

NatWest Group Climate Spotlight

30 March 2023



QR Code for NatWest Group
plc 2022 Climate-related
Disclosures Report (CrDR)



NatWest
Group

Paul Thwaite

CEO, Commercial & Institutional Banking



We will build on our purpose led strategy, amplifying our approach in three key growth areas, including sustainability transition, whilst maintaining expense and capital discipline



Deliver sustainable RoTE of 14-16%



NatWest
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James Close

Director, Climate Change

We have an ambition to be net zero by 2050 across our financed emissions, AuM and our operational value chain



Climate progress highlights



Supporting customer transition to net zero

£32.6bn

Cumulative contribution towards £100 billion climate and sustainable funding and financing target¹

2021: £8.1bn (1 July - 31 Dec)

£2.9bn

Retail Banking Green Mortgage completions since launch²

2021: £0.7bn

41.5%

Percentage of EPC C or better rated homes in our UK mortgage portfolio for which EPCs are available (£138.8bn or 68% of our UK mortgage portfolio)

2021: 38.3%

30%

Reduced the carbon intensity of equity holdings of our in-scope AuM by a weighted average of 30%¹⁰



Helping to end the most harmful activities

£0.3bn

Exposure to in-scope coal customers³

2021: £0.6bn

0.7%

Exposure⁴ to the oil and gas sector as a percentage of NatWest Group total remained stable compared with the previous year

Reserve based lending

Tightened O&G risk appetite policies on Reserve Based Lending⁸



Powerful partnerships and collaborations

Engage

We continued to collaborate with policy makers, peers and bodies such as GFANZ, Transition Plan Taskforce, Energy Efficiency Task Force and Financing a Just Transition Alliance to support a net-zero transition

330,000+

Customers accessed our carbon tracking tool, developed in collaboration with Cogo and available through our Retail Banking mobile app⁵ in 2022

Retrofit pilot

We are partnering with Places for People, British Gas Centrica and Schneider Electric – coordinated by Pineapple Sustainable Partnerships - to show that retrofitting homes at scale can be an achievable and affordable goal



Getting our own house in order

79%

of our lending exposure, as at 31 December 2019, covered by 2030 sector targets validated by the Science Based Targets initiative (SBTi)

46%

Reduction in emissions in our direct own operations⁶, against a 2019 baseline

2021: 44%⁷

10%

of NatWest Group's Executive Directors' annual bonus is based on performance against our climate ambitions⁹

BloombergNEF report stated NatWest has the highest ratio of global banks underwriting green energy¹¹

Initial iteration of our Climate transition plan focuses on a roadmap to our 2030 ambitions, on our journey to net zero by 2050

During 2022, we focused on developing sector level emission intensity transition plans.

Initial transition plan developed with reference to¹:

Business operations, products and services	• Supporting our customers’ transition is a key driver in the development and delivery of our transition plans • We have identified products, services and business operation changes that can be made to support customers • Where possible this has been conducted at a sub-sector level
Financial planning	• Started to align the initial iteration of our Climate transition plan with our financial plan, including regular monitoring and reviewing • Will continue to develop this alignment of our Climate transition plan during 2023
Dependencies, including government policies	• UK’s statutory commitment to reducing greenhouse gas emissions to net zero target by 2050 • Climate impacts of policies based on UK CCC Beyond Net Zero scenario, adjusted for time delays based on credibility ratings for sectoral policies provided by the UK CCC 2022 Progress Report to the Parliament.¹

We were the first major UK bank to have sector level targets validated as science-based by the SBTi

Overall we have set transition plans for 72% of our lending book as at December 2019.

The table includes the following for each sector indicated as at 31 December 2021 (i) estimated absolute emissions (ii) estimated physical emissions intensities (iii) Estimated physical emissions intensity based on convergence points aligned to external scenarios and (iv) comparison of expected and latest estimated physical emissions intensities.

As at 31 st December 2021							
System	Sector	Scope 1 and 2 (MtCO ₂ e)	Scope 3 (MtCO ₂ e)	Physical emissions intensity ⁽¹⁾	Convergence point	Difference % ⁽²⁾	RAG
	Property						
	Residential mortgages	3.1	–	37.8 kgCO ₂ e/m ²	35 kgCO ₂ e/m ²	7%	
	Commercial real estate	0.3	–	56.6 kgCO ₂ e/m ²	53.6 kgCO ₂ e/m ²	5%	
	Construction	0.6	–	43.4 tCO ₂ e/£m	37.3 tCO ₂ e/£m	14%	
	Mobility						
	Automotive manufacturing		0.5	250.0 gCO ₂ e/v-km	243 gCO ₂ e/v-km	3%	
	Land transport and logistics						
	Of which freight road	0.1	0.2	45.9 gCO ₂ e/t-km	35.5 gCO ₂ e/t-km	23%	
	Of which passenger rail	0.2	0.1	59.4 gCO ₂ e/p-km	46.8 gCO ₂ e/p-km	21%	
	Of which passenger road	0.2	0.2	86.9 gCO ₂ e/p-km	61.2 gCO ₂ e/p-km	29%	
	Energy						
	Electricity generation	0.5	–	116.7 kgCO ₂ e/MWh	174 kgCO ₂ e/MWh	(49)%	
	Oil and gas	0.9	0.2	2.4 tCO ₂ e/TJ	2.4 tCO ₂ e/TJ	–	
	Food						
	Agriculture						
	Of which Primary farming	3.9	–	2,111 tCO ₂ e/£m	2,101 tCO ₂ e/£m	0.47%	

2021 NatWest Group estimate – RAG status

 Under or equal to the convergence pathway

 Above convergence pathway by up to 5%

 Above convergence pathway by more than 5%

(1) Refer to page 89 of the [2022 CrDR](#) for further detail on physical emissions intensity metrics used to estimate reduction required by 2030.

(2) Reflects the percentage difference between 2021 physical emissions intensity estimate and the 2021 convergence point.

Further action is required by NatWest Group and its customers to meet our ambition and decarbonisation plans.

Achievement of our climate ambitions is **dependent on timely, appropriate government policy, technology developments, as well as on our customers and society to respond.**

“The need for further action is clear. For all the UK’s successes and clear ambition shown by government, it is not on track to deliver on all of its commitments according to the latest progress report by the CCC, which shows risks across most sectors”

From: Mission Zero, Independent Review of Net Zero Report by Rt Hon Chris Skidmore MP, published in January 2023¹

We plan to adopt a systems thinking approach to identify the key points of leverage to enable systems-wide transformation and decarbonisation

Our evolving systems approach will consider how carbon flows between sectors of the economy, opportunities within one sector may be dependent on another sector within a system:

1. Use systems to develop solutions			
System	Sectors within the system ¹	Opportunities	FY'22 balances ³
Property 	• Residential mortgages • Commercial real estate • Construction • Housing associations	 Play a leading role in transforming UK properties, connecting home and business owners with well skilled suppliers providing energy efficiency solutions	Loans ⁴
			£234bn
Mobility 	• Automotive manufacturing • Shipping • Land transport and logistics • Airlines and aerospace	 Partner with electricity supply companies and suppliers to offer green transport assets and electric solutions to increase demand for renewable energy	£14.5bn
Energy 	• Power utilities • Mining and metals • Oil and gas	 Electrification of the energy system by scaling the production of renewable energy, through emerging technologies, and facilitating the distribution for downstream use cases across the systems	£5.8bn
Food 	• Agriculture² • Food/consumer manufacturing² • Food retailers²	 Provide financing and other support to customers and collaborating between producers and suppliers to facilitate sustainable transitions and increase sustainable consumption models	£4.8bn
Financial System 	• Financial Institutions³ • Assets under Management	 Build out CarbonPlace (marketplace for carbon credits) Aligning our funds and discretionary portfolios with a net-zero trajectory, seeking out funds that we deem to have a credible plan to achieve net zero by 2050	£20.9bn ⁴
			AUM
			£28.3bn ⁵
2. Deliver solutions through sectors			



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Paul Thwaite

CEO, Commercial & Institutional Banking



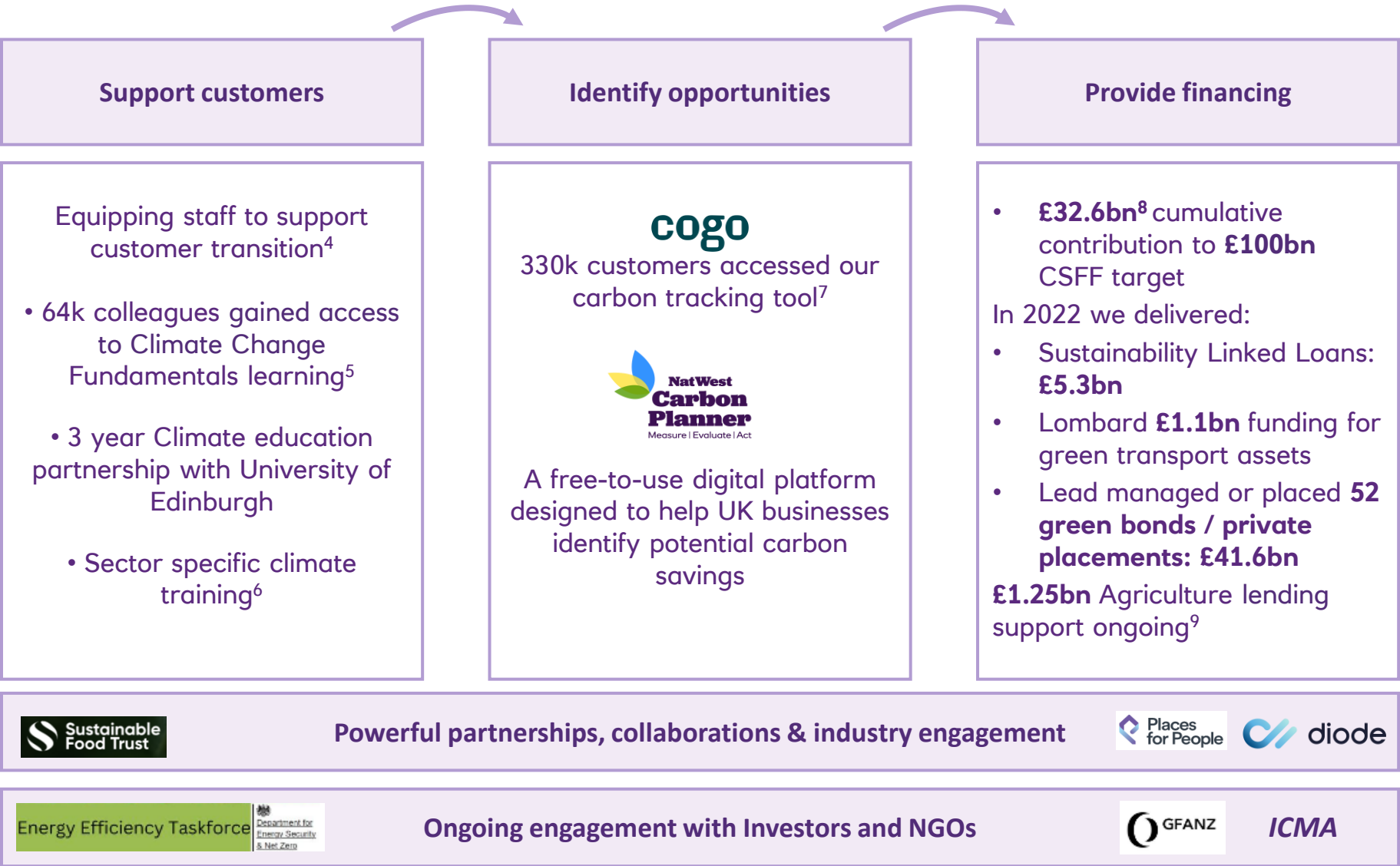
Supporting customers' sustainability transitions

19m
Customers across
the Group

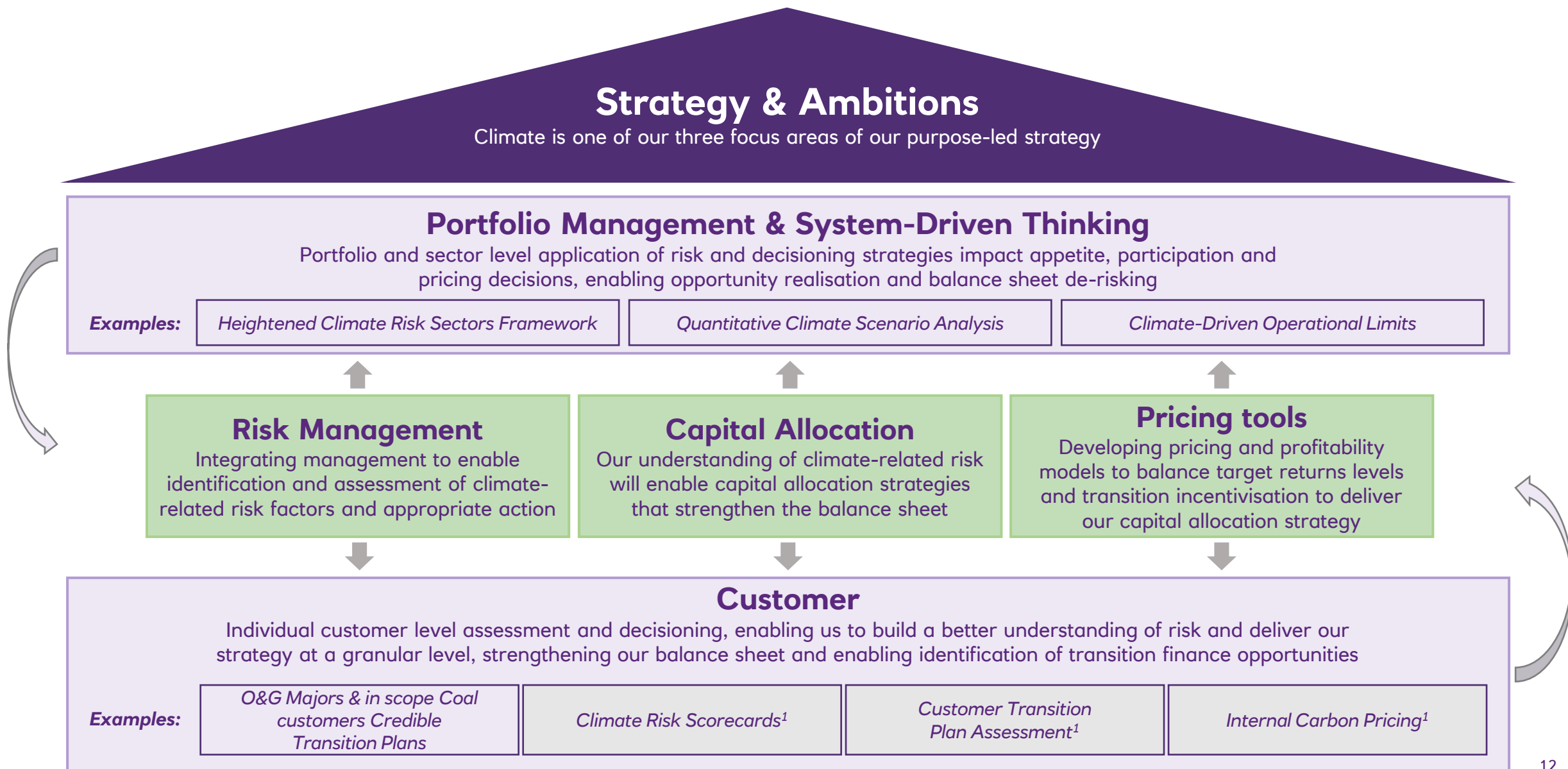
Leading
mortgage lender¹

No.1 UK
Commercial Bank²

Leading
Climate & ESG
Capital Markets
capabilities³



Working to integrate Climate risks and opportunities in our decision making



Property: UK Government energy consumption reduction target provides potential opportunities to decarbonise UK properties¹

Commercial opportunities for value chain of services, technologies, and new business models

Significant retrofit acceleration is needed by 2025 to achieve the UK government’s net zero pathway



Start with housing associations³

- Retrofit services can act as a clear demand signal across:
 - Materials / equipment manufacturing
 - Construction contracting
 - Skill development and training

Estimates/Projections²

£36 billion³

Cost to bring housing associations to EPC C and roll out heat pumps (by 2050)



Complex coordination & supply⁴

- Supply chain complexity remain an impediment
- Fragmented / sub-scale contractors face acute shortage of skills and equipment

350,000 new skilled workers by 2028⁴

Needed in construction and related trades for property decarbonisation

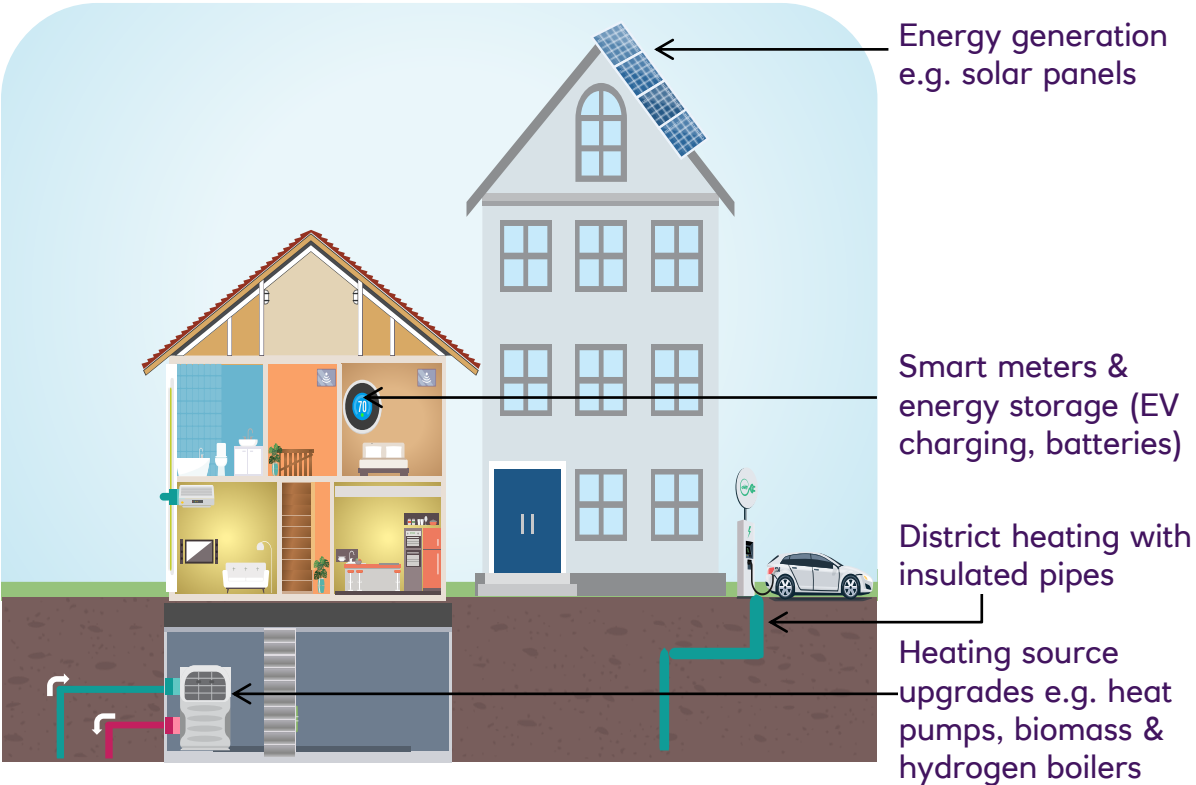


SME growth opportunity⁵

- Workers fitting insulation in the UK’s 30 million+ homes
- Deployment of millions of EV chargers
- Construction of renewable infrastructure

£105-120 billion⁵

Revenue opportunity for SMEs for residential retrofitting and heat pump installation



Note 2: Estimates and projections on this page are based on various industry assumptions and, in the case of the Springboard Report, market research; not verified by NatWest Group.

Property: we are well placed to support the decarbonisation of UK properties, connecting home owners with skilled energy efficiency solutions suppliers

Some challenges¹ such as lack of awareness, complex coordination & supply... but also a number of opportunities

Upstream value chain		Downstream value chain
SME Contractors & Construction	Commercial Real Estate, Housing Associations and Local Authorities	Private homeowners and landlords
Accelerate growth of SME contractors • We intend to work with SMEs and suppliers to build a robust supply chain to develop efficiency upgrades at scale • We are exploring how we can work with the Supply Chain Sustainability School to share the knowledge and build the skills needed to retrofit homes across the UK. • We continue to provide green asset finance to support our customers' switch to low carbon materials and technologies	Bundled service and financing to retrofit and accelerate energy transition • Continue lending to support the transition including Sustainability Linked Loans and retrofit loans for CRE • Working with Pineapple Sustainable Partnerships, Places for People, British Gas Centrica and Schneider Electric on a pilot to retrofit thousands of homes in the social housing sector	Retrofit solutions and funding for property owners • We aim to provide at least £10 billion in lending for EPC A and B rated residential properties between 1 January 2023 and the end of 2025 as part of the £100bn CSFF⁵ target • Home Energy Plan launched using public data to suggest energy efficiency improvements to customers – plan to build on this with a One Stop Portal for home retrofit services and funding • In discussions with Airbnb to see how we can work together to support its hosts along their sustainability journey and make it easier for landlords to access the finance they need
#1 UK Commercial Bank ²	£14.6bn exposure to Housing Associations ³ £17.3bn exposure to Commercial Real Estate ⁴	Leading Mortgage Lender

Energy: UK Government commitments point to significant renewables financing opportunities as the Energy system transitions to net-zero

Renewables



Low-carbon generation represents ~60% of UK share; with UK Government commitments to achieve 95% by 2030¹



NatWest Group has been a leading lender to the UK power and renewables sector over the last 10 years²



£1.3bn CSFF³ to solar & wind projects in 2022³

New Technologies



UK Govt Net Zero Strategy sets objectives for a CCUS⁴ and six long-duration storage demonstrators

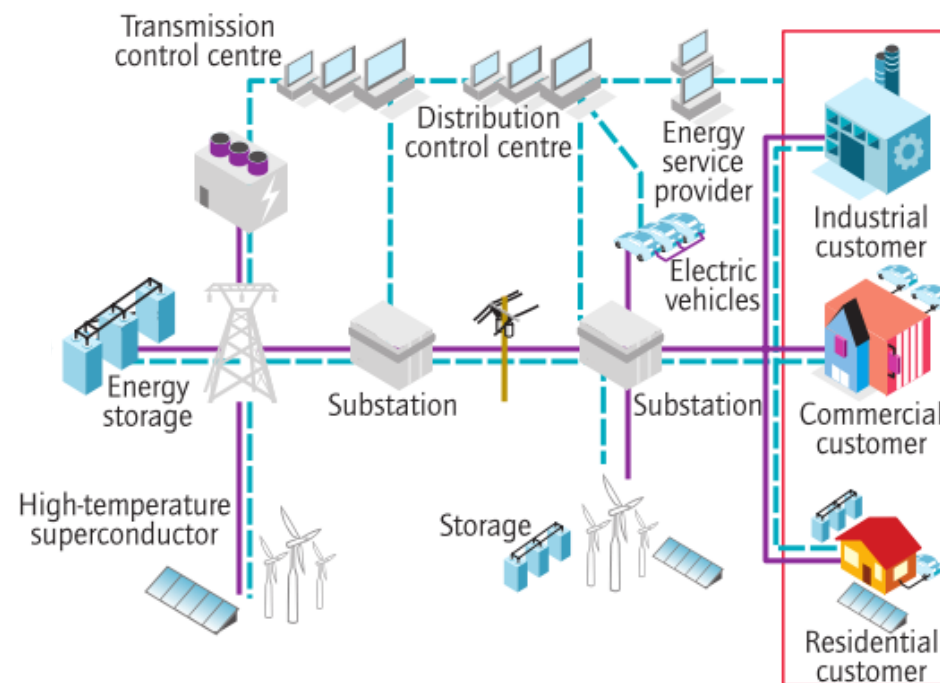


Supporting growth businesses within hydrogen supply, storage and distribution, and CCUS⁴



In 2022, we set up a specialist Energy Transition Team to focus on identifying opportunities to support transition including new technologies

An illustrative example: Future view of electricity and communications infrastructure⁵



Multiple generation and storage; integrated, distributed, multi-flows; sector coupling through electrification of transport and heat, smarter balancing to reduce energy

Our climate ambition: to be a leading bank in the UK helping to address the climate challenge

- We were early to address **climate**, which has been a focus of our Purpose-led strategy since February 2020
- One of the first UK banks to have **climate targets validated by SBTi as science based**, the plan is being **embedded** and increasingly **driving decision making**
- Our **scale, expertise, sector coverage and thought leadership** is helping to create partnerships and to innovate new practical solutions
- Climate focus is **fundamental to our growth strategy**. We are embedding sustainable solutions in ever more **personalised banking services** and forming foundations for **future sustainable returns** within a **conservative risk appetite**
- Supporting our customers' sustainability transitions is **one of our three growth levers**, including a £100bn climate and sustainable funding and financing target between 1 July 2021 and December 2025, providing real opportunity for growth and helping to support our 14-16% medium-term RoTE target

Net zero by 2050 across our financed emissions, AuM and our operational value chain



Q&A



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Footnotes

Slide 5

1. Measured in financed emissions. See section 5.5 of the [2022 CrDR](#). 2. Refer to pages 38 to 39 of the [Net Zero Asset Managers Initiative's Initial Target Disclosure Report](#) (May 2022).

Slide 6

1. Between 1 July 2021 and the end of 2025. 2. Since launch in Q4 2020. Retail Banking Green Mortgage products only. Green Mortgages are available to all intermediaries for all residential and Buy-to-Let properties with an energy performance rating of A or B and specific new build developer properties. Available for Purchase, Porting and Re-mortgage applications. 3. As defined in the Credible Transition Plan (CTP) assessment. Refer to pages 30 – 31 of the NatWest Group plc 2021 Climate-related Disclosures Report for further details on the assessment of CTPs for oil and gas majors and in-scope coal customers. 4. As at 31 December 2022. Based on gross lending (amortised cost and Fair Value through Other Comprehensive Income (FVOCI), gross of Expected Credit Loss (ECL)) and related off balance sheet exposures. 5. Retail Banking RBS, NatWest and Ulster Bank Northern Ireland mobile apps. 6. Direct own operations is defined as Scope 1, Scope 2 and Scope 3 (paper, water, waste, business travel, commuting and work from home) emissions. It excludes upstream and downstream emissions from our value chain. 7. Historic values are updated from values reported in 2021. This is due to updated bills, data provision and extrapolations. 8. Note From February 2023 we will not provide reserve based lending specifically for the purpose of financing oil and gas exploration, extraction and production for new customers. After 31 December 2025 we will not renew, refinance or extend existing reserve based lending specifically for the purpose of financing oil and gas exploration, extraction and production. 9. See Directors' Remuneration Report within 2022 Annual Report and Accounts for further details. 10. Per fund/portfolio compared to a baseline of 2019 carbon intensity, weighted using 2022 AuMs). For AuM, carbon intensity is calculated as tons of Scope 1 and Scope 2 carbon emissions per \$1 million of sales. This is measured for equity holdings only which, as at 31 December 2022, made up 52.5% of overall AuM. Carbon intensity data is sourced from Morningstar at the underlying fund level. Carbon intensity is aggregated at the fund/portfolio level, then weighted based on AuM for 31 December 2022. To produce a carbon intensity reduction figure, a comparison is done at the fund/portfolio level only against baseline fund/portfolio data, then weighted based on 31 December 2022 AuM for all in-scope AuM. As a result, the movement in AuMs between 31 December 2022 and the 31 December 2019 baseline has not been considered. Where external data is unavailable and where deemed appropriate, proxies are selected that match the fund characteristics. Figure reported is based on external data as at 30 September 2022. 11. NatWest Group top-scoring: ratio of clean-energy financing relative to hydrocarbons was 5.5 in 2021 – (BloombergNEF review Feb'23 of 126 Net-Zero Banking Alliance banks) - [Financing the Transition: Energy Supply Investment and Bank Financing Activity](#) – 5.5:1 ratio calculation is based on debt issuance deals (loans and bonds); IPOs, additional share and rights offerings; energy project financing lending and underwriting. Note that this analysis covers major underwriters on each debt issuance but not direct lenders, as lending data is often private. Full details on methodology can be found on [page 28 of the summary report](#). Also see Bloomberg article on: [Banks Need Even Bigger Low-Carbon Pivot to Avert Climate Crisis](#) and [NatWest Tops Ranking of Banks Backing Green Energy, BNEF Says](#).

Slide 7

1. For further details please refer to page 28 of [2022 CrDR](#)

Slide 8:

1. Mission Zero, Independent [Review of Net Zero](#) Report by Rt Hon Chris Skidmore MP, published in January 2023

Slide 9

1. Sectors and subsectors included in this table reflect our current view of systems within the economy, and it is subject to change over time. 2. Primary farming and fishing, Land use, Land use change and Forestry. Food/consumer manufacturing and Food retailers not a sector, but included as part of the Food system. The exposure only reflects Agriculture. 3. Amounts included are gross lending amounts for sectors analysed and the Assets under Management (AUM) portfolio (within the Finance system) as at 31 December 2022 per page 32 of [2022 CrDR](#). 4. £20.9bn lending exposure to Financial institutions excluding Reverse Repurchase agreements and other short term lending. 5. AUMs comprise assets where the investment management is undertaken by Private Banking on behalf of Private Banking, Retail Banking and Commercial & Institutional customers. Does not include assets under administration (AUAs) serviced through the Private Banking business segment.

Slide 11

1. Based on our latest available Balance Sheet position relative to other UK banks. 2. Based on NatWest Group having the highest estimated “main-bank for banking business” share (amalgamating banking group brands) and the highest net-promoter score as measured by MarketVue Business Banking from Savanta at Q4 2022. This is a survey of 2,738 businesses with a turnover over £2m in Great Britain. Responses are weighted to reflect the UK business population data from the Office for National Statistics. 3. In 2022, NatWest Markets ranked first among bookrunners for supporting UK Financial Institutions Group (FIG) and UK corporate green, social, sustainability and sustainability-linked (GSS/S) debt issuance. Source: Dealogic, 31 December 2022 – excludes money market and short-term debt. 4. Equipping colleagues in priority roles with the capability to do their job, manage climate-related risks and support customers to transition. 5. Includes some types of contingent workers. Comprised of six bitesize digital modules featuring micro lectures from the University of Edinburgh Centre for Business, Climate Change and Sustainability. 6. Training across commercial real estate, retail and leisure, manufacturing and agriculture. 7. As at 31 December 2022. Developed in collaboration with CoGo and available through our Retail Banking mobile app in 2022. 8. Climate and sustainable funding and financing between 1 July 2021 and December 2022. £100bn by December 2025. 9. Including loans, asset finance, and increased overdraft limits.

Slide 12

1. Customer level decisioning framework and tools within Commercial & Institutional, which will continue to be advanced and tested during 2023. Once fully developed, our intention is to utilise these tools in supporting business decisions (such as transaction acceptance standards), capital allocation and pricing decisions, portfolio risk appetite measures as well as credit decisions. You may also view page 50 of [2022 CrDR](#).

Slide 13

1. [UK government takes major steps forward to secure Britain's energy independence](#) 2. Estimates and projections are based on various industry assumptions and, in the case of the Springboard to Sustainable Recovery Report, market research; not verified by NatWest Group. 3. <https://pdf.savills.com/documents/Funding-Options-Report.pdf>. 4. Construction Industry Training Board publication ‘[Building Skills for Net Zero](#)’ 15 March 2021. 5. [NatWest Springboard to Sustainable Recovery Report](#)

Slide 14

1. An illustration of some of the challenges. See dependencies and gaps, page 34 [2022 CrDR](#). 2. Based on NatWest Group having the highest estimated “main-bank for banking business” share (amalgamating banking group brands) and the highest net-promoter score as measured by MarketVue Business Banking from Savanta at Q4 2022. This is a survey of 2,738 businesses with a turnover over £2m in Great Britain. Responses are weighted to reflect the UK business population data from the Office for National Statistics. 3. Total sector exposure based on loans, loan commitments and contingent obligations. 4. Gross loans plus items excluded from ECL framework, [page 225 FY'22 ARA](#). 5. Climate and sustainable funding and financing.

Slide 15

1. UK CCC Progress in reducing emissions [2022 Report to Parliament](#). 2. Page 39 of the [2022 CrDR](#) report. 3. Climate and sustainable funding and financing. 4. Carbon Capture, Utilisation and Storage. 5. The diagram is sourced from IEA (2015)



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Appendix

Climate and sustainable funding and finance

As part of supporting our customers’ transition to net zero, we have a target to provide £100 billion climate and sustainable funding and financing between July 2021 and the end of 2025. NatWest Group uses its CSFFI criteria⁽¹⁾ to determine the assets, activities and companies that are eligible

to be included within its climate and sustainable funding and financing targets. As part of our £100 billion target, we are also aiming to provide at least £10 billion of lending for EPC A and B residential properties between 1 January 2023 and the end of 2025.

	Full year ended 31 December 2022 £m	Full year ended 31 December 2021 ⁽⁷⁾ £m	Cumulative progress towards the £100bn target £m
Climate and sustainable funding and financing ⁽¹⁾			
Specific purpose wholesale lending within the scope of the CSFFI criteria ⁽²⁾	3,046	2,085	4,213
Residential mortgages with EPC A or B ⁽³⁾	4,245	1,111	5,356
Green and Sustainability Bond Public Issuances and Private Placements ⁽⁴⁾	9,953	8,227	12,730
Green Loan Underwriting ⁽⁴⁾	-	153	-
Sustainability Linked Loans ^(2,5)	5,253	3,821	7,368
Sustainability Linked Bonds and Private Placements ⁽⁵⁾	789	201	990
Other wholesale general purpose lending ⁽²⁾ or wider financing within the CSFFI criteria ⁽⁶⁾	1,213	1,948	1,921
Total	24,499 ^(*)	17,546	32,578 ^(*)

The historic values reported in the table above may be updated from values we reported in 2021. This is due to updated bills, data provision and extrapolations.

(1) For the year ended 31 December 2022, the NatWest Group CSFFI criteria published in October 2021 has been used to determine the assets, activities and companies that are eligible to be counted. For the year ended 31 December 2021, the CSFFI criteria published in February 2021 was applied. The CSFFI criteria includes lending to personal customers for properties with EPC A and B ratings, and these were included within climate and sustainable funding and financing reporting from 1 July 2021. NatWest Group's own Green, Social and Sustainability (GSS) bond issuances are not included in the table above. The revised CSFFI criteria published in December 2022 will be used from 1 January 2023. Full details of the CSFFI criteria can be found at natwestgroup.com

(2) Lending amounts represent total commitment and include any undrawn portion of committed credit limits.

(3) Refer to section 5.2 of the 2022 CrDR for data availability and limitations related to EPC data.

(4) Underwriting of specific use of proceeds debt capital market issuance for project expenditures, as well as green loan commitments when customers meet the CSFFI criteria. Amounts represent the NatWest Group share of the notional (total underwriting amount lead managed or placed by NatWest Group), based on the number of underwriters within a specific deal. During the year ended 31 December 2022 52 green bonds and private placements totalling a notional amount of £41.6 billion (53 deals, £38.7 billion during full year 2021) account for c.20% of the total lead managed or placed transactions by NatWest Group during the period (c.16% for full year 2021). The CSFFI criteria allows for the inclusion of eligible

sustainability bonds, which began to be included from 1 January 2022 (20 deals, climate and sustainable funding and financing contribution £2.2 billion in the year ended 31 December 2022).

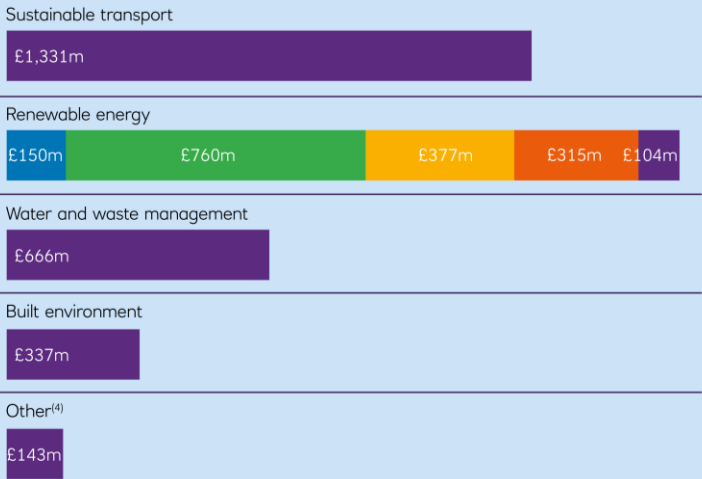
(5) Sustainability-Linked Loans, Bonds and private placements made to customers, in line with Loan Market Association (LMA) Sustainability Linked Loan principles and International Capital Market Association (ICMA) Sustainability-Linked Bond principles where deal targets include green performance indicators, aligned to CSFFI criteria.

(6) In addition to transactions that directly meet CSFFI criteria based on use of proceeds for green purposes, the CSFFI criteria also include certain general purpose loans and wider financing (including bonds and private placements) to a customer who can evidence (to NatWest Group's satisfaction through review of the customers' profit and loss statement or balance sheet): 50% or more of revenues from the categories and sectors outlined in the criteria, or for fund clients 75% of assets under management invested in assets that meet the CSFFI criteria, or for real estate and utilities companies 75% of their assets in categories or sectors outlined by the CSFFI criteria. In the year ended 31 December 2022, the £1.2 billion included above comprised loans of £1.1 billion and bonds and private placements of £0.1 billion.

(7) Of the £17.5 billion of climate and sustainable funding and financing provided in the year ended 31 December 2021, £8.1 billion was provided in the second half of the year and therefore contributes towards the £100 billion target.

(*) Within the scope of EY assurance. See page 10 2022 CrDR.

Specific purpose wholesale loans by CSFFI criteria category in 2022⁽¹⁾



■ Offshore wind ■ Solar ■ Energy infrastructure⁽²⁾
■ Onshore wind ■ Renewable other⁽³⁾

(1) Sustainability-Linked Loans are excluded from this chart.

(2) Energy infrastructure includes lending for companies and assets relating to electricity transmission and distribution.

(3) Renewable Energy – Other primarily relates to lending to funds that invest in multiple types of renewable energy.

(4) Other consists mainly of energy efficiency £143 million

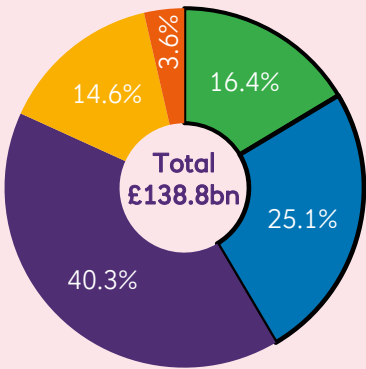
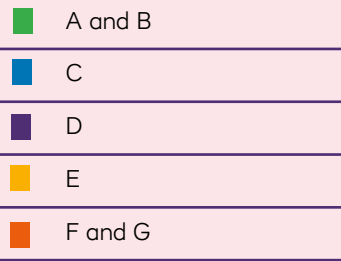
UK residential mortgages – energy efficiency

Energy efficiency

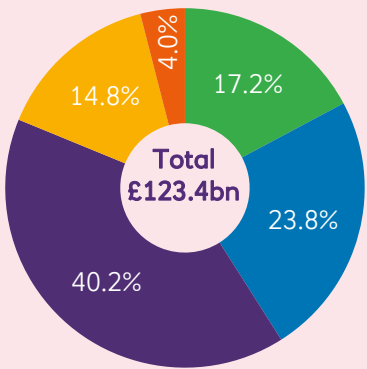
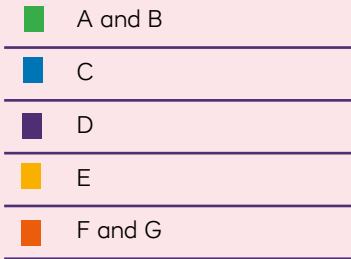
The charts below summarise the energy efficiency of the UK residential mortgage portfolio by EPC rating, with ‘A’ indicating the best and ‘G’ the worst in terms of energy efficiency. EPC data is available for mortgages amounting to £138.8 billion as at 31 December 2022 (31 December 2021 £116.2 billion). This accounts for 68% of the UK mortgage portfolio (31 December 2021 – 62%). Of these, £123.4 billion are owner occupied and £15.4 billion are buy-to-let.

Supporting our UK mortgage customers to increase their residential energy efficiency and incentivising purchase of the most energy efficient homes is a key part of our climate ambition. In addition, we have an ambition that 50%⁽³⁾ of our UK mortgage portfolio has an EPC rating of C or above by 2030. In February 2023, we announced that we will aim to provide an additional £10 billion for EPC A and B residential properties between January 2023 and the end 2025 as part of our climate and sustainable funding and financing target. As at 31 December 2022, 41.5%^(*) (31 December 2021 38.3%) of our UK residential mortgages portfolio that had EPC data available, was at EPC C or better.

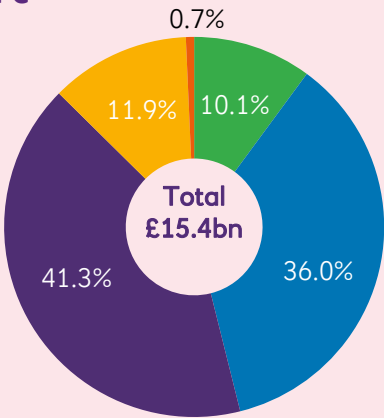
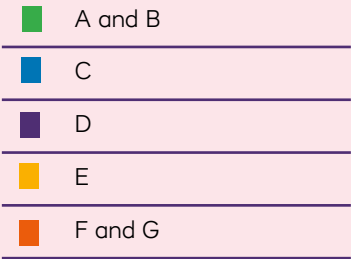
Total mortgages with EPC data available for December 2022



Owner occupied mortgages with EPC data available for December 2022



Buy-to-let mortgages with EPC data available for December 2022



1 In addition to the Retail Banking portfolio, during 2022, EPC and flood risk data became available for the Private Banking portfolio for all periods. Data relating to the smaller RBS International mortgage portfolio continues to be excluded from analysis at this time.

2 On a drawn exposure basis

3 Percentage of aggregate UK mortgage exposure.

(*) Within the scope of EY assurance. Refer to page 10

CTP assessments for oil and gas majors and in scope coal customers in 2021 - and an update in 2022

Our Credible Transition Plan assessments

We identified large corporate customers with an aggregate lending exposure of £1.4 billion at 31 December 2021 (31 December 2020: £1.7 billion) as requiring Credible Transition Plan (CTP) assessment by the end of 2021. This included oil and gas majors with aggregate lending exposure of £814 million at 31 December 2021 (31 December 2020: £1.3 billion) and also customers with more than 15% of their activities related to coal (thermal and lignite) engaged in mining, power generation and trading activities with aggregate lending exposure of £614 million at 31 December 2021 (31 December 2020: £645 million). Our CTP assessment involved three components summarised below. For a customer's transition plan to be assessed as credible and in line with the 2015 Paris Agreement, we applied the following criteria:

CTP assessment criteria		
A	A quantitative assessment using an independent third-party proprietary model to assess alignment with the 2015 Paris Agreement	This model calculates a temperature alignment score by: – use of climate scenario temperature alignment model to assess whether a customer's transition plans and resulting projections for Scope 1,2 and 3 emissions are consistent with temperature scenarios that are aligned to the goals of the 2015 Paris Agreement. – To calculate temperature alignment, climate outcome scenarios were used to model future energy production. Emission projections were compared against sector and geography specific pathways under those scenarios. By interpolating/extrapolating against the climate scenario outcomes, an assessment was made of the temperature alignment score for the company. This is in line with the Intergovernmental Panel on Climate Change's report as well as our commitment as one of the founding members of the Net Zero Banking Alliance.
B	A credibility assessment	A credibility assessment of customer transition plans which considered both public and client information and included use of a standardised scorecard which analysed factors such as executive and management incentives, investments to date and future investment plans in decarbonisation and transition technologies, as well as climate scenarios used in strategy development and information on how financial performance will evolve.
C	Management review and assessment	Approval by the NatWest Group Reputation Risk Committee (GRRC) of outcomes of the quantitative and credibility assessments as well as customers' forward-looking strategy and alignment to NatWest Group's environmental, social and ethical (ESE) policies, and the impact of current and expected legislative requirements and policy developments on customers' strategies.

- As at 31 December 2022 the exposure to oil and gas majors amounted to £0.9 billion, representing 25% of the total exposure to the oil and gas sector.
- Exposure to coal customers, as defined in the Credible Transition Plan assessment completed in 2021, was £0.3 billion as at 31 December 2022.

Caution about climate-related and other forward-looking statements and metrics in this presentation.

Certain sections in this presentation contain climate-related and other forward-looking statements and metrics, such as aims, ambitions, estimates, forecasts, plans, projections and targets and other climate metrics, including but not limited to,

- NatWest Group’s ambition to at least halve the climate impact of its financing activity by 2030 and align with the 2015 Paris Agreement;
- NatWest Group’s ambition to become net zero by 2050 across its financed emissions, assets under management and operational value chain;
- NatWest Group’s target to provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025;
- NatWest Group’s aim to provide at least £10 billion in lending for EPC A or B rating residential properties between 1 January 2023 and the end of 2025 as a sub-set of its wider target to provide £100 billion of climate and sustainable funding and financing between 1 July 2021 and the end of 2025;
- NatWest Group’s ambition that 50% of its mortgage book will have an EPC rating of C or above by 2030;
- NatWest Group’s sector level emissions reduction targets validated as science based by SBTi, climate scenarios and emissions intensity pathways, estimated climate projections and forecasts; and
- NatWest Group’s plan (i) not to provide reserve based lending specifically for the purpose of financing oil and gas exploration, extraction and production for new customers; (ii) that after 31 December 2025 not to renew, refinance or extend existing reserve based lending specifically for the purpose of financing oil and gas exploration, extraction and production; and (iii) not to provide reserve based lending and borrower base financing to upstream Oil and Gas companies specifically for the purpose of financing upstream assets located in Arctic or Antarctic Waters.

Words or phrases such as ‘ambition’, ‘aim’, ‘anticipate’, ‘believe’, ‘budget’, ‘continue’, ‘could’, ‘effort’, ‘estimate’, ‘expect’, ‘forecast’, ‘goal’, ‘guidance’, ‘intend’, ‘intention’, ‘may’, ‘objective’, ‘outlook’, ‘plan’, ‘potential’, ‘predict’, ‘projection’, ‘seek’, ‘should’, ‘target’, ‘will’, ‘would’ or similar expressions that convey the prospective nature of events or outcomes generally indicate other forward-looking statements.

There are many significant uncertainties, assumptions, judgements, opinions, estimates, forecasts and statements made of future expectations underlying these forward-looking statements which could cause actual results, performance, outcomes or events to differ materially from those expressed or implied in these forward-looking such statements.

The most important of these uncertainties and factors that could cause actual results and outcomes to differ materially from those expressed or implied in forward-looking statements are summarised in the ‘*Risk Factors*’ included on pages 404 to 425 of the NatWest Group 2022 Annual Report and Accounts (with special regard to the risk factors in relation to ‘*Climate and sustainability related risks*’ that describes several particular uncertainties, climate and sustainability related risks to which NatWest Group is exposed and which may be amended from time to time).

Other uncertainties and factors include, without limitation:

- i. the extent and pace of climate change, including the timing and manifestation of physical and transition risks, the macroeconomic environment;
- ii. uncertainty around future climate-related policy, including the timely implementation and integration of adequate government policies;
- iii. the effectiveness of actions of governments, legislators, regulators, businesses, investors, customers and other stakeholders to mitigate the impact of climate and sustainability-related risks;
- iv. changes in customer behaviour and demand, changes in the available technology for mitigation;
- v. the roll-out of low carbon infrastructure;
- vi. the availability of accurate, verifiable, reliable, consistent and comparable climate-related data;
- vii. lack of transparency and comparability of climate-related forward-looking methodologies;
- viii. variation in approaches and outcomes – variations in methodologies may lead to under or overestimates, and consequently present exaggerated indication of climate-related risk;
- ix. reliance on assumptions and future uncertainty (calculations of forward-looking metrics are complex and require many methodological choices and assumptions); and
- x. see also, Section 5.7 (‘*Cautions about climate-related metrics, data and methodology challenges*’) of the NatWest Group’s 2022 Climate-related Disclosures Report.

Accordingly, undue reliance should not be placed on these statements.

Furthermore, changing national and international standards, industry and scientific practices, regulatory requirements and market expectations regarding climate change, which remain under continuous development, are subject to different interpretations. There can be no assurance that these standards, practices, requirements and expectations will not be interpreted differently than what was NatWest Group’s understanding when defining its climate-related ambitions and targets or change in a manner that substantially increases the cost or effort for NatWest Group to achieve such ambitions and targets.

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