

Power Sector

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.

Scope

This policy covers RBS lending and services provided to the Power sector in the following five sub-sectors:

- Thermal – coal, gas and oil-fired power plants
- Nuclear
- Renewables – wind (on and offshore), solar, tidal, wave, geothermal, biomass
- Hydropower
- Electricity transmission and distribution

Context

The global demand for cheaper, safer, cleaner and more efficient energy sources means the power generation sector faces considerable environmental, social and political challenges, and with new technologies new challenges emerge. It is vital that we have a good understanding of the sector owing to the potential adverse impact on the environment and local communities. The purpose of our policy is to understand and address these challenges, and the technology-specific ESE issues which may apply.

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 risks
- 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.

A normal risk rating is based on good practice. Customers undertaking normal activities are assessed on a three-yearly basis.

This table highlights key activities that fall within the Power policy:

Prohibited
<ul style="list-style-type: none"> • Project finance for the construction of new Coal Fired Power Plants with an efficiency level below 28% for Non-OECD or Non-High Income OECD Countries and below 35% for High-Income OECD Countries • Companies involved in the construction and operation of Nuclear Power Plants or Uranium Enrichment Facilities in sanctioned or certain high risk countries • 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)
Restricted
<ul style="list-style-type: none"> • Operations in UNESCO World Heritage Sites, IUCN I - IV Protected Sites, UNESCO Ramsar Sites, UNESCO Man & Biosphere Sites and High Conservation Value Forests • 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 • Operators of Nuclear Power Plants in countries which have not ratified the Vienna Convention on Civil Liability for Nuclear Damage or are not members of the International Atomic Energy Agency (IAEA) • Companies operating hydropower plants without adequate environmental and social risk management systems in place relating to issues including dam safety, environmental impact, labour standards and resettlement • Companies operating biomass plants with a power capacity above 100MW • Companies operating coal-fired power plants that are not able to demonstrate monitoring of Greenhouse Gas (GHG) emissions or compliance with applicable GHG regulations • 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)
Normal
<p>We assess all customers' approach to: environmental impacts, health and safety, biodiversity, GHG emissions, labour standards and human rights.</p>
<ul style="list-style-type: none"> • The customer demonstrates compliance with international and local laws and has policies in place to manage ESE risks • 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 • 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.