

# Environmental and Social Risk Policy Statement

## Introduction

At U.S. Bancorp, we have developed an enterprise-wide approach to managing and overseeing our existing and prospective relationships, including customers and other business partners, that may present heightened risk based on the nature of activities that the business conducts, and how that business is conducted.

Our approach accounts for environmental and social factors in addition to credit and underwriting risks as part of our overall risk management philosophy and business strategy. Understanding environmental and social factors is an important component of our internal risk processes. We serve a broad spectrum of enterprises across a diverse array of industries, we embrace a balanced approach to addressing the needs of our communities, customers, employees and shareholders.

Our comprehensive approach is one of the reasons U.S. Bank was named a World's Most Ethical Company<sup>®</sup> by the Ethisphere Institute in 2022 for the eighth consecutive year.

Specifics about the business risks and opportunities presented by key ESG factors are addressed in our ESG report available at [usbancorp.com](https://usbancorp.com). The report describes our ethical, speak-up culture, and our work to make a difference for employees, customers, shareholders and communities.



It is critical for our company to follow an enterprise-wide framework for identifying and managing the risk associated with doing business with customers that are engaged in activities with specific environmental and social impacts. Our Environmental and Social Risk Policy (ESRP) statement formalizes key principles and outlines our approach to manage prospective or active relationships that may present legal, regulatory, political, ethical, environmental, or social responsibility factors, which may create elevated risk for the company.

Should we determine that an existing or prospective relationship presents elevated risk to the company, we determine whether that risk can be mitigated and if not, we determine appropriate actions, which can include choosing to maintain, reduce or exit our business with the client.

## Approach

At U.S. Bank, we actively participate in thoughtful and respectful discussions on topics that are consistent with our core values, impact our communities and affect our company's long-term ability to do business. As a financial institution, our focus is on providing access to financial services in a way that upholds all state, federal and local laws and regulations. We continuously review our policies to ensure they align with changes in legislation and regulation.

To that end, current or potential relationships that present risk factors, including legal or reputation risk, that collectively pose unacceptable risk are prohibited. Relationships that present substantial potential or actual risk require additional due diligence and elevated levels of approvals as set forth by internal policy and process.

## Due diligence

For relationships that operate within an industry or are engaged in activity that is deemed to present heightened risk, additional due diligence is performed to evaluate risks specific to that customer. The additional due diligence includes an assessment of factors such as past compliance with laws and regulations and customer programs in place that mitigate the potential for negative outcomes, such as damage to the environment or impact to communities.

Business lines must also perform additional environmental due diligence requirements for customers operating within environmentally sensitive industries to better guide decisions on new or prospective relationships.

These industries or sectors include, but are not limited to:

- Extraction of coal or metals
- Forestry
- Oil and gas extraction and production
- Electric power generation

Our environmental due diligence requirement applies to all prospective and existing customer relationships meeting specific thresholds. The due diligence and review requirements help us evaluate whether a prospective or existing customer's policies and processes are sound and effective as they relate to the environment and the community in which it operates. We assess our commercial clients' compliance with all applicable national, state, and local environmental laws and evaluate compliance through due diligence.

This additional environmental due diligence focuses, in part, on:

- Past and present compliance with environmental laws and regulations.
- Internal framework related to environmental risk management.
- Potential impact on dependent communities and indigenous people.

## Due diligence continued

When evaluating relationships requiring additional due diligence, Reputation Risk Management partners with specialists across the company to ensure all pertinent risks are considered and evaluated as part of the risk assessment and decisioning process. Reputation Risk Management may engage with the following internal partners, among others, to ensure all relevant aspects of a relationship are considered when determining whether to initiate or maintain a relationship.

### Credit Risk Management

Credit Risk Management partners with Reputation Risk Management to identify industries or borrower types that may pose unacceptable or heightened risk to the company. Depending on exposure size and borrower credit quality, Credit Risk Management may also provide independent credit approval oversight during the underwriting process for borrowers in industries with heightened risk.

### Enterprise Financial Crimes Compliance (EFCC)

EFCC is involved when evaluating unacceptable or heightened risk relationships based on Anti-Money Laundering, Counter-Terrorist Financing, and Economic Sanctions risks. EFCC provides direction, guidance, monitoring, and assistance necessary to comply with applicable laws and regulations.

### ESG Program Office

The day-to-day management of the company's environmental initiatives is managed by the ESG Program Office as part of the Corporate Social Responsibility division, which oversees Environmental Responsibility and ESG activities for the company. Reputation Risk Management partners with the ESG Program Office regarding environmental and social initiatives to ensure risk management and business strategies are properly aligned.

### Global Ethics Office (GEO)

Our GEO policies, tools and training provide all employees the information needed to make the right choices. The GEO is consulted to ensure relationship decisions reflect the company's commitment to the highest ethical standards. In addition, the GEO may assess a company's Anti-Bribery/Anti-Corruption programs if specific concerns are identified.

### Law Division

The Law Division provides updates on changes within the regulatory environment that may impact policy and is consulted to ensure our policies and practices comply with all applicable state and federal laws.

## Escalation and monitoring protocols

The company's risk and business line functions collaborate to monitor, assess and act on external information or events that may have reputation impact to the company. Impacts are assessed to determine appropriate risk mitigation actions. These activities supplement other activities that identify proposed or current relationships that meet existing ESRP criteria for escalation.

Business lines may be required to document and implement any identified mitigation activities prior to receiving approval to enter or expand a relationship with heightened risk. The risk mitigation activities must specifically address the risk associated with the relationship and could include activities such as enhanced monitoring and periodic reviews. Once due diligence is complete, relationships with heightened risk are escalated through a formal approval process that may require review by business line and risk executives, including the company's Chief Risk Officer and other Managing Committee members, as appropriate.

Instances of non-adherence or violations to the ESRP are monitored and may be factored into incentive compensation decisions.



## Prohibited customers

U.S. Bank has identified segments, industries, or activities where it prohibits relationships due to unacceptable overall risk. We will not establish relationships with entities engaged in business that is illegal under state or federal law or are in the following prohibited categories:

### **Marijuana-Related Businesses**

United States federal law prohibits the cultivation, distribution, and use of marijuana and, as a federally regulated organization, we adhere to federal law.

### **Bribery and Corruption**

Relationships that pose an unacceptable risk to the Company for Anti-Bribery/Anti-Corruption activities. Reputation Risk Management engages with the Company's Global Ethics Office to determine whether a relationship poses unacceptable risk in this category.

### **Sanctioned Entities**

Businesses or parties owned by, controlled by or acting on behalf of an individual, entity, country or organization on the Specially Designated Nationals List in the United States and/or in violation of Government imposed sanctions designed to protect a jurisdiction from financial crimes. This also includes any person subject to U.S., European Union, Canadian, or United Nations sanctions.

### **Shell Banks**

Banks that do not have a physical presence in any country.

### **Illegal Internet Gambling**

Any unlicensed business that operates betting on the internet.

### **Private Prisons**

Commercial entities that manage or operate for-profit prisons.

### **Project Financing of Long-Term Infrastructure or Industrial Projects**

The company prohibits direct project financing of long-term infrastructure or industrial projects based upon a non-recourse financial structure in which repayment is solely dependent upon the projected cash flow of the project being financed. This prohibition does not include approved renewable energy lending activities.

## Prohibited customers continued

### Unacceptable Environmental Risk

Financing customers engaged in certain forestry and logging activities create undue risk and are prohibited:

- Any customer who participates in illegal logging activities, including those who collude with, or knowingly purchase timber from illegal logging operations.
- Logging companies that engage in uncontrolled fire as part of their forestry management practices.
- Any customer who participates in logging in No-Go Zones, Temperate or Boreal Regions without appropriate approval or certification.
- Forestry operations that negatively impact indigenous people and or dependent communities without the provision of culturally appropriate representation.

## Heightened risk relationships

Relationships that present potential or actual heightened reputation risk may be deemed outside the company's risk appetite. Entering into a relationship related to the following businesses requires additional due diligence and elevated levels of approval, up to the company's Chief Risk Officer and other Managing Committee members.

### ENVIRONMENTAL

#### Coal mining

- Directly supporting Mountain Top Removal (MTR) projects of a customer.
- Relationships with customers who are developing new coal mines.

#### New coal-fired power plants

- Instances where the customer is constructing a new coal-fired power plant.

#### Other fossil fuels

- Fossil fuel transportation customers that do not have well-defined policies on spills.
- Fossil fuel extraction relationships where 1) Meaningful extraction occurs in any of the following areas: Arctic; Offshore; Oil Sands; or 2) If any extraction occurs or is proposed to occur within the Arctic National Wildlife Refuge.

#### Logging operations

- Relationships with customers involved in logging or other extractive operations in large intact forests or primary forests that hold high conservation values without certification that these operations are managed using standard sustainable forest management practices and that conservation values are not degraded.

## Heightened risk relationships continued

### History of environmental negligence or non-compliance with rules and regulations

- Relationships with a recent history or a pattern of material non-compliance with environmental rules and regulations.

### Significant Fines, Protests, or Media Attention

- Relationships with customers currently or recently involved in any projects or events garnering significant fines, protests, or media attentions.

### OTHER INDUSTRIES

Other industries or segments that are subject to enhanced oversight include firms operating in segments historically associated with elevated consumer compliance concerns such as debt resolution or payday lending firms; areas with heightened financial crimes concerns such as certain virtual currency, ancillary cannabis-related activities and companies with unregistered bearer shares or bearer warrants, as well as sectors that may present multiple risks.

In addition, other industries not otherwise mentioned, businesses, or factors not specified above may also be identified as presenting heightened or significant risk to the company or may present human rights or other concerns that have not been identified in this policy statement. These relationships will also be escalated to Reputation Risk Management for additional review and approval.

