

Royal Bank of Canada

Policy Guidelines for Sensitive Sectors and Activities



Our environmental and social risk management (ESRM) process is designed to ensure we apply a suitable level of due diligence on a transaction. We maintain a suite of ESRM policies designed to identify, assess and mitigate the environmental and social risks associated with financing our clients. We believe these policies are in keeping with our leadership role in environmental and social risk management, and are reflective of our commitment to a balanced, responsible approach to business. We proactively review and update our ESRM policies and procedures to address regulatory changes, emerging and evolving issues, and international best practices.

Certain sensitive sectors and activities require focused policy guidelines that are described below:

Coal

While coal-fired power continues to be a significant source of electricity generation in many jurisdictions, particularly in developing economies, it is also one of the largest global sources of greenhouse gas emissions and other pollutants that impact air quality. Coal mining can result in a number of adverse effects on the environment depending on the methods of extraction that need to be considered in the due diligence process. As a result, we identify coal-fired power and coal mining as high risk and place restrictions on transactions in this sector. Specifically:

- RBC will not finance transactions where the proceeds will be primarily used to develop a new greenfield coal-fired power plant, thermal coal mine or Mountain Top Removal coal mining projects.
- RBC will not provide financing to new clients that operate significant thermal coal mining (>60% revenue) or coal power generation assets (>60% generation, Megawatts per hour (MwH)).
- RBC will provide financing to new clients that operate some thermal coal mining ($\leq 60\%$ revenue) and coal power generation assets ($\leq 60\%$ generation, MwH) if the client can provide clear evidence that they are:
 - o Reducing their use of coal (e.g. diversifying, retiring assets); and/or
 - o Reducing their GHG emissions; and/or

- o Converting to high-efficiency, low emissions (HELE) or other technologies that lower GHG emissions.
- For existing clients that operate thermal coal mining or coal power generation assets, RBC will support the client in their transition to lower carbon emissions.
- RBC will track and monitor our credit exposure to coal mining and coal power generation and endeavor to reduce it over time in support of the transition to a low carbon economy.

The Arctic

RBC recognizes the natural and cultural significance of the Arctic ecosystem that is threatened by a number of factors, including climate change. The harsh conditions and fragile ecosystems make it a particularly vulnerable and challenging region for energy and resource development projects. We identify resource and energy development activities in the Arctic as high risk. Transactions that directly support exploration or development in the Arctic require enhanced due diligence and must be approved by a senior oversight committee.

The Arctic National Wildlife Refuge (ANWR)

The ANWR in northeastern Alaska is the largest national wildlife refuge in the United States and home to some of the most diverse and abundant wildlife in the Arctic. Due to its particular ecological and social significance and vulnerability, RBC will not provide direct financing for any project or transaction that involves exploration or development in the ANWR.

UNESCO World Heritage Sites

World Heritage Sites are landmarks or areas having cultural, historical, scientific or other forms of significance and have legal protection through an international convention administered by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Due to their cultural and natural significance, RBC will not provide direct financing for any project or transaction that involves exploration or development in UNESCO World Heritage Sites.