

Asset Protection Scheme (“APS”)

Adviser Engagement Principles

1. Introduction

- 1.1 This document constitutes the Adviser Engagement Principles applicable to The Royal Bank of Scotland plc’s (“RBS”) participation in the Asset Protection Scheme (the “Scheme”) as referred to in the terms and conditions of the Scheme set out in the document entitled “UK Asset Protection Scheme Terms and Conditions” which is in the agreed form (as amended, modified, supplemented or replaced from time to time, the “Conditions”).
- 1.2 Capitalised terms used but not defined in these Adviser Engagement Principles have the meanings given to them in the Conditions.
- 1.3 RBS’s guidelines relating to the procurement of services set out in Appendix 1 and Appendix 2 (“RBS Procurement Principles”) of this document form part of the Adviser Engagement Principles.

2. Application of Adviser Engagement Principles

- 2.1 These Adviser Engagement Principles apply to RBS and its Group Members and to all advisers engaged by RBS or any of its Group Members, including where such engagement has been entered into prior to the Signing Date provided it is to be continued after the Signing Date and where it is entered into on or after the Signing Date.
- 2.2 The general principles set out in paragraph 3.1 and in Appendix 1 and Appendix 2 (the “General Principles”) apply to all adviser engagements and RBS shall ensure that it complies with these General Principles at all times subject to Applicable Law.
- 2.3 The General Principles and the Specific Principles (set out in paragraph 3.2 below) cannot be changed without the prior consent of the Treasury, except in relation to the 2009 Group Legal Panel Guidelines for the period 2009-2012 (and each successive set of Group Legal Panel Guidelines for successive periods) which RBS agree shall only be amended following prior consultation with the Treasury. The provisions of Condition 39 of the Conditions shall apply to such consent as if this paragraph 2.3 were listed in Condition 39.4 as follows:

Relevant Condition	Relevant Action	Applicable Consent Period (Business Days)
Paragraph 2.3 of the Adviser Engagement Principles	Proposed medication to the General Principles	20

- 2.4 The adviser-specific principles under paragraphs 3.2.1 and 3.2.2 (the “Specific Principles”) further apply to the relevant adviser engagements as more particularly described in those paragraphs.

3. Adviser Engagement Principles

3.1. General Principles

- (A) The adviser selected, and the fees agreed, should be proportionate to the task involved and decided following a thorough analysis of the size and scope of work required.

- (B) The total fee payable should be competitive and not excessive.
- (C) The final engagement should be on arm's length terms.

3.2 Specific Principles

3.2.1 Legal advisers ("Legal Advisers")

- (A) Any Legal Adviser whose engagement would be a "significant adviser engagement" by the Participant pursuant to Condition 9.5 of the Conditions after the Signing Date must be appointed from the firms comprising the Group Legal Panels, in line with the 2009 Group Legal Panel Guidelines for the period 2009-2012. Any exception to this will need to be agreed with the Director, Group Legal and the Deputy Director, Group Legal.
- (B) Agreed fees for the relevant piece of work should be at the Group Legal Panel discounted rates, and if for a fixed one-off retainer, fees should be agreed at the outset.

3.2.2 Accounting, investment banking and other third party advisers ("Specific Advisers")

Any Specific Adviser appointed or proposed to be appointed by the Participant whose engagement would be a "significant adviser engagement" pursuant to Condition 9.5 of the Conditions after the Signing Date must be appointed on the basis of the following guidelines:

- (A) a Specific Adviser may be appointed either on a case by case or on a general basis;
- (B) a Specific Adviser must have the requisite level of expertise to provide the relevant services;
- (C) a Specific Adviser must have all relevant regulatory licenses and approvals, not have any currently conflicting engagements for third parties, and be of good standing and repute, which standing will be verified with RBS's Group Regulatory Risk function;
- (D) where RBS determines only one un-conflicted Specific Adviser has the requisite expertise to provide the relevant services (for example, and without limitation, in respect of a particular Covered Asset Class or a particular asset type), RBS may appoint that Specific Adviser at its discretion and negotiate the fee in accordance with and subject to its standard business practices, after giving due consideration to prevailing market practice and charging rates for the type of work involved; and
- (E) where more than one un-conflicted Specific Adviser has the requisite expertise to provide the relevant services, the Participant may, but (after taking account of the need, if any, for expedition) shall not be obliged to, solicit competitive bids from each of the Specific Advisers and, in accordance with and subject to its standard practices, appoint the relevant Specific Adviser which submits the most attractive proposal, taking account of price, institutional experience and individual team composition.

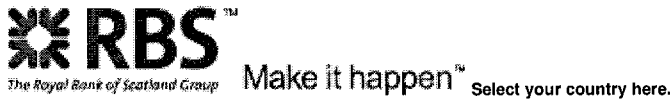
Signed for and on behalf of
THE ROYAL BANK OF SCOTLAND PLC
 Date: 26 NOVEMBER 2009

Signed in acknowledgement and agreement
 of the foregoing by two of
**THE COMMISSIONERS OF HER
 MAJESTY'S TREASURY**

Date: 26 NOVEMBER 2009

M.R. M. Zaman
Jan R.
Step M. Sale

Appendix 1: Guidance on Supply of Good and Services to RBS



You are here

- Contact Us
- Supplying Goods and Services to RBS

Supplying Goods & Services

RBS plays a significant role in the economies in which we trade. With a supply chain spend of over £8 billion our social and environmental responsibilities and our influence carry well beyond our own employees and workplaces.

The purchasing and supply requirements of all our brands and businesses within the RBS group are managed by Group Sourcing & Vendor Management. Working with our internal business partners we select, manage and develop the optimal supply base to ensure that the current and future purchasing needs of all the Group are delivered. Our team deploys a professional approach and a range of techniques from Supplier Performance Assessment to eSourcing in order to maximise supplier performance. Corporate responsibility, regulatory and business continuity objectives are integral to our approach.

World Class Sourcing

In their 2008 Excellence in Procurement study, supply chain experts A.T. Kearney declared RBS Group Sourcing & Vendor Management 'World Class' global sourcing leaders, a title we have held for five consecutive years. This followed a detailed assessment across all dimensions of their study, a multi-industry benchmark involving more than 300 global blue chip companies.

Our Requirements

We purchase a range of goods and services for our diverse business needs. This varies from outsourced business processes through to the pens and paper that we use every day. Specific goods include IT hardware and software, uniforms, furniture and marketing material. Specific services include telecommunications, contractors, legal and professional services, marketing, travel, logistics and facilities management. We also purchase a range of goods and services in support of our Insurance businesses.

How we select and engage suppliers

We aim to identify responsible suppliers and to treat them fairly within criteria that set high standards of performance and value. We conduct the supplier tendering and assessment process in an open and transparent manner.

Our Supplier Management programme includes the Supplier Performance Assessment (SPA) which involves a rigorous assessment process for our key suppliers. Our top performing suppliers are further recognised within our Supplier Excellence programme, with annual awards presented across a number of categories including Customer Experience, Innovation, Service and Corporate Responsibility.

Corporate Responsibility - Group Ethical Code for Suppliers

Read our Group Ethical Code for Suppliers (PDF, 116KB)

How to register your interest in supplying to the Group

If you would like to supply the RBS group, please register your interest below. This provides you with the opportunity to provide information about your organisation and what you can supply. This information will be held on file and may be used to assess your suitability to be considered to provide goods or services to RBS. This does not constitute any form of pre-qualification status.

If you are seeking to supply our US businesses only, please register.

If you are seeking to supply to the RBS group, please register here www.sourcingservice.com

To view Adobe Acrobat PDF documents you will need Adobe Acrobat Reader which you can download free from Adobe's website. [Get Acrobat Reader.](#)

Most popular pages

- [Company Announcements](#)
- [Apply By Location](#)
- [Contact Us](#)
- [Share Price & Dividends](#)

Applying

What's new

Press release: **12 November '09**

NatWest Mobile Banking App Now Available on App Store

Company announcement: **6 November '09**

Q3 09 Interim Management Statement

Group Chief Economist's weekly brief: **16 November '09**

Chief Economist's Weekly Brief - Back on its feet

RSS Feeds

Latest Financial Information Forecast
Latest Press Releases
Group Chief Economist's Weekly Brief
World Economy
UK Economy
Financial/Strategic Announcements
SEC Filing
Financial Calendar

[About RSS](#)

The Royal Bank of Scotland Group plc © 2009

Appendix 2: Group Ethical Code for Suppliers

Group Ethical Code for Suppliers



Introduction

We recognise that as one of the world's largest financial institutions, our responsibilities extend outside of our commercial business interests, and that we play an important role in the economies in which we trade. We are committed to increasing our focus on Corporate Responsibility within our supply chains through specific improvement programmes and to reengineer our key supply chains to eliminate waste and improve efficiency. We have put in place a rigorous assessment process for our key suppliers which takes into account the wide range of factors which we believe are inherent to operating as a responsible business. This code sets out our expectations of suppliers in this area.

In 2003, the Group became a signatory of the Global Compact, a widely adopted United Nations standard for responsible business, covering human rights, labour rights, the environment and anti-corruption. As a globally recognised and universally applicable set of standards, *the Ten Principles of the Global Compact* form the basis of our ethical code for suppliers.

We are further committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, and expect that suppliers operate to these same principles. This document is divided into two parts, outlining our key commitments to our suppliers, and detailing our ethical expectations of the companies that we work with.

Part I - Our Commitments to Suppliers

The performance of our suppliers is critical to our business. We aim to treat our suppliers with respect, and increasingly make it our policy to invest in long-term partnerships that benefit both sides. The Group's objective is to deliver best value from our suppliers on a long-term basis. While price matters, it is only part of the purchasing decision.

Developing our Relationship

Wherever practical and cost-effective, the purchasing and supply requirements of all the brands and businesses within the RBS group have been centralised and rationalised. This allows us to invest more time with each supplier, and to seek greater shared efficiencies throughout our supply chain.

Our Selection Process

Our sourcing teams aim to conduct the supplier tendering and assessment process in an open and transparent manner, sharing information wherever possible to improve performance. When selecting our suppliers, we assess them against a wide range of criteria, which include:

- Management capability and financial strength, to ensure long-term reliability.
- Ability to deliver enduring quality and value. We conduct rigorous due diligence before and after the bidding process, involving a full cost breakdown analysis, to ensure that the contract can be fulfilled.
- Commitment to innovation and their ability to help us develop new products, processes and ways of working that will give the bank a commercial edge.
- Commitment to the wider corporate responsibility agenda. We encourage suppliers to develop and comply with their own detailed corporate responsibility policies and guidelines, and we actively assess their practices and commitment.

Supplier Diversity

RBS Group is committed to providing equal opportunities in sourcing, regardless of race, gender, marital status, age, disability, religious belief, political opinion, or sexual orientation. We aim to maximise supply chain opportunities by proactively seeking and building strong, value-focused relationships with all our suppliers.

We believe that diversity in our work force and in our supply base contributes to a stronger, better organisation, able to draw from a variety of resources in order to deliver increased value to our customers and investors. The value created from our supplier relationships will enable us to maintain long-term growth, solidify our partnerships with our customers and preserve a competitive advantage.

Consultation and Engagement

We meet our suppliers regularly to review our business relationships, share ideas and encourage best practice. Furthermore, we encourage feedback on the RBS group as a customer. We particularly welcome feedback on how we can improve our policies and processes.

Group Ethical Code for Suppliers



Part II - Our Expectations of Suppliers

Purpose and Scope of this Code

As a financial services business, many of our social and environmental impacts are manifested through the operations of our suppliers. To ensure that we continue to improve our corporate responsibility performance, it is important that we work with suppliers who share our determination to be highly successful and customer focused, **and** who run their businesses to the same high standards as our own, managing their social and environmental impacts responsibly. This code set out our expectations of suppliers in this area.

The code is applicable to the operations of all our direct suppliers, although we would encourage them to ensure that their own upstream supply chain suppliers adhere to the spirit of these business principles.

Ethical Code for Suppliers

Legal and Regulatory Compliance

Sourcing on a global basis means that there will always be an element of variation in the local regulations and standards to which our suppliers operate. **We insist that all suppliers adhere rigorously to all relevant legislation in their operations.** This includes all applicable employment, health, safety and environmental legislation. Regulatory breaches that come to our attention will be taken into account when renegotiating supplier relationships.

Business Principles

We are committed to conducting our business with suppliers in a fair and honest manner, with openness and integrity, and expect that suppliers operate to these same principles.

We further expect that suppliers are committed to operating to relevant best-practice standards of employment, health, safety and environmental management in the workplace, and that suppliers provide adequate working facilities for all employees.

Our expectations of suppliers go beyond regulatory compliance. To summarise these expectations, we believe that it is useful to reference the UN Global Compact Principles set out below.

Human Rights

We expect that:

Principle 1: [Suppliers] should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

We expect that:

Principle 3: [Suppliers] should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

We are committed to strong business growth that is not achieved at the expense of the environment, and believe that all businesses should do their utmost to minimise their impact on the environment.

The RBS group, as a provider of financial services, affects the environment directly through our own operational activities and indirectly through the activities of our suppliers across the world. The environmental challenges facing us all include our use of resources, the creation of pollution, the effects of our activities on climate

Group Ethical Code for Suppliers



change, and our impact on species and habitats. It is important that we not only monitor our own behaviour but also encourage others to adopt best practice.

We therefore expect that:

Principle 7: [Suppliers] should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

The Group does not permit or condone any form of corruption or bribery, and the RBS Group Code of Conduct contains guidance to steer staff through potential problem areas. We expect that:

Principle 10: [Suppliers] should work against all forms of corruption, including extortion and bribery.

Further information

The Global Compact's Ten Principles in the areas of human rights, labour rights, the environment and anti-corruption are derived from the universally recognised standards set out below:

- [The Universal Declaration of Human Rights](#)
- [The International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#)
- [The Rio Declaration on Environment and Development](#)
- [The United Nations Convention Against Corruption](#)

Further explanatory information about the application and intent of the Ten Principles is available at: www.unglobalcompact.org

November 2005