

# Oil & Gas Sector

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The RBS Environmental, Social and Ethical (ESE) risk management framework is one of a number of 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 in relation to environmental, social and ethical risks when dealing with customers and transactions.

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.

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## Scope

This policy covers RBS support provided to companies involved in the exploration and production (upstream), transportation and storage (midstream) and refinement and processing (downstream) of Oil & Gas. This includes conventional sources of Oil & Gas as well as less conventional sources such as Oil Sands and Shale Gas.

## Context

Oil & Gas will continue to play an important role in the overall global energy mix but the exploration and production of Oil & Gas reserves can have adverse impacts on the environment and host communities, if not adequately managed.

These risks are increasing as new Oil & Gas discoveries are being made in more difficult operating environments, including deep offshore waters and remote locations. Additionally, the exploitation of less conventional sources of Oil & Gas is likely to increase as conventional reserves become more difficult and costly to extract.

## Our ESE policy requirements

We expect and encourage our customers to demonstrate commitment and compliance to mitigating ESE risk through:

- Having in place policies and plans which demonstrate a good understanding of ESE issues
- Demonstrating the capacity to manage these risks through good governance and controls
- A positive track record of managing ESE
- A commitment to transparency.

Within our policy we set out **Prohibited**, **Restricted** and **Normal** activities. We do not support customers and/or transactions involved in prohibited activities.

Customers engaged in restricted activities undergo enhanced due diligence including review by a reputational risk forum or approver and annual evaluation. Customers undertaking normal activities are assessed on a three-yearly basis.

This table highlights key activities that fall within the Oil & Gas policy:

<b>Prohibited</b>
<ul style="list-style-type: none"> <li>• Project finance of projects involving oil exploration and production operations in Arctic or Antarctic Waters</li> <li>• Use of harmful 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)</li> </ul>
<b>Restricted</b>
<ul style="list-style-type: none"> <li>• Operations in UNESCO World Heritage Sites, IUCN I - IV Protected Sites, UNESCO Ramsar Sites, UNESCO Man &amp; Biosphere Sites and High Conservation Value Forests</li> <li>• Clear evidence of the direct displacement of indigenous peoples without free prior and informed consent or resettlement of large numbers of people relating to a single project</li> <li>• Companies undertaking oil exploration and production operations in Arctic or Antarctic regions without evidence of appropriate environmental and health and safety procedures</li> <li>• Companies undertaking the exploration and extraction of oil and/or gas using the following sources or technologies where environmental and social risks are not appropriately managed: oil shale, shale oil, shale gas, oil sands, coal-bed methane, coal liquefaction</li> <li>• Oil &amp; Gas extraction operations in areas of war or armed conflict</li> <li>• Inadequate commitment to manage ESE risks (e.g. environmental, health &amp; 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)</li> </ul>
<b>Normal</b>
<p>We assess all customers' approach to: environmental impacts, health and safety, biodiversity, labour standards and human rights.</p>
<ul style="list-style-type: none"> <li>• The customer demonstrates compliance with international and local laws and has policies in place to manage ESE risks</li> <li>• There are no material issues identified during the assessment process and the customer can demonstrate a good track record for meeting health and safety and environmental standards</li> <li>• Particular consideration is given to customers operating in countries with weak governance and poor regulatory frameworks to ensure the management of their environmental and social risks are robust.</li> </ul>