

Environmental, Social and Ethical Risk



NatWest
Group

Power Generation

Risk Acceptance Criteria



Power Generation Sector

We recognise that the activities of our customers can have environmental, social and ethical (ESE) impacts – including polluting activities and the potential for human rights infringements. ESE risk forms part of NatWest Group’s overall Reputational Risk Policy and requires enhanced due diligence to be performed for certain customer relationships, transactions, activities and projects. To manage these risks, we have developed Risk Acceptance Criteria for sectors which present heightened ESE risk and define the level of ESE risk the bank is prepared to accept.

The ESE Risk Framework supports our long-term, ongoing work for our appetites and practices to be informed and guided by the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Scope

The ESE Risk Framework applies to all legal entities within the Group for the onboarding of non-personal customers for the purposes of providing lending or loan underwriting services and applies to the management of ESE Risk throughout these customers lifecycles.

Context

We recognise that burning coal produces high CO₂ emissions. The ambition of this Risk Acceptance Criteria is to support the transition from coal power to clean energy, aligning with the Paris Agreement. We aim to support our customers to reduce the use of coal for electricity generation where alternative technologies are available. This applies to thermal and lignite coal ^[1] “Coal^[2]” but not metallurgical coal, which is still essential for the steel industry.

References to Coal includes Coal fired power generation or Coal related infrastructure ^[3].

References to Coal related infrastructure includes processing/refining, associated value-add services, specifically identifiable assets used for Coal), Transport (Specifically identifiable assets which are used solely for Coal).

Further references to Coal can be found in the ESE Mining & Metals Risk Acceptance Criteria.

Since November 2021, we have had no new exposure to Coal. We have prohibited:

- New customer relationships with corporates that operate unabated Coal power plants.
- Existing customers who are increasing Coal-fired power capacity including acquisition or construction of Coal power assets or increasing the output capability of existing plants.
- All project financing (including refinancing) related to Coal power activity including new coal power assets and projects that expand the life of existing unabated Coal power plants and Coal related infrastructure.

From 1 January 2022, all coal relationships are rated high ESE risk to allow for regular review and monitoring*.

Following achievement of our ambition to phase-out of Coal for UK and non-UK customers who have UK Coal fired power generation and UK Coal related infrastructure ^[3] by 1st October 2024**, we intend:

- By 1 January 2030: global phase out of Coal for customers who have any Coal power generation or any Coal related infrastructure globally**.

* This does not include commodity traders.

** This does not include (i) companies who generate less than 5% of their revenues via Coal activity (in line with [guidance provided by the Net Zero Banking Alliance](#)) (ii) companies with a turnover < £50m and (iii) commodity traders. NOTE: there are no UK customers within these parameters.

As a result, we have stopped the renewal, extension or refinancing of any existing lending or loan underwriting commitments to these customers where it exceeds the phase out date above.

Where material concerns relating to human rights violations ^[5] are identified, including with respect to the salient human rights issues ^[6] identified by NatWest Group, we will engage with the customer to understand the actions they have taken to cease and remediate and prevent future violations.

This document summarises our ESE Risk Acceptance Criteria for the Power Generation sector.

Prohibited

- Evidence ^[4] of human rights violations ^[5] where the customer is unable to demonstrate that it has taken any action to cease, remediate, prevent and/or mitigate, as appropriate, the relevant violation.
- New customer relationships with corporates that operate unabated coal power plants.
- Existing customers who are increasing coal-fired power capacity including acquisition or construction of coal power assets or increasing the output capability of existing plants.
- All project financing (including refinancing) related to coal power activity including new coal power assets and projects that expand the life of existing unabated coal power plants and coal infrastructure.
- The activities below are prohibited in, or to, countries which are (i) subject to International Sanctions; and/or (ii) that have failed to sign the Nuclear Non-Proliferation Treaty (NPT) - Israel, Pakistan, South Sudan. (India is excluded from this category as though it has not signed the NPT it has bilateral agreements over its civil nuclear programmes and sits in the High-risk category):
 1. Operators of Nuclear Power Plants (NPPs) or Uranium Enrichment Facilities;
 2. Companies involved as lead contractors in the construction or design of such plants / facilities or lead contractors involved with the transport, storage and disposal of nuclear waste in countries;
 3. Companies supplying uranium.
- Project transactions associated with construction of NPPs or Uranium Enrichment Facilities in countries (i) Subject to International Sanctions; and/or (ii) That have failed to sign the Nuclear Non-Proliferation Treaty (NPT) and adopt International Atomic Energy Agency (IAEA) safeguard agreements on the proliferation of nuclear weapons (Israel, Pakistan, South Sudan); and/or (iii) that represent a higher geo-political risk and have perceived weaker regulatory frameworks (to be determined through discussions with Country Risk should a lending opportunity be identified).
- Trade Transactions involving components destined for NPPs or Uranium Enrichment Facilities in countries that are subject to International Sanctions or restrictions relating to nuclear goods (India, Israel, Pakistan, South Sudan).

Restricted

- Evidence ^[4] of human rights violations ^[5] where the customer is able to demonstrate that it has taken action to cease, remediate, prevent and/or mitigate, as appropriate, the relevant violation within a timeframe which is acceptable to the bank.
- 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.
- Companies that operate NPPs and Uranium Enrichment Facilities in countries (i) defined as "High Risk" under the NatWest Group Country Reputational Risk Framework (NWG Country Reputational Risk Score of 4) and/or (ii) that have not signed the NPT but have engaged with the international community through bilateral agreements over their civil nuclear programmes (e.g., India).
- Highly controversial issues identified during the ESE Assessment e.g., serious environmental damage arising from company operations.
- Companies operating in Ramsar Sites, UNESCO Man & Biosphere Sites, and/or High Conservation Value Areas.
- Companies operating one or more single biomass plant with a power capacity above 100 MW that do not possess a policy or plan regarding the sustainable supply of feedstock.
- Operators of hydropower plants in non-OECD countries, that do not have in place policies and risk management procedures to manage environmental and social risks (including but not limited to dam safety, environmental impact, labour & working conditions and resettlement. Ideally companies will have adopted or be working towards the adoption of the International Hydropower Associations' Sustainability Protocol. (Companies only operating with hydropower operations under 100 MW are excluded).
- Companies operating NPPs in International Atomic Energy Agency (IAEA) member countries which have not ratified the following international nuclear treaties (links to latest status of ratification):
 - Vienna Convention on Civil Liability for Nuclear Damage OR the Paris Convention on Third Party Nuclear Liability
 - Convention on Nuclear Safety
 - Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management
- Customers involved as lead contractors in the construction of NPPs or Uranium Enriched Facilities or companies designing commercial reactors or companies involved with the transport, storage and disposal of nuclear waste in countries which are (i) defined as "High Risk" under the NWG Country Reputational Risk Framework (NWG Country Reputational Risk Score of 4) and/or (ii) that have not signed the NPT but have engaged with the international community through bilateral agreements over their civil nuclear programmes (e.g. India).
- 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

- No evidence ^[4] of human rights violations ^[5] .
- None of 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 countries where regulatory frameworks for environmental and social risks are less robust.

Glossary

Item	Definition
1. Thermal/Lignite Coal	Coal that is typically used as a fuel for steam-electric power
2. Coal	this includes coal fired power generation or coal related infrastructure.
3. Coal Related Infrastructure	Processing/refining, associated value-add services, specifically identifiable assets used for coal, Transport (Specifically identifiable assets which are used solely for coal).
4. Evidence	A finding of a human rights violation by a government (including a government agency), supervisory authority, national or international court or multinational development agency.
5. Human rights violation	A violation of any right which is inherent to all human beings, regardless of race, sex, nationality, ethnicity, language, religion or any other status.
6. Salient human rights issues	The United Nations Guiding Principles Reporting Framework defines salient human rights issues as those rights that are at risk of the most severe negative impact through a company's activities or business relationships. NatWest Group's 'Salient Human Rights Issues' can be found at https://www.natwestgroup.com/sustainability/governance-and-responsible-business/human-rights-and-modern-slavery.html