

# 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 balances the Company's overall business strategy with its risk tolerance and accounts for a broad range of risks, including operational, reputational, compliance, and credit risks, among others. 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 while complying with applicable federal, state and local laws and regulations, and expectations from supervising regulatory agencies.

We review environmental and social risk factors as part of our overall risk management philosophy and business strategy. Therefore, when identifying and managing risks associated with doing business with individual customers, the Company applies an enterprise-wide framework in assessing the risks posed by customer activities with heightened environmental and social impacts.



This Environmental and Social Risk Policy (ESRP) statement outlines key principles and our approach to managing prospective or active relationships that may present elevated risk, including operational, reputational, compliance and credit risks, as a result of the environmental and social impacts of activities that the business conducts, and how that business is conducted.

In cases where we determine that some or all of an existing or prospective relationship presents elevated risk to the company, we first determine whether that risk can be mitigated at a client level and then we identify appropriate actions, which can include choosing to maintain, reduce, or exit our business with the client.

Our comprehensive approach is one of the reasons U.S. Bank was named a World's Most Ethical Company® by the Ethisphere Institute in 2023 for the ninth consecutive year.

## Approach

At U.S. Bank, we actively participate in thoughtful and respectful discussions on topics that impact our employees, 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 applicable federal, state, and local laws and regulations, and reflects expectations from supervising regulatory agencies. We regularly review our policies to ensure they align with changes in legislation and regulation.

Current or potential relationships that present risk factors that collectively pose unacceptable risk, such as those that engage in business activities that are illegal on a federal or state level, are prohibited (see "Prohibited Customers" below). Relationships that present heightened risk, whether potential or actual, require additional due diligence and elevated levels of approvals.

## Due diligence

For relationships that operate within an industry or are engaged in activity that present heightened risk, additional due diligence is performed to evaluate risks specific to that customer. The additional due diligence includes an assessment of a variety of risk factors, such as past compliance with laws and regulations, as well as customer programs in place that mitigate the potential for operational, reputational, compliance, and credit risks.

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 internal thresholds. We assess our commercial clients' compliance with all applicable national, state, and local environmental laws and evaluate compliance management through due diligence.

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

- Past and present compliance with environmental laws and regulations.
- Internal framework related to environmental risk management.
- Understanding the potential impact of financing on surrounding communities, including dependent communities and indigenous people.

## Internal partners

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.

### **Credit Risk Management**

Credit Risk Management partners with Reputation Risk Management to identify industries or borrower types that may pose 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, social and governance (ESG) activities are managed by the ESG Program Office within the Corporate Social Responsibility division. Reputation Risk Management may consult with the ESG Program Office when evaluating a relationship's environmental or social impacts.

### **Law Division**

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

## 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 operational, reputational, compliance, or credit risk impacts 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 to or violations of Company policy are monitored and may be factored into incentive compensation decisions.



## Prohibited customers

U.S. Bank has identified activities that present unacceptable overall risk. We will not establish relationships with entities engaged in business that is illegal under state or federal law or in the following prohibited categories:

### **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.

### **Illegal logging activities**

Financing customers engaged in illegal or unauthorized forestry and logging activities:

- 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 illegal 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.

### **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.

## Heightened risk relationships

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, as appropriate.

### 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.
- Financing of forestry operations that negatively impact indigenous people and/or dependent communities without the provision of culturally appropriate representation.

#### 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.



## Heightened risk relationships continued

### PRIVATE PRISONS

Commercial entities that manage or operate for-profit prisons.

### PROJECT FINANCING OF LONG-TERM INFRASTRUCTURE OR INDUSTRIAL PROJECTS

Project financing related to 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.

### OTHER RELATIONSHIPS

There are other activities not otherwise mentioned or specified above that may also present heightened or significant risk to the Company, including risks related to human rights that have not been identified in this policy statement. These relationships will also be escalated to Reputation Risk Management for additional review under the existing due diligence and approval framework.

