

Annual statement: RBS's approach to the Modern Slavery Act

Introduction

The Modern Slavery Act (MSA) is UK legislation which received Royal Assent in 2015. The serious criminal offences of slavery, servitude, forced or compulsory labour and human trafficking are brought together under one piece of legislation. The intention of the MSA is to protect victims, bring perpetrators to justice and provide more effective tools for law enforcement.

The MSA places disclosure obligations on large companies operating in the UK such as RBS. Such companies must publish an annual statement setting out the steps they have taken to ensure modern slavery does not exist in their business and supply chains. We welcome the MSA and its aim to eradicate modern slavery.

Summary of steps and approach to the Modern Slavery Act

This is the RBS Group's first annual statement. In it we set out our approach to the MSA, the steps we are taking to protect victims and potential victims of modern slavery, and our aim to prevent and eradicate modern slavery in our business and supply chain.

Steps taken so far:

- Established an internal working group to manage a bank-wide approach to modern slavery.
- Identified where risks of modern slavery may exist.
- Incorporated the management of those risks within certain due diligence processes, including our procurement process.
- Conducted a review of relevant policies to ensure they meet MSA requirements.
- Raised awareness of the MSA with colleagues and implemented bespoke training for certain staff members, as further described below.
- Published an interim MSA statement, going above and beyond legislative requirements.
- Sought feedback from external stakeholders on our approach and updated our approach accordingly.
- Identified ways to measure the effectiveness of our approach.

Our approach:

We have categorised our operations, business and supply chain into three groupings: colleagues, suppliers and customers, as described below. By using this lens we are able to help identify where risks lie and be in a position to address them.

Victims of modern slavery

We are conscious of the people who lie at the heart of this legislation: the victims and potential victims of modern slavery. The UK Prime Minister, Theresa May, has described modern slavery as “the great human rights issue of our time”. We want to help eradicate and prevent modern slavery.

Our organisational structure, business and supply chain

RBS is a UK and Ireland based banking and financial services institution. The RBS Group includes brands such as the Royal Bank of Scotland, NatWest, Coutts and Ulster Bank. RBS, through its different businesses, provides services to c.18 million customers in the UK and Ireland.

RBS has almost 75,000 employees operating predominantly in the UK and Ireland, with a presence in India, and smaller operations in Western European countries, Asia and the US. More information about our business and structure is available in our [annual report](#). In support of these operations, RBS purchases goods and services from a large number of suppliers, the majority of which are based in the UK and Ireland.

Our business and supply chain processes are underpinned by the three lines of defence risk management model, which is operated industry-wide. More information about this model can be found in our Annual Report.

Governance

Our approach to how RBS implements the requirements of the MSA was approved by a bank-wide working group with representatives from relevant bank functions and business areas. This statement has been reviewed by RBS reputational risk committees, the Executive Committee and Sustainable Banking Committee and approved by the Bank-wide Reputational Risk Forum.

Our policy commitments

RBS has a robust policy framework, in which modern slavery was already prohibited prior to the MSA. We have reviewed relevant policies to ensure they comply with the legislation and support its spirit. The purpose of our policies is to prevent, identify and address incidents as and when they arise. Click on the tabs in this infographic to find out more about our how our policies address modern slavery:



Our colleagues

We expect all colleagues to be treated fairly, with respect and dignity. In the UK, RBS was an early adopter of the Living Wage, accredited by the Living Wage Foundation. This is being extended to colleagues who are employed via suppliers. All employees are recruited legally and must meet the 1998 Immigration Act requirements, as well as relevant background checks. The bank's code of conduct, 'Our Code', applies to all RBS colleagues (which includes employees, contractors and agency workers). This sets out the bank's values and expectations of colleagues, and includes a clear commitment to human rights. The Yes Check is the tool RBS introduced during 2013 to guide colleagues to do the right thing and make good decisions first time round. These, together with our values, underpin our general approach to making good and ethical decisions.

We have ensured that our colleagues have access to information about the MSA via our internal intranet. We also provide tailored training to employees operating in high risk areas, including Supply Chain Managers.

Our suppliers

We expect our suppliers to uphold the same values and commitments that we have made in relation to social and environmental impacts, as set out in our Sustainable Procurement Code (SPC) and other bank policies. Adherence to these policies is required as part of our supply chain tendering process and within our supplier contracts. Our SPC prohibited forced labour and human rights violations prior to the MSA.

The steps we have taken to embed the MSA within our supplier processes include updating the SPC to refer to requirements under the legislation, and reinforcing the existing commitments we had, such as meeting international labour standards. Additionally, we have updated our supplier tender process to include specific questions of suppliers in relation to the MSA. In the countries in which we operate we also expect our suppliers to comply with national legislation. In 2016 there were no known instances of suppliers not meeting these commitments.

We have taken steps to review our supply chain and ensure that Supply Chain Managers in all jurisdictions have an understanding of what modern slavery is, and how to identify and address it within the supply chain. We have delivered training to relevant employees, with a particular focus on Supply Chain Managers responsible for high risk activities such as cleaning, security and catering staff.

Our customers

Our relationship with our customers is governed by a wide range of risk considerations, including our Reputational and Environmental, Social and Ethical (ESE) risk framework, and anti-money laundering and financial crime procedures. The activities of our customers can have ESE impacts including human rights infringements. To help us assess and manage these risks we conduct due diligence on relevant customers and transactions (when deemed appropriate), considering their impacts.

We have taken steps to ensure that our commitments under the MSA are embedded within our ESE risk management policies and processes. Modern slavery was already prohibited within such policies. The updated policies now make explicit reference to the MSA. To help eradicate modern slavery we have taken steps to develop awareness of these crimes and human rights abuses and embed specific information about the MSA into ESE training. This will help front line teams identify and escalate concerns about customers' potential involvement in modern slavery.

RBS has ESE risk policies for eight industry sectors which present higher ESE risk. For commercial customers operating outside of these eight sectors, e.g. retail or manufacturing, our general ESE Risk Concerns apply. This includes managing incidents of modern slavery. An assessment is completed where an ESE Risk Concern is identified.

In Quarter 4 2016, an ESE risk management webinar was presented to 4,000 staff including a briefing on the MSA requirements. The audience included Commercial Banking front line and Institutional Credit Risk employees. Also during 2016, over 12,000 employees across the front line businesses and in the Risk function received training on managing Reputational Risk.

In addition to internal training, we take a risk based approach to accepting new customers and managing existing customers. When we believe there is an increased risk, our checks could include undertaking media searches or assessment of non-governmental organisation (NGO) reports about the customer. Should we identify potentially negative reports, this triggers specific due diligence, which includes analysis of the allegations and, where appropriate, a full investigation.

We are aware that as a High Street bank we come into touch with millions of customers, some of whom may be victims of modern slavery. Our fundamental approach to the MSA is about protecting victims and where necessary we work with the police and other local law enforcement authorities to combat criminal activity.

Engaging with external stakeholders

Prior to publication of this statement we took the step to engage directly with external stakeholders about our approach by publishing an interim statement. The feedback we received has been invaluable in identifying gaps in our steps and disclosure, which we hope to have either addressed in this statement or will look to do so as our approach develops.

Our approach includes ongoing collaboration with other businesses to understand how they are approaching the MSA, keeping abreast of changes in policy, growing our understanding of the issues, and listening to the UK Government, NGOs and communities.

We recognise this is an ongoing process and welcome input from external stakeholders about our approach. Please contact Group.Sustainability@rbs.co.uk if you wish to share information with us or discuss our approach further.



Ross McEwan

Chief Executive

Further information and useful links

More information about our approach to sustainability is available on our website.

Useful links:

[Sustainability pages website](#)

[Annual Report & Accounts](#)

[Sustainable Procurement Code](#)

[Modern Slavery Act website page](#)

[ESE policies](#)

[Our Code](#)