

Environmental, Social and Ethical Risk Policy Summary

Forestry, Fisheries and Agribusiness Sectors



The NatWest Group plc and its subsidiaries (the NatWest Group) 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 the NatWest Group lending and services provided to companies and projects related to the forestry, fisheries and agriculture sectors. This includes activities such as timber, palm oil or soy production and plantations, significant cattle ranching in specified countries, management of peat lands or damaging fishing practices.

Context

Forestry, fisheries and agribusiness industries provide many useful products for the global population, are vital sources of food, fibre and animal feed, and contribute towards transportation biofuels and emerging bio-products industries. But the growing demand for such products, compounded by global population growth, is resulting in significant environmental and social impacts. The expansion of 'soft commodities' markets and the growing use of intensive farming and fishing methods is placing significant strain on our natural environment through the clearance of forests, damage to fish populations and other impacts. These trends also have the potential to reduce the ability of forests, peat lands and other natural environments to play their role in absorbing CO2 emissions, protect biodiversity and provide sources of sustainable livelihoods for local people.

The 'Soft Commodities Compact' – developed by the Banking Environment Initiative and the Consumer Goods Forum – is a key initiative created to address some of these issues. The NatWest Group is a signatory of the Soft Commodities Compact, which aims to mobilise the banking industry to help transform soft commodity supply chains, thereby helping clients to achieve zero net deforestation by 2020.

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 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 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 unsustainable vegetation clearance or peatland clearance/extraction.

Our definition is projects involving:

- Degradation of areas (often forests) necessary to protect High Conservation Value areas.
- The conversion of primary tropical forests; or land clearance by burning.
- The conversion of High Carbon Stock tropical forests.
- Clearance of peatlands, including peat extraction.

This table summarises our ESE policy for lending and loan underwriting to the Forestry, Fisheries and Agribusiness sectors:

Prohibited
<ul style="list-style-type: none">• 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).• Soft commodities producers operating in tropical regions* who have not obtained sustainable certification of their direct soft commodities activities and supply chain by 31st December 2024. This means obtaining the following certifications and memberships:<ol style="list-style-type: none">1. Forestry, Rubberwood, Pulp & Paper - FSC & PEFC certified2. Palm Oil - Roundtable on Sustainable Palm Oil (RSPO)3. Soy - Roundtable for Responsible Soy (RTRS).4. Beef/Leather - Global Roundtable for Sustainable Beef (GRSB) Leather Working Group (LWG)5. Cocoa – Rainforest Alliance, Fairtrade <p><i>* Companies operating in tropical, sub-tropical and temperate rainforests</i></p> <ul style="list-style-type: none">• Manufacture of pesticides banned under the Stockholm Convention.• Damaging fishing methods - use of explosives (dynamite) and/or poison (cyanide)• Vessels that carry or use one or more driftnets with an individual or combined length of more than 2.5 Kms or use of driftnets intended for the capture of species listed in Annex VIII of EU Regulation 1239/98 such as tuna and swordfish.• Direct involvement in shark-finning or trading in shark fin; commercial whaling; Illegal, Unreported or Unregulated (IUU) fishing activities or trade in IUU products.• Harvesting or trade of species listed under the Convention of International Trade of Endangered Species (CITES).• Direct involvement in illegal logging or the purchase of illegally harvested timber or companies using illegal and/or uncontrolled use of fire for land clearance.• Tree felling or clearance within High Conservation Value Forests, UNESCO World Heritage Sites or International Union for the Conservation of Nature IUCN (I – IV) Protected Sites.• Tree felling or tree and mangrove clearance in Ramsar Sites, Man & Biosphere Sites and High Conservation Value Areas.• Companies with operations that have actual and potential adverse impacts on the Outstanding Universal Value of UNESCO World Heritage Sites.• Clearing of peat lands for commercial plantations [by draining and/or burning] unless a clear and stringent peat land management procedure is in place.• Direct involvement in fur farming (e.g. foxes, seals, mink, cats and dogs) or Angora (wool and fur) production.• Fur traders and fur retailers where fur is their primary product line.• Illegal wildlife trade (e.g. ivory or rhino horn).• Import of hunting for trophies to the UK

Restricted

- Operations in Ramsar Convention Sites, UNESCO Man & Biosphere Sites, or Marine Protected Areas.
- 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.
- 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).
- Operation of cotton plantations in Uzbekistan.
- Deep sea bottom trawling less than 600m below sea level
- Aquaculture activities - large scale, international operators that do not meet certain international standards for aquaculture including ASC, GAP, GAABAP standards

Normal

- Companies are expected to have environmental and health and safety/social policies or plans in place to manage ESE risks. Where relevant, companies should demonstrate how they manage chemicals and pesticide use, deforestation, sustainable procurement practices, human rights, animal husbandry and water management.
- Where applicable, companies producing genetically modified seeds for wholesale are expected to have transparent policies and procedures in place on biosafety reflecting at a minimum the laws and regulations of the countries in which they operate. Adoption of international conventions such as the Cartagena Protocol on Biosafety for GMOs or similar is considered best practice
- Our customers, and their supply chains are expected to work towards the requirements of relevant industry standards and organisations such as the Food and Agricultural Organisation of the United Nations (FAO)* Environmental and Social Management Guidelines. These include but are not limited to:
 - The Better Cotton Initiative
 - Bonsucro (Sugar Cane Production)
 - Fair Trade (covers a wide range of products including food and drinks (eg bananas, coffee, sugar, tea, fruit juices)
 - the Red Tractor Farm Assurance scheme
 - BEI Soft Commodities Compact.
 - The Aquaculture Stewardship Council (ASC) standards
 - Marine Stewardship Council (MSC)
 - Global Good Aquaculture Practice (GLOBAL G.A.P) standards
 - The Global Aquaculture Alliance Best Aquaculture Practices (GAABAP)
 - Global Sustainable Seafood Initiative (GSSI)
 - International Fishmeal and Fish Oil Organisation
 - The Sustainable Fisheries/Sustainable Aquaculture Certification (Friend of the Sea).
 - National Federation of Fishermen's Organisation (NFFO).
 - Marine Management Organisation
 - Marine Scotland
 - Inshore Fisheries and Conservation Authority
 - Note that the Global Sustainable Seafood Initiative (GSSI) Global Benchmark Tool provides formal recognition of seafood certification schemes that successfully complete a benchmarking process, underpinned by the Food and Agricultural Organisation of the United Nations* guidelines.