Environmental, Social and Ethical Risk Policy Summary

Mining & Metals Sector

The RBS 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 RBS 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

The extraction of natural resources plays a key role in supporting the world economy and is a significant driver of economic development. The demands of population growth continue to drive the need for increased extraction and the more effective use of mineral resources.

However, this demand produces greater risks as exploration for mineral resources expands into new areas, increasing the probability of negative impacts on both the environment and communities in which they operate.

Our ESE policy requirements

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

- Having in place, and embedding policies and plans which demonstrate a good understanding of financial crime and 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 involving prohibited activities.

Customers engaged in restricted activities undergo enhanced due diligence including review by a reputational risk committee or official approver and evaluation every one or two years. Customers undertaking 'normal' (lower risk) activities are assessed for ESE every five-years.

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Project-specific lending

The following prohibitions apply when lending to a specific project (project finance):

- new thermal coal mines
- projects involving the use of Mountain-top Removal mining methods.

General corporate lending

This table summarises our ESE policy for general corporate lending to the Mining & Metals sector:

Prohibited
• Significant producers of coal using Mountain-top Removal mining in Appalachia, USA • Mining companies who derive more than 15% of their revenues or EBITDA (whichever highest) from mining of thermal and/or lignite coal, except where an existing customer can provide a credible transition plan in line with the 2015 Paris Agreement by the end of 2021. Where events such as mergers and acquisition alter the trend of a transition, we will engage with the client to obtain comfort that their strategy remains consistent with our requirements. • Companies undertaking artisanal / informal mining • Companies involved in the extraction of asbestos • 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)
Restricted
• 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, UNESCO Ramsar Sites, UNESCO 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 where there is evidence of direct involvement in the involuntary displacement or relocation 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 RBS internal country reputational risk framework • Companies involved in the disposal of tailings in river or shallow sea environments • Companies undertaking deep-sea mining • Issues identified during the ESE assessment that give cause for concern e.g. material or repeat non-compliance 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.