

ESE Risk Concerns

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

ESE Risk Concerns ensure ESE risk is identified and managed for customers and transactions in sectors which are not covered by specific ESE sector policies.

Context

The ESE Risk Concerns when applied in conjunction with the Yes Check (our decision-making tool embedded within our [Code of Conduct](#)), help to determine whether an ESE risk may exist and how to manage the risk.

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.

Customers undergo enhanced due diligence where there is evidence that an ESE Risk Concern may be present. A decision will be made whether the risk falls within **Prohibited**, **Restricted** or **Normal** categories. We do not support customers and/or transactions involved in prohibited activities.

Customers engaged in restricted activities are reviewed by a reputational risk forum or approver and annual evaluation. Customers undertaking normal activities are assessed on a three-yearly basis.

ESE Risk Concerns

ESE Risk Concerns include, but are not limited to, customers or transactions where there is recent evidence (last three years) of one or more of the following issues:

- Major or sustained environmental or socially-related campaigns against a company - examples might include sectors such as agriculture/food, chemicals, tobacco, pharmaceuticals, waste management and private security, or companies associated with controversial projects.
- Major environmental or social incident or fine, for example a pollution event or accident such as a mine explosion, or companies with a poor health and safety record, particularly repeated non-compliance with environmental or health & safety legislation.
- Operations in internationally protected conservation areas; UNESCO World Heritage Sites; UNESCO Ramsar Sites; UNESCO Man & Biosphere Sites; High Conservation Value Forests; International Union for the Conservation of Nature (IUCN) I - IV Protected Sites.
- Abuses of human rights including displacement of indigenous peoples, child and forced labour, modern slavery, human trafficking and exploitation of poverty (also consideration of countries with poor human rights records).
- Transactions involving trade of goods with heightened environmental or health and safety risk such as hazardous/explosive chemicals or gases.