Environmental, Social and Ethical Risk

NatWest Group

Mining & Metals

Risk Acceptance Criteria

Mining and Metals Sector

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.

Scope

The ESE Risk Framework applies to all legal entities within the Group for the onboarding of non-personal customers (including, but not limited to, for the purposes of providing lending or loan underwriting services).

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.

We intend to:

- 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.

This document summarises our ESE Risk Acceptance Criteria for the Mining and Metals sector.

Prohibited

- Use of child labour, forced labour, modern slavery or human trafficking.
- 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.