

Environmental, Social and Ethical Risk Policy Summary Mining & Metals Sector



The NatWest Group plc and its subsidiaries (the NatWest Group) Environmental, Social and Ethical (ESE) risk management framework is one of several risk management systems we operate, comprising policies and processes to give us better insight into our customers' activities, help address issues of concern, minimise risks to the bank and manage stakeholder expectations. It gives clear guidance to staff on the procedures they must follow when dealing with customers and transactions in these sectors.

Our policies reflect adherence to national and international laws and regulations, wherever they apply. We have also incorporated a number of voluntary standards such as the Equator Principles and the UN Global Compact.

Scope

This policy covers NatWest Group support provided to companies and projects related to the Mining & Metals sector. This covers:

- Mining companies or projects involved in the exploration and production of raw metal ores (e.g. bauxite, copper, iron ore), non-metal ores (e.g. coal, uranium, limestone) and precious materials (e.g. gold, diamonds, rare earths).
- Companies or projects that are involved in the primary processing of metals and non-metals products, including iron and steel manufacturers, aluminium smelting and refining.

Context

As a purpose-led bank we champion potential, helping people, families and businesses to thrive.

NatWest Group have an ambition to be the leading bank in the UK in helping to address the climate challenge. As part of our climate ambition announced in February 2020, we stated that we planned:

- To stop lending and underwriting to companies with more than 15% of activities related to thermal and lignite coal, unless they had a credible transition plan in line with the 2015 Paris Agreement in place by end of 2021; and,
- A full phase-out from thermal and lignite coal by 2030.

Where customers were assessed as not having Paris aligned credible transition plans in place, we will stop lending and underwriting to these customers, including stopping renewal, extension or refinancing of any existing commitments at 31 December 2021. We will fully exit these customer relationships as soon as is practicable.

From 1 January 2022, all coal relationships are rated high ESE risk to allow for annual review and monitoring via Reputational Risk Committee.

From November 2021, we will have no new exposure to thermal and lignite coal (coal). We have prohibited:

- New customer relationships with corporates who explore for, extract or produce coal;
- Existing customers who are increasing coal mining activity by exploring for new coal, developing new coal mines or increasing thermal coal production; and,
- All project financing (including refinancing) related to coal mining activity by exploring for new coal, developing new coal mines and coal infrastructure.

- By 1 October 2024: phase out of coal for UK and non-UK customers who have UK coal production and coal infrastructure.
- By 1 January 2030: full phase out of coal.

As a result, we will stop lending and underwriting to these customers, including stopping renewal, extension or refinancing of any existing commitments as at dates mentioned above, as they mature. We will fully exit these customer relationships as soon as is practicable.

Our purpose is to champion potential, helping people, families and businesses to thrive. This lies at the core of our activity as we strive to create long term, deeper relationships with our customers. At the heart of our purpose is a clear commitment to people – to value, support, empower them and ultimately enable them to thrive. Respect for human rights is linked to our purpose, reflected in Our values and we seek to embed it throughout our business. We strive to be an open and inclusive business that supports respect for human rights whilst also seeking to identify and mitigate any negative impacts that our activities may have on individuals or communities.*

Our Mining & Metals Risk Acceptance Criteria helps the Group to limit lending and underwriting activities that do not align to our purpose.

*NatWest Group Human Rights Statement 2021.

Our ESE policy requirements

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. To help us assess and manage these risks, we have an ESE Risk Framework comprising of policies and processes to give us better insight into our customers’ activities and address issues of concern to minimise risks to the bank and manage stakeholder expectations.

ESE sector Risk Acceptance Criteria define the level of ESE risk the bank is prepared to accept, and our expectations of companies to manage ESE risks. This includes having relevant policies and procedures which demonstrate a good understanding of ESE issues and the capacity to manage these risks through good governance and controls. It also includes a positive track record of managing ESE risks and a commitment to transparency. Our policies reflect applicable national and international laws and take into account good international practice, for example managing climate change. They also incorporate a number of voluntary standards such as the Equator Principles and the UN Global Compact. We also expect our customers to adhere to local and international environmental, social and human rights standards. The policies apply to all legal entities within the Group.

Our ESE policies are reviewed and updated regularly to ensure they reflect the evolving risk landscape. They classify activities into three categories; Prohibited, Restricted and Normal risk. We do not support customer activity or individual transactions which are prohibited. We complete an ESE Risk Assessments for customers engaged in restricted activities, when the relationship is established and then every one or two years thereafter. The final risk assessment is presented to a specialist risk committee or accountable executive for approval. Customers with activities limited to ‘normal’ (lower risk) ESE activities, are assessed every five years, unless an event triggers a review in the interim period.

This table summarises our ESE policy for lending and underwriting to the Mining & Metals sector:

Prohibited

- Use of child labour, forced labour, modern slavery or human trafficking (as defined by international standards, including the International Labour Organization and the UK Modern Slavery Act 2015).
- New customer relationships with corporates who explore for, extract or produce coal.
- Existing customers who are increasing coal mining activity by exploring for new coal, developing new coal mines or increasing thermal coal production.
- All project financing (including refinancing) related to coal mining activity by exploring for new coal, developing new coal mines and coal infrastructure.
- Significant producers of coal using Mountain-top Removal (MTR) mining in Appalachia (where the share of the MTR market is over 5% of total market; the company is producing more than 2 million tonnes of

coal using MTR methods; the company is out of compliance with environmental and social conditions around MTR activity; or there is a net increase in production of coal using MTR mining).

- Project financing for projects involving the use of Mountain-Top Removal mining methods.
- Companies undertaking artisanal / informal mining.
- Companies involved in the extraction of asbestos.

Restricted

- Companies with any coal activities and that have a credible transition plan aligned with the 2015 Paris Agreement in place
- Companies with operations that adversely impact on the Outstanding Universal Value of UNESCO World Heritage Sites.
- Companies operating in International Union for the Conservation of Nature (IUCN) I – IV Protected Sites.
- Companies operating in Ramsar Sites, Man & Biosphere Sites and High Conservation Value areas.
- Companies that are responsible for the resettlement of large numbers of people relating to a single project (>5000 people).
- Companies using non-harmful child labour.
- Companies directly involved in the involuntary displacement/resettlement of indigenous peoples without Free Prior & Informed Consent.
- Minor producers of coal using Mountain-top Removal methods in Appalachia and involvement in other forms of mountaintop mining.
- Diamond mining companies that have not incorporated the Kimberley Process Certification Scheme (to prevent trade in conflict diamonds) in their processes.
- Gold mining companies that use cyanide or mercury in processing operations without adoption of the International Cyanide Management Code for cyanide (or equivalent) or appropriate chemical management controls (for mercury).
- Companies with mines in areas of war or armed conflict, or with significant operations in countries defined as high risk under the NatWest Group internal country reputational risk framework.
- Companies involved in the disposal of tailings in river or shallow sea environments.
- Companies undertaking deep-sea mining.
- Highly controversial issues identified during the ESE Assessment e.g. serious environmental damage arising from company operations
- Issues identified during the ESE assessment that give cause for concern e.g. material or repeat noncompliance with environmental and social laws and regulations, a lack of ESE policies and procedures for managing ESE risks or major targeted NGO campaigns against a company.

Normal

- None of the above apply and no material issues have been identified during the ESE screening.
- Companies are expected to be in material compliance with applicable environmental and social laws and regulations and have policies or systems in place to manage ESE risks, including where relevant: environmental and/or social impacts; health and safety; biodiversity; greenhouse gas emissions, bribery and corruption; labour standards; human rights and additionally for mining companies for: water use, tailings and mine closure. Particular consideration must be given to companies that operate in countries where regulatory frameworks for environmental and social risks are less robust.