

17 October 2019

Dear all

Transforming RBS into the banking sector's climate leader

Thank you for your letter, dated 25 September, relating to RBS's opportunity to become a leader in climate change mitigation through its lending and financing policies and recognising our work to-date in this area. As your letter acknowledges, we already have ambitious lending and financing policies in place.

We continue to recognise that climate change is a critical global issue that has significant implications for us and our customers, employees, suppliers and partners. We support the overall objectives of the Paris Climate Agreement and the emission reduction strategies set by the UK and devolved Governments. We have begun taking steps to assess how we will integrate these objectives into our strategy, business model, risk management, operations and processes - including reclassifying climate change as a top risk and starting to integrate climate-related financial risks into our core risk framework. We have established a bank wide Executive Steering Group focusing on climate change, which I co-chair with our Group Chief Risk Officer, to ensure this issue receives the right level of focus.

In common with other UK banks and insurance companies, we are also reviewing our approach to managing climate change risks in light of the Prudential Regulation Authority (PRA) Supervisory Statement 3/19. In March 2019, RBS joined the Climate Financial Risk Forum, established by the PRA and Financial Conduct Authority to develop practical tools to address climate-related financial risks.

As you may have seen, on September 23, RBS become one of the Founding Signatories of the Principles for Responsible Banking (PRB), committing to work towards aligning our business with the Sustainable Development Goals (SDG) and the Paris Agreement on Climate Change. As a CEO led pledge, Ross McEwan was pleased to sign on behalf of RBS and I will renew that signature when I formally become Chief Executive on 1st November. Alongside 130 peer banks, we will identify key target areas aligned to the ambitions of the Paris Agreement and SDGs. We then expect to report on our progress and impact in around 18 months' time. The PRB will complement our approach to managing sustainability risks and opportunities.

We also value the importance of engagement with groups such as those included in the signatory list. In the last few months we have met with BankTrack and ShareAction. It is through these meetings and engagements we discuss priority areas for both these groups and the bank across a range of topics including climate and I look forward to continuing that engagement.

In summary, a significant amount of activity is currently underway on integrating and embedding climate into RBS's core decision making. We welcome continued engagement with the signatory groups as we go through this process. Your views are important to us and will inform future reviews of our lending policies. We will ensure you are kept updated of our progress,

Yours sincerely



Alison Rose
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