, our work with Government, a MORI opinion survey on the attitudes of the general public to corporate responsibility in financial services, and a six-month review of media and online content.

The contents of this report are informed by the output of these two pieces of work, which has helped us to make sure that we cover the subjects that people want to know more about.

#### Setting our priorities in 2006

These subjects have also helped to inform our priority setting for 2006. We have concentrated on areas of our activities which we believe could improve our corporate responsibility performance in a variety of ways for our customers, employees and investors, as well as the wider community.

#### FORGE IV - Key corporate responsibility risks and opportunities for the financial services sector as at December 2005.

- Responsible consumer lending
- Responsible consumer selling
- Transparency of fees
- Data protection
- Financial crime
- Financial inclusion
- Financial literacy
- Customer satisfaction and trust
- Indirect environmental and social impacts
- Equator Principles
- Outsourcing/offshoring
- Employee engagement
- Employee diversity and discrimination
- Employee training and development
- Bribery and corruption
- Corporate governance and ethics
- Climate change

#### RBS meetings with our Socially Responsible Investors (SRI)

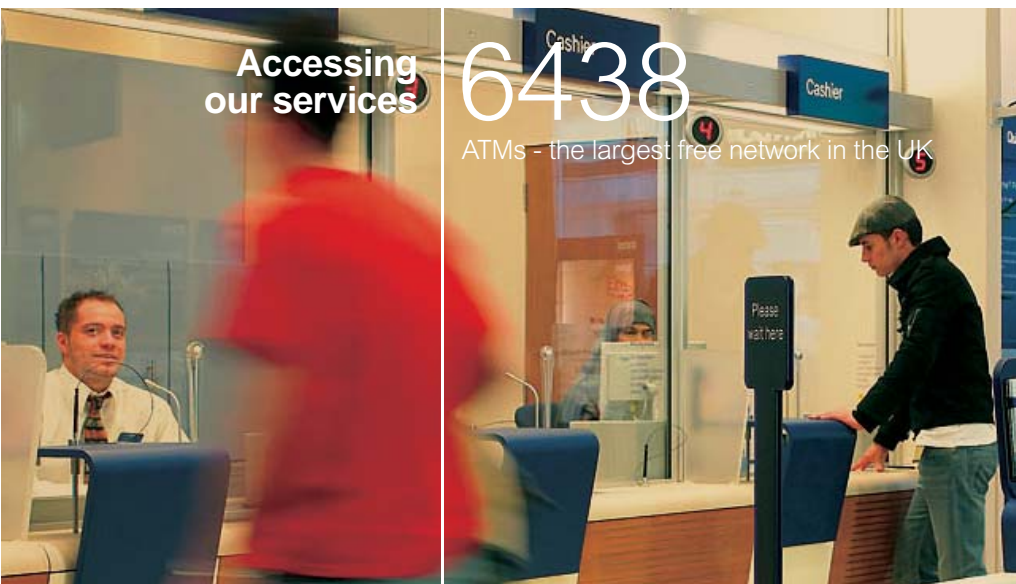
In 2005, Group Corporate Responsibility with Group Investor Relations met 23 of our largest institutional investors, to gain feedback on our reporting, hear their views and answer their questions. Discussions centred around the RBS group and the financial services sector in general. The key issues raised were:

- Consumer lending and debt
- Levels and transparency of rates and charges
- Equator Principles and indirect environmental impacts
- CR governance and management
- Employee conditions and development
- Financial capability and inclusion
- Financial crime
- Customer service

#### Our priorities for 2006

<b>Reporting and Assurance</b>
<ul style="list-style-type: none"> <li>• Further enhance the Group corporate responsibility website.</li> </ul>
<b>Customers</b>
<ul style="list-style-type: none"> <li>• Continue to upgrade and expand further our retail branch network.</li> <li>• Maintain high levels of customer satisfaction at Royal Bank of Scotland and NatWest retail operations.</li> <li>• Improve 'first time resolution rates' for personal customers contacting us with a query.</li> <li>• Develop and launch innovative products and services with additional social or environmental features.</li> <li>• Integrate the Equator Principles' requirements into our project finance lending and introduce comprehensive training programmes for project finance loan officers and key support employees.</li> </ul>
<b>Employees</b>
<ul style="list-style-type: none"> <li>• Implement actions to improve further our 'Customer Focus' and 'Performance Management and Development' scores in the Employee Opinion Survey.</li> <li>• Use the Human Capital Toolkit to identify and address specific areas of our business where improved employee performance would most directly result in increased levels of customer satisfaction.</li> <li>• Introduce the Human Capital Toolkit to our businesses in North America.</li> <li>• Introduce a new Executive Leadership Programme in the RBS Business School based on developing the innovation skills of our senior management.</li> <li>• Retain Gold Standard for both 'Race for Opportunity' and 'Opportunity Now' diversity awards.</li> <li>• Using Work-Out, seek the views of disabled employees about their needs, to include in workplace improvement programmes.</li> <li>• Introduce 'Make a Difference' - the new diversity awareness training programme - into the Group.</li> </ul>
<b>The Environment</b>
<ul style="list-style-type: none"> <li>• Extend coverage of our Environmental Management Systems to 96% by end 2006 and 98% by end 2008.</li> <li>• Achieve ISO 14001 environmental certification for our mailing and statement service centres at Shephed and Livingston.</li> <li>• Apply the environmental best practices from recent building developments to the refurbishment and redevelopment of other Group properties where appropriate.</li> <li>• Reduce waste by finding new opportunities to reuse and recycle surplus equipment and furniture.</li> </ul>
<b>Communities</b>
<ul style="list-style-type: none"> <li>• Increase the number of employees regularly participating in Give As You Earn to 14,500 and the number of Community Cashback Awards made to 7,500.</li> <li>• Maintain a lead on the Global High Performing Norm score for the Employee Opinion Survey question "Is RBS group socially responsible in the community?"</li> <li>• Increase customer and other stakeholder groups' awareness of the Group's Community Investment activity, measuring our success through an independent assessment of stakeholder attitudes (MORI). We aim to equal, or exceed, the results of our competitors.</li> </ul>

What have our key areas of focus been in 2005?  
How do we tackle financial crime?



We serve more than 36 million customers around the world. From a simple debit card purchase to a loan that will start a business, we enable our customers to conduct their everyday lives and plan for their futures. So it is particularly important that we manage our relationships with our customers in a way that is responsive to their changing needs and acknowledges our responsibilities.

In the last year we made significant progress in a number of important areas. We continued to combat financial crime, and reduced overall fraud loss across the Group by 31%. We have been preparing for the re-adoption in 2006 of the Equator Principles. We explored new ways of providing credit to low income consumers, with considerable success. And we improved our customer service by addressing queue times in our branches. As a result, customer satisfaction levels on this issue have increased by an average of over 3% at our high street banks, The Royal Bank of Scotland and NatWest.

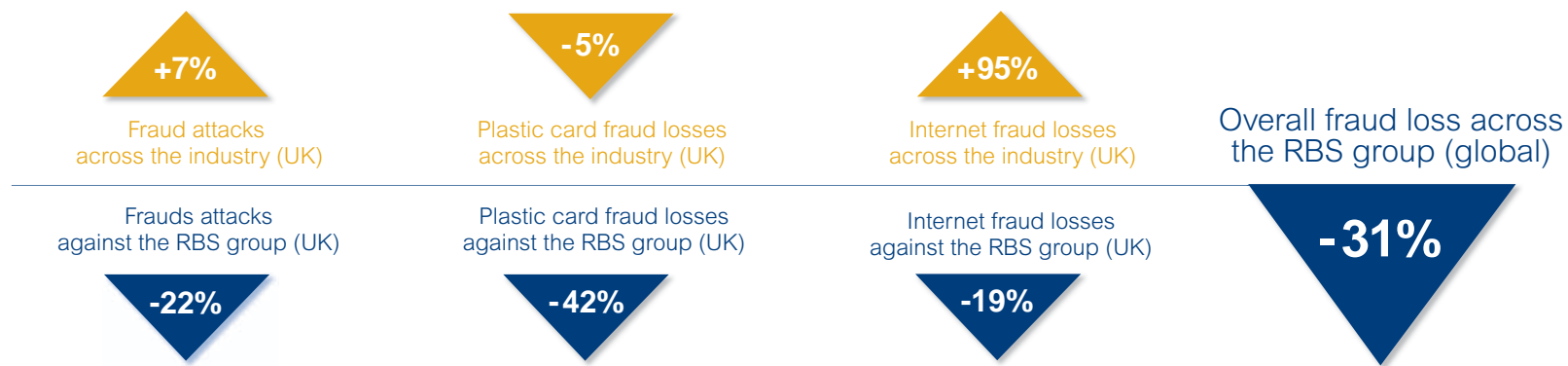


Tackling financial crime

Managing financial crime is essential to protect society. In conjunction with the public sector, online scams, identity theft, ATM fraud, terrorist financing and money laundering all require serious and continuous management by the entire global financial services industry. We take this extremely seriously in the Group and have established a strong track record in our management of this issue.

Our aim is to create an environment which makes criminal activity as difficult as possible. Through better intelligence, prevention and proactive effort at all levels, we are succeeding. We work closely with international organisations, law enforcement agencies and governments to identify security threats and we have a zero tolerance approach to internal fraud. Our Group Corporate Standards Policy states that any employee found abusing our systems and processes will be investigated and the matter may result in disciplinary actions and/or legal proceedings. Our work is constantly evolving and we review and enhance our systems and processes all the time.

Financial crime is managed through a groupwide governance structure which spans all of our operations around the world. Each business has a senior committee which ensures that financial crime risks within its area are effectively managed. These committees report into the Group Risk Committee twice a year.



Governance of financial crime prevention



Fraud

In 2005 we reduced overall fraud across the Group by 31%. Fraud attacks against us in the UK fell by 22% and plastic card fraud was reduced by 42% as a result of our advanced profiling techniques and key initiatives, like the introduction of Chip and PIN. We also recorded our lowest level of Internet fraud losses, down 19%, against a 95% rise across the industry. We introduced sophisticated new fraud detection methods, and our third party debit card fraud profiling system now identifies nearly 50% of all fraud before our customers recognise there is a problem on their account.

To make sure that all our people are well equipped to identify and stop fraud, they undertake both specific role related and regular refresher training. The 27,000 people in the Manufacturing division are given formal online fraud training twice a year.

All branches of The Royal Bank of Scotland and NatWest have access to a Fraud Prevention Toolkit which provides guidance on all aspects of fraud. To encourage extra vigilance, our businesses operate reward schemes providing incentives to employees performing beyond their immediate responsibilities to protect customers.

Financial crime is managed through a groupwide governance structure illustrated left. Each business has a senior committee which ensures that financial crime risks within their area are effectively managed.

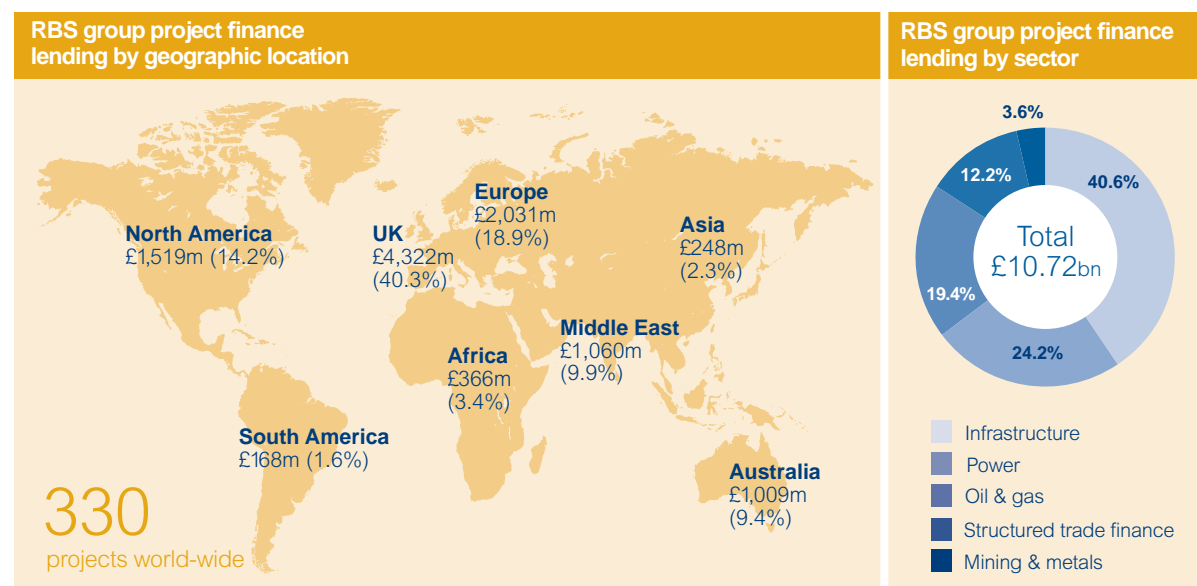
Our customers also have a role to play in limiting the risk of fraud and we regularly update them on actions they can take to protect themselves. We provide fraud prevention leaflets in all branches ("Together we can Beat Fraud"), and further advice in customer magazines, in statements and online. These provide guidance on identity theft, the use of debit cards, Chip and PIN, cash machines, and banking online.

While attacks against ATMs have increased across the financial industry, the level of incidents on the Group's ATMs shows that we have a good record. While we have approximately 13% of ATMs in the UK, we accounted for just 9% of physical attacks reported through the British Banking Association in 2005. Our network of ATMs are individually alarmed, providing an immediate alert to any attempt to remove the ATM from its housing, and in 2005 we commenced a programme of installing the use of DNA impregnating dye to spoil cash in such circumstances. We have also identified high-risk sites and installed additional security cameras, reducing the number of "skimming" and card-cloning attacks at these sites.

## Customers

How do we lend responsibly?

How do we sell insurance responsibly?



### Money laundering and terrorist financing

The Group's Anti-Money Laundering Policy establishes and maintains systems and procedures to comply with legal and regulatory requirements. We aim to deter criminals from using Group businesses to launder the proceeds of their criminal activities. The policy applies to all Group businesses and employees and is signed off by the Group Board. Each business unit has specialist Anti-Money Laundering teams, who report to a Group Money Laundering Reporting Officer – the focal point for Anti-Money Laundering activities.

Through the Group Code of Conduct, our employees are made aware of their responsibilities in preventing money laundering and its possible consequences. All branch employees, as well as relationship managers and others who deal directly with customer transactions, receive Anti-Money Laundering training.

The Group also has a policy to help prevent the financing of terrorism. This includes screening prospective customers, freezing accounts where necessary and assisting the authorities to identify the proceeds of crime.

### Project Finance and the Equator Principles

In 2005, our project finance business committed £10.72 billion to over 330 projects world-wide. We were the leading Mandated Lead Arranger of global project finance loans in 2005 according to the two main league tables: Dealogic and Thompson Financial.

The Equator Principles provide a set of guidelines for socially and environmentally responsible lending for project finance globally. Although the Group's project finance is global in scope, our lending is predominantly situated in countries with developed social and environmental regulation and strict enforcement e.g. the UK, Europe, and North America, as the diagram above illustrates. Projects in these countries would be considered Equator Principle compliant.

We were one of the ten initial adopters of the Equator Principles in June 2003, and continue to support the development of sustainable project finance. We have underpinned our commitment by the creation of the full time role of Director of Sustainable Business Development situated within Corporate Markets. The responsibilities of the role include integrating the Equator Principles' requirements into our project finance lending and introducing a comprehensive training programme for project finance loan officers and key support employees.

## Responsible lending

Lending more than a customer can afford to borrow hurts both the customer and our business. It is in everyone's interest that all our businesses have rigorous processes to help us make the right decisions.

We make the best decisions on lending when we have the best information. We use credit references and we assess each applicant's income against their regular financial commitments. We use automated systems to make the majority of credit decisions. However, high value and high risk mortgage and loan applications are referred to central units, where underwriters will also assess the case using their knowledge and understanding to strengthen the assessment process.

At the heart of responsible lending is managing credit limits. Each of our businesses has policies that ensure limits are set at the right level and reviewed regularly.

Our high-street retail banks - The Royal Bank of Scotland and NatWest - individually share current account behavioural data with their respective credit cards business i.e. NatWest to NatWest. This increases our understanding of our customers and helps us tailor our services to suit both them and us.

## Insurance

When people buy insurance they want to know clearly what is included in their cover and how much it will cost.

We endeavour to ensure that our insurance customers know exactly what they are entitled to under their policies. The level of cover, any excesses and any endorsements are made clear when each quotation is given. Every policyholder receives a written summary of cover and a copy of the policy documentation explaining the terms and conditions of cover. Additional information can also be accessed over the telephone or via our detailed websites. All customers have the right to cancel a policy within 14 days.

Where we can, we deal with claims over the phone and try to settle each claim on the first call without the customer having to fill in any forms. At Direct Line, for example, 95% of our claims are agreed over the phone.

We respond to emergencies 24 hours a day and we set targets for our response times. In 2005 Green Flag Motoring Assistance recorded an average response time of just 40 minutes.

We also provide information about the status of a claim as it is processed. During 2005 our customers requested that we contact them to provide updated information on the progress of their repairs. We have now introduced a "Customer Contact Campaign" to address this and approved repairers are required to contact and update customers.

We respond to emergencies 24 hours a day and we set targets for our response times. In 2005 Green Flag Motoring Assistance recorded an average response time of just 40 minutes.



We must also be ready to handle the sudden consequences of environmental and natural disasters. In 2005 these included floods in Carlisle, a tornado in Birmingham and an explosion at the Buncefield oil depot in Hemel Hempstead. Policyholders affected by severe weather events such as flooding and storm damage are, where necessary and practical, provided with alternative accommodation and living essentials while repairs are fast-tracked.

We also offer a series of advice guides over the telephone and online to help customers protect their homes from the impact of severe weather such as subsidence, storms and floods.

In RBS Insurance we have a clear policy to settle claims quickly, fairly and with the minimum of fuss. It is equally important that we manage claim costs efficiently. This helps to keep premiums down for all our customers, helping to ensure our service remains competitive.

We use our Group central purchasing power to negotiate reasonable terms for effecting repairs, replacing stolen or damaged property, and buying reinsurance. We also use our Group fraud control mechanisms and processes as a part of our claims investigation procedures.

## Customers

### How do we market our products transparently?

### How do we increase access to our services?

#### Marketing and selling

We make every effort to ensure that our marketing and selling material does not mislead, is clear and accurate, and is responsibly targeted.

Our retail marketing teams each operate a One Stop Clearance Shop process which provides extra assurance that all material is fully compliant with regulatory and legal requirements. It also ensures that the terms and conditions of all products and services are made obvious and that charges and exclusions are not hidden away somewhere in the fine detail.

Our customers are provided with full details of all charges when they open an account. Personal customers are given clear information when fees will be charged. They receive written notification of any changes to charges 30 days before they are applied.

**Personal customers are given clear information when fees will be charged. They receive written notification of any changes to charges 30 days before they are applied.**

Customers can opt out of receiving promotions at any stage. When introducing new products to the market, we make sure we do not target customers to whom those products may not be relevant or appropriate - such as people under 18.

It is important to provide reassurance that data is handled responsibly. Obviously we adhere to UK Data Protection legislation and any comparable rules overseas and, in addition, data is not shared among different companies in the Group except for credit risk purposes, subject to appropriate authorisation. Our employees are given ongoing customer data training so they understand how carefully such data needs to be handled. Any customer can ask to see the information we hold about them at any time, in accordance with the Data Protection Act.

#### Financial access and inclusion

We want as many people as possible to be able to use our services, through our branches, by telephone or online.

We offer a variety of ways of accessing our services. We have more than 2,200 branches across the UK, 272 in Ireland and 1,620 in the US and we provide ATMs, online and 24-hour telephone banking.

Against the trend for financial services companies to reduce their branch networks, we made a public commitment in 2000 to keep branches open in the UK and to enable customers to call their branches direct. In 2005 we also extended our rural services by increasing the number of mobile banks. We launched two new mobile banks, one in Cornwall and the other in Aberdeenshire, Scotland. This brings the Group's mobile bank fleet to 15, and enables us to reach 300 rural communities each week.

We manage the largest free ATM network in the UK, through The Royal Bank of Scotland and NatWest brands. This has grown by 20% in the last five years, and together they operate 6,438 ATM's in the UK.

Through the LINK network our customers can access nearly 33,000 free ATMs across the UK. Additionally our Hanco ATM Systems Ltd provides further machines for cash withdrawal on other retailers' premises. A fee is charged by the retailer for this added convenience, notice of which is given to the consumer before they confirm they wish to withdraw money.

In the US, Citizens Financial Group does not charge its own customers for transactions at its ATM machines. However, it does charge non-Citizens customers a fee, as do 94% of banks in the US.

For those with disabilities, we have improved most of our branches to comply with the Disability Discrimination Act (DDA), including levelling access, improving signs and lighting and installing automatic doors and low-level writing counters. It is not always possible to make these adjustments - if the branch is a listed building for instance - but around 82% of our branches now have level access, and at the beginning of 2006 more than 93% of our ATMs were at the right height for wheelchair users.

Access to our services	Royal Bank of Scotland and NatWest	Citizens Financial Group	Ulster Bank Group
Branches	2,274	1,620	272
ATMs	6,438	3,800	1,000
24-hrs telephone banking	✓	✓	✓
Online banking	✓	✓	✓
Mobile banking	✓	—	✓
Textphone banking	✓	—	—

All our written material can be provided in Braille, large print or audio. We provide a guide to ATM screenflows for visually impaired customers and portable audio induction loops at all NatWest and Royal Bank of Scotland branches. We accept Typetalk Calls, which allow customers with speech or hearing problems to communicate with our branches.

It is our policy to help make financial services available and understood by people of all ages and backgrounds. In 1999 the RBS group introduced the basic bank account specifically designed to widen financial access. We also played an active part in the Government's early attempts to create the "universal bank" through the Post Office network, and have committed £30 million over five years to the funding of the Post Office Card Account. The Group now has more than 800,000 basic accounts accessible through branches and Post Offices, which is a 20% increase since 2004.

In the US, as at December 2005, we have opened 666,227 basic banking accounts (a combination of the Basic Banking Account (Citizens) and Totally Free and Best Free Checking Accounts (Charter One)).

We place equal importance in supporting businesses in deprived communities. In 2005 the Group's small business lending in the 5% most deprived wards in the UK stood at £659 million, an estimated leading market share of 39%. Our Community Development Banking team



**We want as many people as possible to be able to use our services. Around 82% of our branches now have level access. All our written material can also be provided in Braille, large print or audio.**

works with a wide range of community based organisations and social enterprises in the UK's most disadvantaged communities. Some of these organisations are developing innovative new ways to provide affordable credit for those living on low incomes. One initiative is our support for Community Development Finance Institutions (CDFIs), which provide capital and support to individuals or organisations to create and develop wealth in disadvantaged communities. We concentrate on propositions using local institutions familiar to their residents to provide affordable credit. For example, the South East Birmingham Community Credit Union, which we support financially, has been working over



## Customers

How do we support deprived communities?

How do we support small businesses?

the last year to market its services to low income households across Birmingham.

Additionally, our Financial Inclusion Innovation Fund provides grants to voluntary organisations and charities to find new ways of extending financial inclusion.

In 2005 Citizens launched Job Bank, a program offering low-interest loans of up to \$10 million. In exchange for below-market financing, businesses agree to create full-time jobs for local residents. This support for community regeneration has to date created more than 7,000 new jobs in the New England and Mid-Atlantic region of the US.

In our Community section (page 31), we describe in greater depth the support we give to our customers and others in the community to help them understand better how to manage their finances. In 2005 we celebrated the tenth anniversary of our Face 2 Face with Finance (F2F) programme, which provides financial education materials and training to schools. We invest £1.2 million in this programme each year. In 2005 the programme helped deliver lessons to over 250,000 schoolchildren nationally across nearly 1,000 schools.

We are a founding supporter of Services Against Financial Exclusion. This is a programme of financial education for adults, and we continue to provide financial support, participate as a Steering Group member and offer ad-hoc assistance such as providing meeting space on bank premises. We are also the largest corporate supporter of the Money Advice Trust, which provides independent advice to people in financial difficulties.

Citizens and Charter One work with local community groups to provide financial literacy seminars for basic banking, first-time home-buyers and small business owners throughout the year. In recognition of the size of the Hispanic community in the US, all presentation material is available in Spanish



In 2005 we launched two new mobile banks, one in Aberdeenshire and the first NatWest mobile bank in Cornwall. This brings the Group's mobile bank fleet to 15, enabling us to reach 300 rural communities each week.

### Stimulating entrepreneurship

Starting a small business requires determination, hard work and a willingness to take risk. We want to support small businesses through our lending policies and by running specific initiatives. We are the largest Small and Medium Sized Enterprise lender in the UK and the number two Small Business Administration lender in the US.

Against this background, in 2005 NatWest upgraded its Start Up Package for new businesses. This provides advice on key business areas, plus up to 18 months' free banking and an additional six months' discounted banking to help reduce pressure on cash flow as businesses establish themselves. The Royal Bank of Scotland and NatWest offer tailored PC software aimed at helping new businesses. NatWest has 180 business managers in branches across England, so they are accessible to people thinking of starting a business, and this number will increase in 2006.

everywoman Ltd is the UK's leading network for female business support. 2005 was the third year of sponsorship by NatWest of the everywoman awards, which recognise achievement among female business owners. NatWest also delivers direct advice and support to potential and current female business owners online at [everywoman.co.uk](http://everywoman.co.uk) and at the

In Ireland, Ulster Bank sponsors the Business Achievers Award and the Ernst and Young Entrepreneur of the Year Award.

everywoman "Grow Your Business" conferences and exhibitions.

In 2005 the Group carried out a wide range of other activities designed to encourage new businesses. This included maintaining close links with established organisations such as Scottish Enterprise, the Business Links and Chambers of Commerce, who provide specific support for start-ups.

In Ireland, Ulster Bank sponsors the Business Achievers Award and the Ernst and Young Entrepreneur of the Year Award.



Bioclin Research Laboratories Ltd (Bioclin), an Athlone-based contract research company that exports 85% of its services, beat off some stiff competition to emerge as the overall winner of the 2005 Ulster Bank Commercial Services/Irish Independent Business Achievers Awards. Bioclin specialises in niche laboratory services supporting product development from discovery through to product registration. They assist companies to accelerate their research products, through the development and approval process, resulting in considerable cost and time savings.

## How do we support customers in difficulty?

## How do we continue to improve our customer service?

### Customers in difficulty

There are a number of reasons why people find themselves in financial difficulty. Most commonly this is due to unforeseen changing circumstances such as bereavement, job loss or relationship breakdown. At times like these, managing finances can seem the least important issue at hand. We try to identify customers in financial difficulty as early as possible so we can start managing the situation before it becomes more of a risk to both the individual and our business.

Missed loan payments are important warning indicators to identify customers who may be having financial problems. Our process for Royal Bank of Scotland and NatWest customers ensures a focused and sympathetic treatment for customers who encounter short term hardship. We contact the customer by letter and telephone to try and establish

### In 2006 we extended our financial capability programme and launched an interactive website 'Face 2 Face with Finance.'

the total extent of their liabilities, discuss their circumstances and work with them to resolve their problems. We treat every case individually and our employees are trained to be sympathetic and positive and to treat customers with dignity.

In 2006 we extended our financial capability programme and launched an interactive website 'Face 2 Face with Finance'. The site provides a number of tools to help consumers assess their current financial situation, such as a financial health check, a debt test and a budget planner. It provides a basic step by step guide to bank accounts, loans, credit cards, savings, mortgages and pensions. This new website complements the Financial Services Authority's (FSA's) financial capability strategy and utilises a number of the FSA's interactive tools, which are hosted on their recently launched 'Money laid bare' website.

We have introduced a new "Dealing with Debt" leaflet which provides customers with detailed advice on how to get their finances under control.



Charter One is the lead corporate sponsor of the Chinese American Service League's (CASL) new Housing Centre. The Centre, which opened in January 2006, offers bilingual seminars, workshops and individual counselling on financial literacy to educate and assist the Chinese American community in Chicago.

This leaflet is available in our extensive branch network and through the 'Face 2 Face with Finance' website.

A comprehensive source of advice is also provided on understanding money through our partnership with a range of well known charities. We are a major supporter of several organisations offering free financial advice, such as Citizens Advice Bureaux, Money Advice Trust, the National Debt Line, Consumer Credit Counselling Service and Payplan.



Our 'Face 2 Face with Finance' website is available on

[www.rbs.co.uk/face2face](http://www.rbs.co.uk/face2face)

[www.natwest.com/face2face](http://www.natwest.com/face2face)

### Developing our customer service

Improving our customer service starts by seeking the views of our customers - personal or business - in a variety of different ways. In this way we can hear their suggestions directly from them. This enables us to formulate our Customer Service plans. The specific methods used to monitor and measure the satisfaction of our customers vary across the Group.

The Royal Bank of Scotland and NatWest are provided with regular results from a postal customer satisfaction survey, which receives over 55,000 responses every month. Customer satisfaction surveys are also done by telephone and in 2005 we conducted more than 56,000 surveys in this way.

The Royal Bank of Scotland and NatWest also held more than 100 customer service discussion groups in locations around the country and more than 21,000

### In 2005 we conducted more than 56,000 personal customer satisfaction surveys by telephone to measure our customers' perception of the service experience.

telephone interviews were conducted by our market research interviewers. We also use "mystery shopper" research in our branches.

At Citizens Financial Group in the US, our feedback includes a survey of about 600,000 customers per year and a quarterly Brand Tracking Survey.

Responding to complaints is also integral to customer service and provides us with valuable information. The Group Customer Relations team manages our Group Complaints Policy. This is operated throughout the businesses, which manage their own customer relations and analyse the findings. The team also monitors the number of complaints groupwide and records the steps taken to improve our service. It shares complaint handling best practices across the Group and brings people together to resolve common issues.

All of this material forms the basis of our annual Customer Service plan, which contains initiatives to address customers' concerns. In 2005 these initiatives included:

- Extending opening hours including Saturday opening into selected branches.
- Continuing our focus on customer queue times in branches, we extended our Quick Deposit Units. Now all but three Royal Bank of Scotland branches have Quick Deposit Units and 188 new units were installed across the NatWest network. In addition we introduced employee training to help guide customers to alternative automated banking procedures. As a result, we reduced the number of branches tending to have longer queues by over 75% for Royal Bank of Scotland and nearly 66% for NatWest. Further, Royal Bank of Scotland and NatWest Customer Satisfaction Surveys recorded more than a 3% increase on this issue to 83.3% and 74.2% respectively.
- Making it easier for customers to phone their branches by having branch telephone numbers on account statements.
- Introducing a revised Customer Account Opening system enabling customers to open additional accounts within minutes, whether in a branch, by telephone or online.
- Introducing our new Customer Service Review/ Personal Service Review in all our branches, enabling retail bank staff to run a comprehensive personal financial health check for customers and make recommendations to meet their immediate and future needs.
- Dropping all transaction and account maintenance charges and fees for arranging overdrafts from more than 400,000 personal current accounts at Ulster Bank.
- Providing 'One Account' customers with the ability to create ad hoc payments and activate cards online.
- Focusing our direct channels staff to improve "first person, first time resolution" of both complaints and enquiries.
- Significantly enhancing our ability to manage and resolve complaints by introducing electronic management systems.
- Creating a team of in-house specialists to help people injured in motor accidents resume a normal life as quickly as possible.

#### Priorities for 2006

Continue to upgrade and expand further our retail branch network.

Maintain high levels of customer satisfaction at Royal Bank of Scotland and NatWest retail operations.

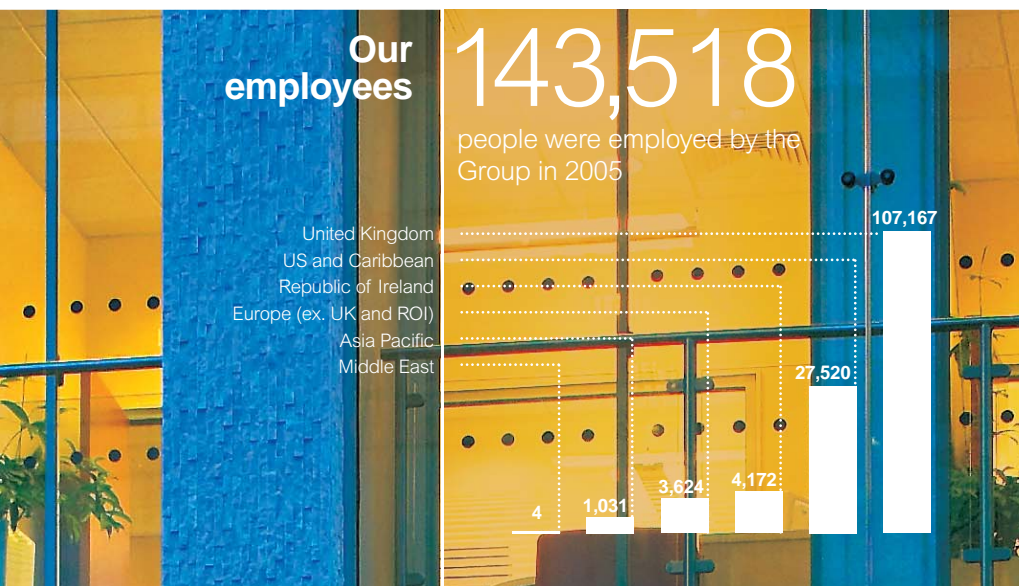
Improve 'first time resolution rates' for personal customers contacting us with a query.

Develop and launch innovative products and services with additional social or environmental features.

Integrate the Equator Principles' requirements into our project finance lending and introduce comprehensive training programmes for project finance loan officers and key support employees.

# Employees

What have our key employee initiatives been?  
 What standards do we expect of our employees?  
 How do we create an inclusive working environment?



We employ 143,518<sup>1</sup> people in 30 countries world-wide. While the requirements of each country and each of our businesses vary, our principles are constant across the Group. We want to attract the best people, to enable them to give their best while they are with us and to secure their ongoing commitment to our business.

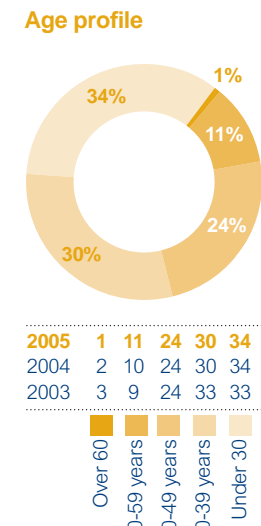
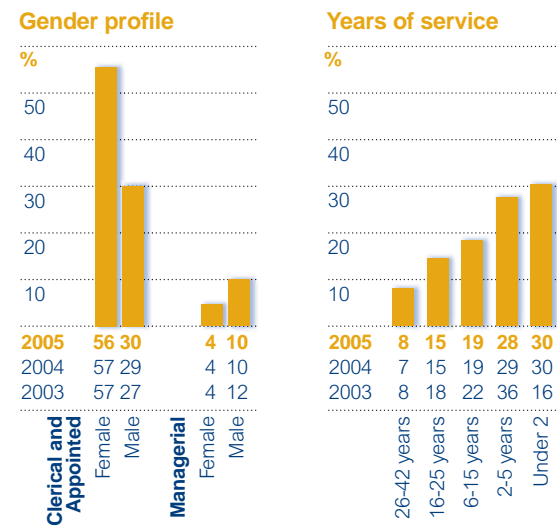
In 2005 we made good progress in implementing our strategy to help our people increase their contribution to the Group with an ever-greater sense of fulfilment and reward. We established a Human Capital Board to measure the impact of this strategy on business performance. Demonstrating our commitment to diversity, we improved our diversity benchmarking by achieving a Gold Standard in both the 'Race for Opportunity' and 'Opportunity Now' surveys. The building of our Business School at Gogarburn in Edinburgh was a substantial investment in our ongoing executive training. Furthermore our Employee Opinion Survey results, with an 86% response rate, show that our actions are having an impact. We scored above the global financial services comparison group in every single category for the first time.

<sup>1</sup> Total numbers employed: the Full-time Equivalent (FTE) total as at December 2005 was 131,800

## Working for the RBS group

We want to make working at the RBS group fulfilling. To achieve this, a key step is to communicate clearly the expectations we have for all our employees. In 2005 we produced a revised Global Code of Conduct, "Integrity Matters", which sets out precisely what we expect of our employees in areas of concern such as data protection and dignity at work. It outlines what we believe are essential standards of behaviour to guide our individual actions. Distributed to all employees in every country in which we operate, it is available in 9 different languages. We also want all our employees to feel free to speak out if they come across behaviour they feel is unacceptable in the workplace. Across our operations we have confidential methods in place for any employee who wishes to report troubling behaviour. For example, in the UK, 'YourCall' is a free telephone helpline available 24 hours a day, seven days a week.

We recognise trade unions in a number of businesses and countries. In addition to working with trade unions in many of our continental European businesses, our employees are represented through works councils and other local arrangements. Our European Employee Communication Council brings together employee representatives from



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across the EU to be informed on strategic developments which affect more than one country.

We want to provide job security for all our employees, but this must be balanced with the need for profitability and efficiency. When business changes make redundancy necessary, our people are considered for roles elsewhere in the Group through our redeployment policy. Our 2005 Employee Opinion Survey result on 'Employee Security' was 14% above the ISR's Global Financial Service comparison group.

## Diversity

We aim to create a working environment in which all our employees can develop their full potential. Valuing and promoting diversity across all our businesses is an essential part of achieving that goal. Our Managing Diversity Policy ensures that this commitment is reflected throughout the Group.

In 2005 we made important progress in this area. Key accomplishments include launching a groupwide Disability Discrimination Act training programme, developing an online diversity training module and further improving our Maternity Policy. All our UK employees are now entitled to 12 weeks' maternity or adoption leave on full pay, followed by 14 weeks on statutory maternity pay. Previously, 6 weeks pay was provided before moving to statutory pay. We hope this will increase the number of our employees - already 81% - who return to work after maternity leave.

We also improved our recruitment procedures so that flexible working arrangements apply to all advertised positions. Feedback from employees revealed that one of the perceived barriers for women's progression was that when applying for an advertised position, the onus was often on the applicant to ask if flexible working arrangements would be considered.

## Employees

### How do we support employees to manage their work-life balance? How are we managing Health and Safety at work?

As a result, we have changed our process so that from October 2005 flexible working patterns will be considered for all job vacancies advertised across the Group.

We participate in a variety of external benchmarking activities related to diversity, and in 2005 achieved Gold Standard in both 'Race for Opportunity' and Business in the Community's 'Opportunity Now'. Placed sixth overall in 'Race for Opportunity' amongst the 113 participating member organisations, we ranked as one of the most improved organisations in this vital area.

We were awarded Gold Standard in 'Race for Opportunity', positioned 6th overall. We ranked as one of the most improved organisations in this area.



#### Work-life balance

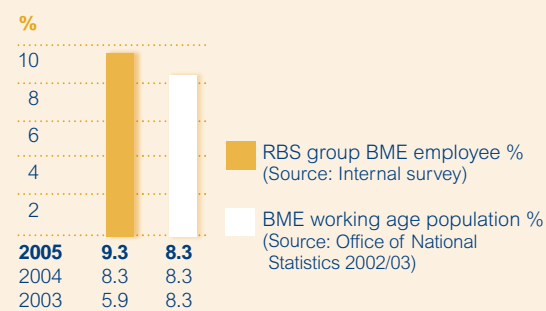
We believe that only when our people are able to balance successfully their professional and personal commitments, can they achieve their best. We have developed an award-winning set of policies under the theme 'YourTime', which enables employees to create working arrangements that fit their individual needs and lifestyle, as well as meeting business requirements. This incorporates a range of options including compressed hours, term-time working and working from home. 22% of our employees work flexibly in one way or another.

HelpDirect, a free, confidential information service accessible by phone or online, helps our people manage challenges in their lives at work or beyond. Consultants offer the latest information and support on a wide range of matters including childcare, relationships, the law and care for the elderly. Free written material from a comprehensive library of specialist publications is also available. In addition, we provide a range of options for carers offering information, support and flexible working opportunities to those responsible for dependants, whether children or adults.



Sally Sutherland, a senior manager in Group Legal works flexible hours. In 2005 we improved our maternity policy and now 81% of employees return to work after maternity leave.

#### RBS group black and minority ethnic (BME) employees in the UK%



Our Managing Diversity Policy is available on [www.rbs.com/crpolicies](http://www.rbs.com/crpolicies)



Imran Kaleem, a Customer Service Officer, NatWest.

"I am getting married in India and wanted to take time out for the preparations, wedding and honeymoon. The arrangement under the 'YourTime' policy has helped me to take the time off but also to retain my role at the branch. I talked through the request with my manager and area manager and all was quickly signed off."

We made significant efforts to reduce employee turnover and absence in 2005 and in the past 12 months voluntary turnover has reduced by 1.9% to 10.5%. Employee absence at Group-level has increased slightly from 3.4% at the end of 2004, to 3.5% at the end of 2005. Special attention was given to the number of employees who leave in their first year of service and in the last two years considerable progress has been made. At the end of 2005 this retention figure stood at 83.4%.

Healthy eating options, organised health fairs, fitness facilities in selected locations and our HelpDirect service all contribute to good health within the Group. Our new internal Wellbeing website, launched in 2006, is designed to enhance online access to the service. All building design work considers ergonomic issues with great care. Our Group Property team includes specialists in health, safety, ergonomics and disability and in 2005, the working conditions for over 9000 employees were improved through our branch improvement programme and new office developments at Norwich, Spinningfields in Manchester, Bromley, Guernsey and Gogarburn, Edinburgh.

In the first quarter of 2006 we launched a revised policy on stress, supported by a range of measures to help tackle stress in the workplace. These measures are designed to raise awareness of stress, provide guidelines for managers to identify stress in their departments, and let our people know how and where they can seek advice and support. We have also developed a methodology that uses Employee Opinion Survey data to identify potential causes of stress in the workplace, allowing us to target our measures where they are most needed.

We encourage all our employees to report accidents. In the UK and Republic of Ireland accidents, incidents and work related conditions are reported to our accident reporting line (Reportline).

In 2005 there were 1,939 work-related accidents reported for our employees. Of these, 184 were accidents requiring to be reported to the health and safety enforcing authorities. This equates to an injury rate of 180.4 per 100,000 against the Business and Finance Index benchmark of 222.5 per 100,000. The table (overleaf)

#### Health, Safety and Wellbeing

Good health is an essential part of a good working environment and a key to personal and professional fulfilment. The health of our people has always been a central concern at the RBS group and in 2005 we focused on two important areas: improving day-to-day health and addressing workplace stress.

In 2006 we piloted health and wellbeing programmes, which provide our employees with an opportunity to undertake personal health risk assessments, receive personalised information about their wellbeing and participate in health behaviour change programmes. The programmes will also enable us to focus our support where it is most needed to improve our people's health and wellbeing. We can then measure the impacts on our absence rates, productivity, employee engagement and customer satisfaction.

Our full Health and Safety Report is available on [www.rbs.com/crreports](http://www.rbs.com/crreports)

How do we monitor employee satisfaction?

Reportable accidents comparison

Injury rate per 100,000	2005	2004	2003
	180.4	232.4	158.5
	222.5	203	148.6

■ The RBS group (UK)  
■ HSE Business and Finance comparison group\*

\* Source: National Health and Safety Executive (HSE) Statistics 2004/2005

shows the Group's favourable position against this index for the last three years.

The remaining accidents were minor in nature and dealt with at a local level. Just over a quarter of all accidents came into the category 'slipped, tripped or fell on the same level'. We continue, of course, to do all we can to reduce the accident levels within the Group.

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Employee satisfaction

We want to know how our employees feel about working in our organisation and whether we are meeting their needs. Our confidential annual Employee Opinion Survey gives our people the chance to tell us.

Conducted by International Survey Research (ISR), the 2005 survey was completed by a record 86% of employees across the Group. This is 20% above the industry average and 2% higher than in 2004.

For the first time, we scored above ISR's Global Financial Services comparison group in every category.

84% of respondents said they believed the Group was socially responsible in the community. This reflected a 14% increase on the previous year, and was the highest individual improved score. It was also 8% higher than ISR's Global Financial Services comparison group. The survey also included two new questions relating to the Group's corporate responsibility and the answers were encouraging. 76% and 78% of respondents said they believed the Group acted with integrity in its internal and external dealings respectively.

The survey results are presented and analysed at Group, individual business and team level, and action plans are developed to address any issues that have been raised. For example, in response to feedback from the 2004 survey suggesting that employees wanted a greater understanding of customers' experiences, we started two initiatives,



Employee Opinion Survey

"This is the fifth successive year of significant improvement in our Group results, and we have advanced positively in every category since 2004. We value your opinion, the 86% response rate confirms that you have faith in the survey and that you believe actions will be taken, helping the Group to become one of the world's most admired companies."

Sir Fred Goodwin, Group Chief Executive - in letter to employees, 19 January 2006

2005 Employee Opinion Survey results (%)			
Category	2004	2005	Norm 2005*
Image and Competitive Position	61	67	↑ 61
Co-operation and Working Relationships	75	77	↑ 73
Communication	71	74	↑ 64
RBS Group Leadership	66	69	↑ 64
Respect and Diversity	80	84	↑ 79
Performance Management and Development	62	65	↑ 58
Job Satisfaction and Engagement	66	70	↑ 65
Recognition and Reward	63	67	↑ 58
Managing People and Change	68	70	↑ 63
Employment Security	74	77	↑ 63
Efficiency and Innovation	57	59	↑ 55
Workload and Work Life Balance	65	69	↑ 64
Customer Focus	75	77	↑ 74
Division Leadership	61	65	↑ 58

\* ISR Global Financial Services comparison group

"National Customer Service Week" in RBS Insurance and "Ride the Service Experience" in our Manufacturing division.

The individual businesses within the Group also communicate with their employees regularly in various ways to keep them updated with organisational developments and give them opportunities to voice their opinions. In addition, the Group Chief Executive and other senior executives discuss and debate a range of matters with employees through open forums and discussions broadcast on our internal TV network.

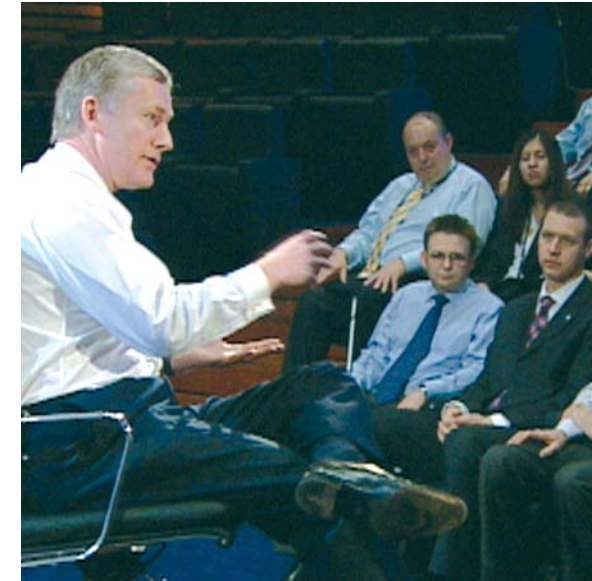
In 2005, the Employee Opinion Survey was completed by a record 86% of employees across the Group, which is 20% above the industry average and 2% higher than in 2004. For the first time, we scored above ISR's Global Financial Services comparison group in every category.

Employee training and development

It is essential for the RBS group to continue to develop the skills of our people. Besides day-to-day skills development and regular training activities across the organisation, we provide innovative groupwide training and development programmes.

In 2005 a Human Capital Board was established to oversee the implementation of our HR initiatives across the Group. The Board's role is to ensure that we continue to attract the best people and secure their ongoing commitment. It also measures the impact of our employees' contribution to business performance. A key outcome was the launch of the 'Service Excellence Through People' project. This initiative aims to identify how our employees' working practices drive customer service and business performance to understand how the Group's results can be further improved by the way we treat our people.

We offer an online learning management system, Access to Learning (A2L), which enables individual employees to refine and track their development plans.



Sir Fred Goodwin, Group Chief Executive, discussing diversity issues with employees - 23 November 2005

In November 2005 Sir Fred Goodwin, the Group Chief Executive, participated in a Diversity Q&A forum. The forum, hosted by the television presenter Nick Ross, was attended by Group employees from around the world and broadcast on our internal television network.

The session provided an opportunity to demonstrate the Group's ongoing commitment to diversity, to inform employees of the work that is being done to embed diversity within the organisation and to discuss employees' experiences of working for the Group.

84% of respondents said they believed the Group was socially responsible in the community.

## Employees

What new training initiatives have been introduced?  
How do we reward our people?

In 2005 we launched a new groupwide approach to developing leadership skills. We introduced a framework called 'The Leadership Journey' to help our managers maximise their leadership potential. This generic development framework outlines what defines great performance at different levels of the Group. It also enables employees to understand what they need to do to become successful leaders and informs our managers clearly what development options are available.

Leadership was also our 2005 focus for the training of our senior management through the Executive Leadership Programme (ELP) delivered by Harvard Business School. This programme focused on helping delegates to understand their leadership capabilities and how these capabilities need to change in different situations as the Group evolves. Over 230 of our senior management participated in this programme in 2005. The two previous ELP programmes on Strategy and Service and Customer and Marketing Management have been revised and delivered to over 800 of the senior management population. All programmes will now be delivered at the RBS Business School at our Headquarters at Gogarburn, Edinburgh.

Another way of improving effectiveness at work and, at the same time, more fully engaging our people, is the Group's Work-Out programme. Work-Out brings people together at all levels in the organisation to identify, shape and implement improvements. Work-Out activities range from dealing with processing and work issues in local business areas, to large and more complex issues that cross different business divisions. The programme is based on the idea that those closest to the work know it best. If there's a better way of doing things, they are the people to identify it and then action it. Since its beginnings, over 5,000 improvements have been introduced across our different business areas. In 2005 alone, 1,200 events were conducted resulting in £80 million of financial benefit and involving 18,000 employees.



We opened our new Business School at the Group Edinburgh Headquarters in Spring 2006. All our Executive Leadership programmes for our senior management, run by Harvard Business School, are now delivered there.



YourBank

In 2005 the Group opened 'YourBank' which provides Group employees and pensioners with exclusive preferential rates on a number of financial products and services.

### Rewards and remuneration

We want to attract and retain the most talented people. That means creating a pay structure that encourages and rewards excellence. The Group's overall reward framework emphasises market competitiveness, pay for performance and flexibility. Salaries reflect the external market and the individual's performance.

All of our businesses have different bonus incentive plans to reward personal achievement. UK employees are part of a profit-sharing scheme directly related to the Group's annual performance, which has delivered a further 10% of basic salary in each of the past seven years. Employees can also share in the Group's success through our two sharesave schemes - Buy As You Earn and Sharesave.

All our rewards and remuneration policies are constantly monitored and updated to ensure that we

UK employees are part of a profit-sharing scheme directly related to the Group's annual performance, which has delivered a further 10% of basic salary in each of the past seven years.

continue to attract and retain the best and brightest people in our organisation.

RBS*select*, our flexible benefits plan, is one of the largest benefits programmes in Europe and allows all employees to customise their remuneration through a range of options which include private medical cover, discounted shopping vouchers, subsidised childcare vouchers, bicycle vouchers and personal computers. We are continually developing and improving the range of benefits available through this scheme.

Our Employee Opinion Survey results in 2005 suggest that we are getting this right. The 'Recognition and Reward' category was 9% higher than the ISR's financial services comparison group, and 4% above 2004 levels.



Anna Hulton, with Madeline (3) and David (10 months) works in Group Human Resources and has been with the RBS group for 4½ years. She purchases discounted and tax-free Childcare vouchers through RBS*select*, the Group's flexible benefits programme. This scheme allows employees to save up to £1,200 a year on the cost of childcare.

#### Priorities for 2006

Implement actions to improve further our 'Customer Focus' and 'Performance Management and Development' scores in the Employee Opinion Survey.

Use the Human Capital Toolkit to identify and address specific areas of our business where improved employee performance would most directly result in increased levels of customer satisfaction.

Introduce the Human Capital Toolkit to our businesses in North America.

Introduce a new Executive Leadership Programme in the RBS Business School based on developing the innovation skills of our senior management.

Retain Gold Standard for both 'Race for Opportunity' and 'Opportunity Now' diversity awards.

Using Work-Out, seek the views of disabled employees about their needs, to include in workplace improvement programmes.

Introduce 'Make a Difference' - the new diversity awareness training programme - into the Group.

How do we minimise our impact on the environment?  
What environmental targets have we set?



As a financial services group our direct impact on the environment in terms of climate change, use of resources and biodiversity is limited compared to many other business sectors. Nevertheless we realise the importance of reducing the impact of our business on the environment wherever possible.

We believe there is a clear business case, as well as an environmental one, for going beyond regulatory obligations in this area. Initiatives which optimise the use of resources and minimise waste all contribute to reducing operating costs.

In 2005 we launched several important initiatives that demonstrate we mean what we say. We signed new electricity supply contracts covering all the Group's properties in the UK and Ireland. The RBS group has supported the future development of renewable electricity by purchasing over half of the Group's electricity usage in the UK and Ireland from renewable sources. At the same time we have reduced our property based carbon footprint in the UK and Ireland by 33%.

During 2005, environmental management at the Group's new headquarters at Gogarburn, Edinburgh,

and the Group's Angel Trains operations, achieved full certification to the International Environmental Management ISO 14001 standard.

And in January 2006, the Group invested in switching to a new specification of printer copier paper, with an 80% recycled content, for office use in the UK and Ireland. This move has made the Group one of the largest corporate users of recycled printer paper.

Environment policy

Our Group Environment Policy sets out our key commitments on direct environmental impacts. It incorporates the relevant principles of the United Nations Global Compact, and the UN Environment Programme Financial Institutions Initiative.

We are encouraging our employees to become more aware of the Group's environmental commitments and achievements. Our Environment Policy, as a part of our Corporate Responsibility Policy, is available online and is distributed to all our business areas as part of our Group Corporate Standards Policy. Our business executives are required to confirm every year that their areas comply with that policy.

To ensure consistency, we have a related policy, the Group Ethical Code for Suppliers. This outlines our expectations for our suppliers and references the

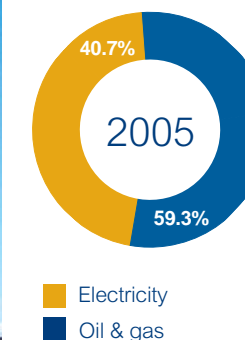
Supporting renewable sources development

The RBS group has supported the future development of renewable electricity by purchasing over half of the Group's electricity usage in the UK and Ireland from renewable sources. At the same time we have reduced our property based carbon footprint in the UK and Ireland by 33%.

Renewable energy sources include onshore wind, hydro-electric (<20 MW), biomass and landfill gas.



RBS group energy sources, UK and Ireland



principles of the UN Global Compact covering human rights, labour rights, the environment and bribery and corruption. Throughout 2005 we carried out over 20 reviews against this Code.

Environmental management

In 2005 we set up the Environment Working Group, dedicated to co-ordinating our management of operational environmental issues across the Group. Consisting of representatives from Group Corporate Responsibility, the Environment Management Unit in our operations division, and Group Purchasing, it meets quarterly. It is responsible for benchmarking performance, recommending targets and priorities, and sharing information on environmental matters.

Environmental practices at the RBS group follow the leading international standards. Our Environmental Management System (EMS) procedures are based on the principles of the international standard ISO 14001. We record energy usage, travel and waste. In 2005, the Group's Environmental Management System covered data collection from approximately 95% of the Group, up from 90% in 2004.

During 2005 we developed a new five-year Group Operations Environment Strategy (2006-10), designed to meet the key targets outlined in the table opposite.

Prioritising environmental management

During 2005 we assessed our direct environmental impacts and identified our top 5 impacts areas as:

- 1 Energy use in buildings
- 2 Business travel
- 3 Paper use
- 4 Waste management
- 5 Water use

2006 - 2010 Key Operations Environmental Performance Targets	
Energy use in buildings	5% reduction in electricity consumption per FTE 5% reduction in oil and gas consumption per FTE
Business travel	0% growth in domestic business air travel related CO <sub>2</sub> emissions per FTE Significantly increase number of sites with travel plans, car-share schemes, and cyclist facilities
Paper use	25% reduction in office paper consumption per FTE
Waste management	Full and accurate data collection on waste disposal by end 2006 20% increase in recycled waste per FTE
Water use (UK & Ireland)	85% of Group properties (by floor area) to be provided with water meters 5% reduction in water consumption from all metered sites



Our Environment Policy is available on [www.rbs.com/environment](http://www.rbs.com/environment)

## What environmental initiatives have we launched? How have we performed in 2005?

2005 data will form the base-year for measurement. While the UK and Ireland data trends for energy and transport per Full-time Equivalent (FTE) are encouraging, the challenge will be to close the EMS coverage gaps and to replicate similar performance improvement trends across the Group's operations in the US, Europe and the rest of the world.

### Environmental management at Group Headquarters, Edinburgh

We have implemented an EMS at our Group Headquarters at Gogarburn, Edinburgh. This system has now been fully certified to the international standard ISO 14001 and builds on the 'Excellent' rating the complex received in 2004 under the Building Research Establishment Environmental Assessment Methodology (BREEAM). The new system identifies the key aspects of the site's environmental impacts and establishes procedures and programmes to control and reduce them.

As a result of implementing the EMS, Gogarburn has won various awards for travel planning, waste minimisation and has been commended for biodiversity protection.

The Biodiversity and Habitat Management Plan ensures that protection remains as important an issue in operation as it was throughout construction.

Gogarburn has won various awards for travel planning, waste minimisation and has been commended for biodiversity protection.

Trees and rare species have been protected, while invasive species have been controlled. A flood plain and Sustainable Urban Drainage System have been developed to protect the quality of the area. Travel plans are in place to manage the transport to and from the site in a sustainable manner. Car sharing is encouraged, and parking is managed through an online 'Click and Park' system. Local bus routes have been extended to service the site, and inter-site and airport shuttle bus services have been set up. Lockers and shower facilities have been provided for cyclists.



In January 2006 the Group invested in switching to recycled paper for office use in the UK and Ireland. This move has made the Group one of the largest corporate users of recycled paper.

### Key environmental data

This table provides environmental data from our UK, Irish and US (Citizens Financial Group) operations<sup>1</sup>, which represent over 95% of the Group's operations measured by Full-time Equivalent (FTE)<sup>2</sup> employee numbers.

Utilities	UK & Ireland		USA	
<b>Property-based energy consumption</b>	2004	2005	2004	2005
Total energy (GWh)	963	1,018	197	218
Renewable electricity (% of renewable electricity relative to total energy consumption)	16	40.7	—	—
Renewable electricity (% of renewable electricity relative to total electricity consumption)	28.5	66.9	—	—
<b>CO<sub>2</sub> emissions from property-based energy use</b>				
CO <sub>2</sub> (kilotonnes)	253.3	172.1	77.9	98.5
CO <sub>2</sub> / FTE (tonnes / FTE)	2.50	1.68	3.11	4.01
<b>Property-based water consumption</b>				
Water usage (million m <sup>3</sup> ) in metered premises <sup>3</sup>	1.85	1.76	—	—
Business Travel	UK & Ireland		USA	
<b>Distance</b>	2004	2005	2004	2005
Air (million km)	172.6	182	16	29.2
Road (million km)	96.8	119.7	—	—
Rail (million km) <sup>4</sup>	22.5	26.3	—	—
<b>CO<sub>2</sub> emissions</b>				
Total business travel-related CO <sub>2</sub> emissions (kilotonnes) <sup>5</sup>	46.3	45.9	—	—
Total business travel-related CO <sub>2</sub> emissions per FTE (tonnes/FTE) <sup>5</sup>	0.46	0.45	—	—
Consumables	UK & Ireland		USA	
<b>Paper usage (tonnes)</b>	2004	2005	2004	2005
Office copying and printing <sup>6</sup>	—	5,460	—	—
Marketing material	—	14,158	—	—
Customer communications and statements	—	9,975	—	—
Waste	UK & Ireland		USA	
<b>Resources recovered for reuse/recycling</b>	2004	2005	2004	2005
Paper recycled (tonnes)	9,905	12,530	2,655	8,029
Furniture - reused and recycled (tonnes)	876	1,918	—	—
IT Equipment - number of items reused and recycled	68,796	94,220	—	—

<sup>1</sup> 2005 US data incorporates the acquisition of Charter One.

<sup>2</sup> FTE figure of EMS coverage is 126,049

<sup>3</sup> 68.4% of those properties directly billed are metered

<sup>4</sup> UK only

<sup>5</sup> In 2005 the Department for Environment Food and Rural Affairs (DEFRA) released new guidelines which state that rail travel emissions now stand at 0.04 kg/km (previously 0.06 kg/km) and short haul air travel emissions now stand at 0.15 kg/km (previously 0.18 kg/km)

<sup>6</sup> New contract (paper with 80% recycled content) effective during 2006

### Priorities for 2006

Extend coverage of our Environmental Management Systems to 96% by end 2006 and 98% by end 2008.

Achieve ISO 14001 environmental certification for our mailing and statement service centres at Shephed and Livingston.

Apply the environmental best practices from recent building developments to the refurbishment and redevelopment of other Group properties where appropriate.

Reduce waste by finding new opportunities to reuse and recycle surplus equipment and furniture.



Full details of our 2005 environmental performance is available on [www.rbs.com/environment](http://www.rbs.com/environment)



How much did we contribute to our communities in 2005?  
What are our community partnerships?

The Group's community investment



We believe supporting the communities where our customers and employees live and work is the right thing for us to do. Our business activities extend throughout these communities and we, in turn, want to give back our support in a variety of ways.

- We invest in and support the community in four main ways:
- We provide products and services to groups which might not otherwise have access to financial services.
  - We set up partnerships with charities and community organisations in areas related to our core activities.
  - We encourage our employees to get involved.
  - We give financial support to our employees' donations and voluntary work.

In 2005, the Group invested a total of £56.2 million in our communities, an increase of over £10 million, or more than 22%, on 2004 levels.



Financial education lesson at Copthall School, London

In 2005, the Group invested a total of £56.2 million in our communities, an increase of over £10 million, or more than 22%, on 2004 levels.

Provision of products and services to all communities

Making financial services accessible and understood by people of all ages and backgrounds is an important contribution towards making our societies more inclusive. The details of our financial inclusion work are covered on page 13 of the Customers section in this report. We address our support for basic bank accounts, the provision of mobile banking services to rural communities and our lending to the 5% most deprived wards in the UK.

In the US, the Community Re-Investment Act (CRA) is intended to encourage financial institutions to help meet the financial needs of the communities in which they operate. Citizens Financial Group holds the highest rating, "Outstanding", for its performance in many of the states in which it operates. Its affordable housing loans, its programme to encourage job creation and its heating fuel assistance initiative all delivered significant benefits during 2005. It also donated \$600,000 to help the victims of Hurricane Katrina.



The Spanish Coalition for Jobs programme

Funded by Citizens Financial Group, the programme provides 'English as a second language' courses. It offers educational, vocational and employment services for Latinos living in the US, allowing them to achieve economic independence.

Our community partnerships

We want to build genuine, long-term partnerships with the charities and community groups we work with. We focus our community partnerships in three main areas:

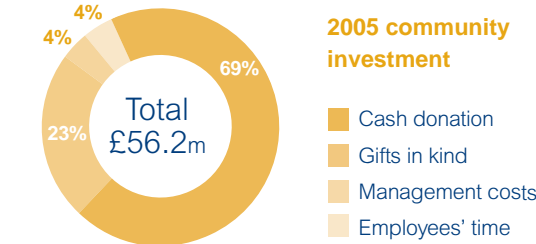
- Promoting financial education and inclusion.
- Helping excluded young people and communities.
- Supporting our employees' involvement.

Our key partnerships and programmes are:

- Face 2 Face with Finance (F2F)
- Money Advice Trust
- Lone Parent Helpline
- Fairbridge
- The Prince's Trust
- Supergrounds
- Aimhigher
- The First Tee

Community investment spend by type*	
Category amount	Breakdown
Cash donation	£38,999,064
Gifts in kind	£12,859,071
Management costs	£2,371,045
Employees' time	£1,975,352
<b>Total donation</b>	<b>£56,204,532</b>

\* Data is collected annually from all divisions of the Group using London Benchmarking Group Guidelines.



2005 highlights from these programmes are featured overleaf. Each of our businesses also has a list of approved community and charity partners they can work with to help enrich their communities and develop their people's skills.

It is important to emphasise that we measure the impact of our investments in these projects to ensure they are successful against the criteria we set. This ensures our money is responsibly spent. Success is judged partly by the delivery of a project, such as the number of primary school playgrounds improved through our Supergrounds programme, partly by the extent to which our employees are involved and partly by levels of internal and external awareness of the cause and the partnership.

In 2005 we received a number of awards for our work. These included the Charities Aid Foundation's Companies and Communities Award for Effective Giving. Our Give As You Earn scheme won Pay Magazine's Payroll Giving Award for the third year in a row and two of our projects – Supergrounds Edinburgh and Aimhigher in Scotland and Northern Ireland – were awarded 'Big Ticks' by Business in the Community.

## How do we encourage employees to volunteer in their communities? How do we support our people to donate to charities of their choice?

### Employee involvement

We encourage our people to become involved in their community in a voluntary capacity. In 2005 we launched our Employee Involvement Policy, which sets formal guidelines for community based employee development and involvement. Linking community investment and employee development, this initiative is based on the belief that all our people can develop their professional skills through practical experience with our group-funded community projects. The commitment our employees make and the learning they receive can be included in their personal development plans, and contribute to their annual appraisal. In this way everyone benefits – the community, the organisation, the individual and the RBS group. In 2005 our people spent a total of 123,469 hours on community activities during work hours. Our key



Group employees assisting with the regeneration of the garden of Agincourt House Pupil Referral Unit in Camden, North London. The Prince's Trust supports these schools, which take young people that have been excluded from mainstream schooling.

### Supporting employee giving

We operate two schemes designed to support our people's contributions and efforts on behalf of community projects and charities. Under our unique double-matching Give As You Earn programme, for every £1 an employee donates from his or her pay to a UK registered charity, we donate a further £2. In 2005, 14,000 of our employees were regular donors to charities, up from 12,000 in 2004, and we generated £8.5 million for charities, compared with £6.4 million the year before. Our Community Cashback Awards are designed to



325 of our employees were involved with Supergrounds, which transforms school playgrounds into attractive and stimulating places to learn and play.

partners for employee involvement include The Prince's Trust, a charity that helps young people overcome barriers and get their lives working, and Fairbridge, which works with young people to deal with the challenges of inner-city life. Other partners are F2F, a financial education programme for schools and Supergrounds, which transforms school playgrounds into attractive and stimulating places to learn and play. Increasing numbers of our employees are involved in these partnerships. 696 Group employees were involved with The Prince's Trust alone in 2005. 467 employees were involved with Fairbridge, 569 employees helped teachers to deliver F2F in schools, and 325 were involved with Supergrounds. We recognise the contributions that our employees make to their local communities through 'The Chairman's Awards for Community Excellence'. Six awards are given annually and in 2005, over 500 nominations were received from across all our businesses.

recognise and reward the time, skills and commitment that many of our people invest in the community. These financial awards support the local community organisations and charities that our people are actively involved in. In 2005 we made 6,919 Community Cashback Awards totalling £2.5 million, up from 5,518 awards worth a total of £1.9 million the year before. Additionally we made a £1 million Christmas Donation shared between the top ten Give As You Earn charities nominated by our people.



The Chairman's Awards for Community Excellence

Sharon Dyer, working in Global Banking Markets, won the overall award for raising over £700,000 for The Willow Foundation, a charity dedicated to improving the quality of life of seriously ill young adults.

### Priorities for 2006

Increase the number of employees regularly participating in Give As You Earn to 14,500 and the number of Community Cashback Awards made to 7,500.

Maintain a lead on the Global High Performing Norm score for the Employee Opinion Survey question "Is RBS group socially responsible in the community?"

Increase customer and other stakeholder groups' awareness of the Group's Community Investment activity, measuring our success through an independent assessment of stakeholder attitudes (MORI). We aim to equal, or exceed, the results of our competitors.

2005 Highlights from our key partnerships and programmes	
<b>Face 2 Face with Finance (F2F)</b>	Through F2F, 569 of our employees worked with teachers to deliver personal finance lessons to 260,000 young people in 1000 schools and colleges. To date over 750,000 students have benefited from the programme.
<b>Money Advice Trust</b>	We remain the largest individual contributor to the Money Advice Trust, having given over £1.8 million over three years. The Trust offers free, impartial and confidential money advice through organisations such as Citizens Advice Bureaux. In 2005, 5,324 free training places were taken up by face-to-face money advisers and more than 105,000 self-help packs were distributed.
<b>Lone Parent Helpline</b>	The number of calls taken by the Lone Parent Helpline, the first UK Freephone helpline for lone parents, rose from 21,000 to 25,465. The Group committed £1 million to the line over four years in 2004.
<b>Aimhigher</b>	Aimhigher roadshows, which help young people with no tradition of going to university to consider higher education, visited 899 schools and colleges, reaching more than 102,000 young people. We have supported the roadshows since 2002 with a contribution of £4.6 million.
<b>Supergrounds</b>	The Supergrounds programme is run in partnership with the charities Learning Through Landscapes and Groundwork UK. It aims to transform existing school grounds into more fun and creative play areas, and was completed by 112 schools in 2005. A further 183 are being regenerated in 2006.
<b>The Prince's Trust</b>	Over 650 Group employees volunteered to help with The Prince's Trust in 2005, which helps disadvantaged 14-25 year olds realise their potential and transform their lives, by offering training, mentoring and financial assistance.
<b>Fairbridge</b>	Over 450 Group employees volunteered with Fairbridge in 2005, which helps 13-25 year olds in disadvantaged areas return to mainstream society. 42 'Independent Living Skills' courses were provided during 2005 on issues such as healthy living and managing a budget.
<b>Barnardo's</b>	We began supporting Barnardo's new project at Gogarburn, Edinburgh, which provides short breaks for children with disabilities in 2005. We made a donation of £250,000 which will go towards creating a special play area and sensory room. Opportunities for employee involvement will be developed in 2006.

Full details of our partnerships and programmes are available on [www.rbs.com/community](http://www.rbs.com/community)

The RBS group has commissioned Deloitte to provide external assurance for the 2005 Corporate Responsibility Report. The Group has extended the coverage of the selected corporate responsibility information to include data from the businesses as well as the Group level functions covered in 2004. New subject matters - dialogue with Socially Responsible Investors and employee diversity - are also included. This assurance statement represents the next step of our phased introduction of Corporate Responsibility Assurance into the Group. It is delivered in accordance with the ISAE 3000 IFAC assurance standard.

Independent assurance report by Deloitte & Touche LLP to The Royal Bank of Scotland Group Plc on the Group Corporate Responsibility Report 2005

**We have been engaged by the Board of Directors to perform limited assurance\* procedures on The Royal Bank of Scotland Group Plc ('RBS') Corporate Responsibility Report 2005 ('The CR Report')**

#### Our Conclusions

In our opinion, based solely on the work described in this report, we are not aware of anything that causes us to believe that the management assertions in relation to the subject matters set out below are materially misstated.

#### Scope of assurance work

The subject matters selected for this assurance engagement are the following:

- The dialogue undertaken during 2005 with Socially Responsible Investors and its outcome**  
Our assurance procedures consisted of understanding and testing on a sample basis the processes undertaken by the RBS group Investor Relations team to identify, engage and report the issues raised by Socially Responsible Investors during 2005 as described in the "Managing our Business responsibly" section on page 7.
- The process undertaken by the Group Corporate Responsibility team to compile the Corporate Responsibility Report**  
Our assurance procedures consisted of understanding and testing on a sample basis the processes undertaken by the RBS group Corporate Responsibility team to collate, validate and report RBS corporate responsibility practices and performance as described in the "About this Report" section on page 1.

- Specific corporate responsibility performance data and underlying systems**  
For each of the following selected performance data, our assurance procedures consisted of understanding, analysing and testing on a sample basis the process undertaken by RBS to collate, aggregate, validate and report them.

#### 3.1 Employees

- The annual Employee Opinion Survey results – *Global coverage*
- Employee absence rates (percentage) – *Global coverage*
- Employee voluntary turnover (percentage) – *Global coverage*
- Employee diversity (gender profile, ethnic profile, age profile) – *Global coverage excluding ethnic profile which is UK only*
- Total number of reportable accidents and injury rate (injury rate per 100,000 employees against the UK national sector average) – *UK and Ireland coverage*  
See section on page 19

#### 3.2 Environment

- Total property based energy consumption (GWh) – *UK and Ireland coverage*
- CO<sub>2</sub> emissions from property based energy use (kilotonnes and tonnes per FTE) – *UK and Ireland coverage*
- Renewable electricity (% of total property based energy consumption and % of total electricity consumption) – *UK and Ireland coverage*
- Business travel (million km) – *UK and Ireland coverage*
- Total business travel related CO<sub>2</sub> emissions (kilotonnes and tonnes per FTE) – *UK and Ireland coverage*
- Consumables – paper usage (tonnes) – *UK and Ireland coverage*
- Waste – Resources recovered for reuse/recycling (paper recycled in tonnes, furniture recycled in tonnes, IT equipment – reused and recycled in number of items) – *UK and Ireland coverage*  
See section on page 30

#### 3.3 Community

- Total community investment spend (£) – *Global coverage*
- Spend by type (cash donations, gifts in-kind, management costs in £ and employees' time) – *Global coverage*  
See section on page 32

#### Assurance standard and procedures

- We conducted our assurance work in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) issued by the International Auditing and Assurance Standards Board (for further information see www.ifac/IASSB).
- This standard requires that we review the systems, processes and controls that deliver the information in the areas of the report specified below. Our work consisted primarily of making inquiries of company personnel and carrying out analytical procedures and sample tests as follows:
  - The collation, aggregation, validation and reporting of the selected processes and performance data; and
  - The content of the report against the findings of our work, industry corporate responsibility practices and other relevant information and, as necessary, making recommendations for improvement.
- A limited assurance engagement is primarily limited to inquiries of company personnel and analytical procedures together with tests on a sample basis of the operation of processes and is substantially less in scope than a reasonable assurance\* engagement. Accordingly we do not provide reasonable assurance on those matters specified in this report.

\* The different levels of assurance engagement are defined in the International Standard on Assurance Engagements 3000 (ISAE3000) issued by the International auditing and Assurance Standard Board. Reasonable assurance is similar to the audit of financial statements; Limited assurance is similar to the review of a six-monthly interim financial report.

#### Responsibilities of directors and independent assurance provider

- The Directors are responsible for the preparation of the CR Report and for the information and statements contained within it. They are responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to independently express a conclusion on the reliability of management's assertions in the areas identified above.
- This report is made solely to RBS in accordance with our engagement letter for the purpose of the director's governance and stewardship. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than RBS for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche LLP  
Edinburgh, UK  
22 June 2006

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