

Oil & Gas 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 ESE 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 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 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.

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 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 evaluation every one or two years. Customers undertaking 'normal' (lower risk) activities are assessed for ESE on a five-yearly basis.

Project-specific lending

The following prohibitions apply when lending to a specific project:

- Projects involving oil exploration and production operations in Arctic (including the Arctic National Wildlife Refuge) or Antarctic areas
- Projects involving the exploration and extraction of oil from oil sands.

- Projects involving hydraulic fracturing ('fracking') for oil and gas
- Projects involving exploration for new oil and gas reserves

General corporate lending

This table summarises our ESE policy for general corporate lending to the Oil & Gas sector:

Prohibited
<ul style="list-style-type: none"> • 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) • Lending to major Oil and Gas producers, unless they have a credible transition plan aligned with the 2015 Paris Agreement in place by the end of 2021.
Restricted
<ul style="list-style-type: none"> • Companies operating in UNESCO World Heritage Sites, 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. • Reserve Based Lending or Borrowing Base Financing for Oil & Gas companies with oil exploration or production operations in Arctic (including the Arctic National Wildlife Refuge) or Antarctic areas (where such lending / financing attributes value to an Arctic asset as security or for repayment of the financing). Companies conducting oil exploration and production operations in Arctic (including the Arctic National Wildlife Refuge) and Antarctic areas- without reliable evidence of appropriate environmental and health and safety policies and procedures for operating in these regions. • Companies with oil and gas extraction operations 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 undertaking the exploration and extraction of oil from oil sands (consideration to be given to country exclusions, licencing and management of environmental and social risks). • Companies undertaking the exploration and extraction of shale gas where environmental and social risks are not appropriately managed including for: water use and wastewater management, air emissions, solid waste, spill response/clean-up operations, site restoration and community/stakeholder management OR where the company does not have a licence to operate by the relevant authority or there are repeat compliance issues associated with operations. • Companies undertaking the exploration or extraction of oil and/or gas using the following technologies where environmental and social risks are not appropriately managed or the company does not have a licence to operate: oil shale, shale oil, coal-bed methane, coal liquefaction. • Issues identified during the ESE assessment that give cause for concern e.g. material or repeat non-compliance of environmental and social laws, a lack of adequate policies and procedures for managing ESE risks or major targeted NGO campaigns against a company (or projects the company is involved with).

Normal

- None of the above apply and no material issues have been identified during the ESE screening
- Companies are expected to be in compliance with international and/or local laws relating to the ESE spheres 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. Particular consideration must be given to companies that operate in weak governance countries where regulatory frameworks for environmental and social risks are less robust.
- Companies are encouraged to move towards best practice management of environmental and social risks in the sector by referring to internationally recognised practices and standards which include: The International Petroleum Industry Environmental Conservation Association, Extractive Industries Transparency Initiative, Global Gas Flaring and Venting Reduction Voluntary Standard, The International Association of Oil & Gas Producers, Voluntary Principles on Security and Human Rights, International Maritime Association.