

Environmental, Social and Ethical

Risk



NatWest
Group

Forestry, Fisheries & Agribusiness Risk Acceptance Criteria



Forestry, Fisheries and Agribusiness



We recognise that the activities of our customers can have environmental, social and ethical (ESE) impacts – including polluting activities and the potential for human rights infringements. ESE risk forms part of NatWest Group’s overall Reputational Risk Policy and requires enhanced due diligence to be performed for certain customer relationships, transactions, activities and projects. To manage these risks, we have developed Risk Acceptance Criteria for sectors which present heightened ESE risk and define the level of ESE risk the bank is prepared to accept.

The ESE Risk Framework supports our long-term, ongoing work for our appetites and practices to be informed and guided by the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Scope

The ESE Risk Framework applies to all legal entities within the Group for the onboarding of non-personal customers for the purposes of providing lending or loan underwriting services and applies to the management of ESE risk throughout these customers lifecycles.

Context

Forestry, fisheries and agribusiness industries provide many useful products for the global population, are vital sources of food, fibre and animal feed, and contribute towards transportation biofuels and emerging bio-products industries. But the growing demand for such products, compounded by global population growth, is resulting in significant environmental and social impacts. The expansion of ‘soft commodities’ markets and the growing use of intensive farming and fishing methods is placing significant strain on our natural environment through the clearance of forests, damage to fish populations and other impacts. These trends also have the potential to reduce the ability of forests, peat lands and other natural environments to play their role in absorbing CO2 emissions, protect biodiversity and provide sources of sustainable livelihoods for local people.

The ‘Soft Commodities Compact’ – Developed by the Banking Environment Initiative and the Consumer Goods Forum – Is a key initiative created to address some of these issues. The NatWest Group is a signatory of the Soft Commodities Compact, which aims to mobilise the banking industry to help transform soft commodity supply chains, thereby helping clients to achieve zero net deforestation by 2020.

Where material concerns relating to human rights violations ^[1] are identified, including with respect to the salient human rights issues ^[2] identified by NatWest Group, we will engage with the customer to understand the actions they have taken to cease and remediate and prevent future violations.

This table summarises our ESE Risk Acceptance Criteria for the Forestry, Fisheries and Agribusiness sector.

Prohibited

- Evidence ^[3] of human rights violations ^[1] where the customer is unable to demonstrate that it has taken any action to cease, remediate, prevent and/or mitigate, as appropriate, the relevant violation.
- Soft commodities producers operating in tropical regions ^[4] who have not obtained sustainable certification of their direct soft commodities activities and supply chain by 31st December 2024. This means obtaining the following certifications and memberships:
 1. Forestry, Rubberwood, Pulp & Paper – FSC & PEFC certified
 2. Palm Oil – Roundtable on Sustainable Palm Oil (RSPO)
 3. Soy – Roundtable for Responsible Soy (RTRS)
 4. Beef/Leather – Global Roundtable for Sustainable Beef (GRSB) Leather Working Group (LWG)
 5. Cocoa – Rainforest Alliance, Fairtrade
- Manufacture of pesticides banned under the Stockholm Convention.
- Damaging fishing methods – Use of explosives (dynamite) and/or poison (cyanide).
- Vessels that carry or use one or more driftnets with an individual or combined length of more than 2.5 kms or use of driftnets intended for the capture of species listed in Annex VIII of EU Regulation 1239/98 such as tuna and swordfish.
- Direct involvement in shark-finning or trading in shark fin; commercial whaling; Illegal, Unreported or Unregulated (IUU) fishing activities or trade in IUU products.
- Harvesting or trade of species listed under the Convention of International Trade of Endangered Species (CITES).
- Direct involvement in illegal logging or the purchase of illegally harvested timber or companies using illegal and/or uncontrolled use of fire for land clearance.
- Tree felling or clearance within High Conservation Value Forests, UNESCO World Heritage Sites or International Union for the Conservation of Nature IUCN (I – IV) Protected Sites.
- Tree felling or tree and mangrove clearance in Ramsar Sites, Man & Biosphere Sites and High Conservation Value Areas.
- Companies with operations that have actual and potential adverse impacts on the Outstanding Universal Value of UNESCO World Heritage Sites.
- Clearing of peat lands for commercial plantations [by draining and/or burning] unless a clear and stringent peat land management procedure is in place.

The following prohibitions apply when lending to a specific project:

- Projects involving unsustainable vegetation clearance or peatland clearance/extraction.

Our definition is projects involving:

- Degradation of areas (often forests) necessary to protect High Conservation Value areas.
- The conversion of primary tropical forests; or land clearance by burning.
- The conversion of High Carbon Stock tropical forests.
- Clearance of peatlands, including peat extraction.

Restricted

- Evidence ^[3] of human rights violations ^[1] where the customer is able to demonstrate that it has taken action to cease, remediate, prevent and/or mitigate, as appropriate, the relevant violation within a timeframe which is acceptable to the bank.
- Operations in Ramsar Convention Sites, UNESCO Man & Biosphere Sites, or Marine Protected Areas.
- Inadequate commitment to manage ESE risks (e.g., environmental, health & safety, human rights); material violations of environmental and social laws or companies that have had recent significant environmental and/or social incidents (Major pollution events/accidents).
- Operation of cotton plantations in Uzbekistan.
- Deep sea bottom trawling less than 600m below sea level.
- Aquaculture activities – Large scale, international operators that do not meet certain international standards for aquaculture including ASC, GAP, GAABAP standards.

Normal

- No evidence ^[3] of human rights violations ^[1].
- Companies are expected to have environmental and health and safety/social policies or plans in place to manage ESE risks. Where relevant, companies should demonstrate how they manage chemicals and pesticide use, deforestation, sustainable procurement practices, human rights, animal husbandry and water management.
- Where applicable, companies producing genetically modified seeds for wholesale are expected to have transparent policies and procedures in place on biosafety reflecting at a minimum the laws and regulations of the countries in which they operate. Adoption of international conventions such as the Cartagena Protocol on Biosafety for GMOs or similar is considered best practice.
- Our customers, and their supply chains are expected to work towards the requirements of relevant industry standards and organisations such as the Food and Agricultural Organisation of the United Nations (FAO) Environmental and Social Management Guidelines. These include but are not limited to:
 - The Better Cotton Initiative
 - Bonsucro (Sugar Cane Production)
 - Fair Trade (covers a wide range of products including food and drinks (e.g., bananas, coffee, sugar, tea, fruit juices))
 - The Red Tractor Farm Assurance scheme
 - BEI Soft Commodities Compact
 - The Aquaculture Stewardship Council (ASC) standards
 - Marine Stewardship Council (MSC)
 - Global Good Aquaculture Practice (GLOBAL G.A.P) standards
 - The Global Aquaculture Alliance Best Aquaculture Practices (GAABAP)
 - Global Sustainable Seafood Initiative (GSSI)
 - International Fishmeal and Fish Oil Organisation

- The Sustainable Fisheries/Sustainable Aquaculture Certification (Friend of the Sea)
- National Federation of Fishermen’s Organisation (NFFO)
- Marine Management Organisation
- Marine Scotland
- Inshore Fisheries and Conservation Authority
- Note that the Global Sustainable Seafood Initiative (GSSI) Global Benchmark Tool provides formal recognition of seafood certification schemes that successfully complete a benchmarking process, underpinned by the Food and Agricultural Organisation of the United Nations guidelines

Glossary

Item	Definition
1. Human rights violation	A violation of any right which is inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status.
2. Salient human rights issues	The United Nations Guiding Principles Reporting Framework defines salient human rights issues as those rights that are at risk of the most severe negative impact through a company’s activities or business relationships. NatWest Group’s ‘Salient Human Rights Issues’ can be found at https://www.natwestgroup.com/sustainability/governance-and-responsible-business/human-rights-and-modern-slavery.html
3. Evidence	A finding of a human rights violation by a government (including a government agency), supervisory authority, national or international court or multinational development agency.
4. Tropical regions	Companies operating in tropical, sub-tropical and temperate rainforests.