Green, Social and Sustainability Bond Framework

Building a purpose-led bank.

NatWest Group

October 2020

NatWestGroup.com

Contents

1 Introduction

We are a financial services company, providing a wide range of products and services to personal, business, commercial, corporate and institutional customers.

At NatWest Group we champion potential, in good times and in bad, to help the people, families and businesses we serve to recover, rebuild and, ultimately, to thrive.

Our purpose-led strategy puts sustainability at the heart of our future. We are building a more sustainable bank, bringing stronger governance, stronger policies and a more sustainable framework at the centre of our strategy. This tightly integrated approach means we will create more sustainable value for a wider range of stakeholder groups.

We have identified three areas of focus where we can make a substantial impact in addressing challenges that threaten to hold people, families and businesses back:

- Enterprise, and the barriers that too many face to starting a business;

- Learning, and what we can do to improve financial capability and confidence for our customers, as well as establishing a dynamic learning culture for our employees; and

- Climate, and the role we can play in accelerating the transition to a low carbon economy.

We will be a more sustainable bank, led by a strong sense of purpose, helping people, families and businesses across the UK and Ireland to thrive.

“People now expect companies to deliver not only strong financial performance but make a positive contribution to society. Our Purpose-led strategy aims to balance the interests of multiple groups of stakeholders – customers, communities, colleagues and shareholders. So environmental, social and governance considerations sit at the heart of our decision making.”

Alison Rose
CEO
NatWest Group

1.1 Supporting and driving enterprise

We are the biggest supporter of UK business and offer a wide range of services to those who either want to start a new business or scale-up.

We have set the following commitments:

- We will help create 50,000 incremental new businesses across the UK by 2023, and support over half a million people to consider entrepreneurship as a career option.
- Much of this support will be focussed on the people and communities who have traditionally faced the highest barriers to entry. Of those inspired and supported:
    - 60% will be female
    - 75% will be based in regions outside London & South East
    - 20% will be BAME
    - 10% will be social purpose-led.

So far, we have:

- Led The Alison Rose Review into Female Entrepreneurship in partnership with HM Treasury and Department for Business, Energy, Industrial Strategy & Skills to identify the reasons behind the disparity between start up rates between male and female entrepreneurs
- Supported almost 19,000 entrepreneurs through our Business Builder programme and our Accelerator Hubs based in 12 locations around the UK
- Launched a dedicated £1 billion fund to provide loans to female-led businesses of all sizes
- Launched Back Her Business to help female entrepreneurs raise capital whilst providing free mentoring, coaching and a broader network to tap into.
- Launched our Dream Bigger programme, encouraging young women in UK secondary schools to consider STEM subjects and Entrepreneurship as a career option, and extended this to be offered digitally
- Migrated our 12 entrepreneur accelerators hubs to digital channel delivery, with a new 1,200 place cohort welcomed in April
- Pivoted in response to the COVID-19 crisis, launching two 2020 targets, putting in place 750,000 support interventions for start-ups and 1m for SMEs
- Bank-supported charity, Social & Community Capital (S&CC), launched a £1m Coronavirus Response Fund to offer grants to social enterprises.

1.1 Supporting and driving enterprise (continued)

So far, we have:

- Delivered a total of c.800 digital events, with c.34,000 attendees and playback figures exceeding 75,000 (includes Accelerator and Business Builder events) since April 2020
- Supported 6,936 individuals through our Business Builder digital learning portal, over 7,000 through its online events with over 4,500 online community members, throughout 2020. Both digital learning and online community members have a 50%+ female/male split, with 35% of community members identifying as BAME
- Delivered over 6,136 hours of coaching this year in total, with 4,400 hours of coaching delivered since April 2020.

1.2 Confidence through learning

We will continue to take a leading role in helping people improve their financial confidence and wellbeing as a leading learning organisation.

We have announced the following commitments:

- Reach 2.5m people each year through financial capability interactions
- Help 2m additional customers to start saving by 2023
- Get 100% front-line colleagues professionally qualified/accredited within first 18 months in role
- Extending our Digital Apprenticeship Programme across the country.

So far, we have:

- Supported 98% of our front-line colleagues to be professional qualified/accredited within first 12 months in role as at 30 September 2020
- Reached c.8.7m young people through MoneySense, since it was established in 1994, and recently launched live MoneySense lessons on Facebook and YouTube
- Helped c.1m people with Financial Health Checks in 2019, with total c.2m people reached through financial capability interactions as of 30 June 2020
- Enabled over 305,000 additional customers to start saving as at 30 June 2020
- Launched a Digital Apprenticeship Programme providing candidates from under-represented backgrounds the opportunity to develop digital and data analytics capabilities
- Become the first bank to be awarded Corporate Chartered Status by the Chartered Banker Institute
- We have had more than 1m downloads of Island Saver as at 30 June 2020. Island Saver is the world's first financial education console and PC game.

1.3 Combating climate change

We are setting out a new ambition to be a leading bank in the UK & RoI helping to address the climate challenge; by making our own operations net carbon zero in 2020 and climate positive by 2025, and by driving material reductions in the climate impact of our financing activity. We are setting ourselves the challenge to at least halve the climate impact of our financing activity by 2030 and intend to do what is necessary to achieve alignment with the 2015 Paris Agreement.

This will be a great challenge; we, like others, do not yet fully understand what this will require and how it will be achieved, not least as there is currently no standard industry methodology or approach. Solving this will require UK and international industry, regulators and experts to come together and find solutions. We are determined to not just play our part, but to lead on the collaboration and cooperation that is so critical to influencing the transition to a low carbon economy.

We have announced the following commitments:

Helping to end the most harmful activity:

- Stop lending and underwriting to companies with more than 15% of activities related to coal, unless they have a credible transition plan in line with 2015 Paris Agreement by end of 2021; full phase-out from coal by 2030
- Stop lending and underwriting to major oil and gas producers unless they have a credible transition plan in line with the 2015 Paris Agreement by the end of 2021.

Accelerating the speed of transition:

- Support our UK & RoI mortgage customers to become more energy efficient with an ambition that 50% of our mortgage book is at or above EPC C or equivalent rating of C by 2030
- Create products and services, and collaborate cross-industry to enable customers to track their carbon impact
- Support the drive to decarbonise UK transport sector through the Future Mobility Group. This is a multi-disciplined centre of excellence working across the Bank and emerging mobility eco-system to enable us to invest in the development of our product and service offering, in addition to enhancing our market and risk insight to maximise the support for the decarbonisation of UK surface transport
- Coutts Asset Management has set a target to reduce the level of carbon intensity for the equity component of their portfolios by 25% by end of 2021.

Championing climate solutions:

- Additional £20bn funding and financing for Climate and Sustainable finance by 2022

1.3 Combating climate change (continued)

Championing climate solutions:

- Reserve at least 25% of places in our Entrepreneur accelerator hubs for businesses supporting environmental activities.

Embedding climate into culture and decision-making:

- Quantify our total climate impact and define sector-level targets by 2022
- Climate targets fully embedded into executive remuneration balanced scorecard.

Our work so far:

- Leading lender to UK renewables sector by number of transactions in the past decade (2009-2019). £9.9bn funding and financing provided to the sustainable energy sector between 2018-20 (£10bn target substantively met 1 year early) and c.£4bn of new sustainable funding and financing in H1 2020
- Reduced emissions from our own operations by 61% since 2014
- Introduced market leading policies on reducing the most harmful activities, including prohibitions on project financing for coal power plants, thermal coal mines, oil sand or arctic oil projects. We have announced further changes to our policies to prohibit project financing for fracking or oil and gas exploration
- Founding signatory of the UN's Principles for Responsible Banking which commits us to aligning our strategy with the overall objectives of the 2015 Paris Agreement, and we also joined the Collective Commitment on Climate Action
- Jointly became the first company globally to commit to all three of the Climate Group's initiatives on electric vehicles (EV100), renewable energy (RE100) and energy productivity (EP100)
- We are developing our disclosures in line with the Task Force on Climate related Financial Disclosures (TCFD)
- Became the first major UK bank to sign up to the Partnership for Carbon Accounting Financials (PCAF)
- Appointed climate change expert, Lord Nicholas Stern, as an independent climate change advisor to NatWest Group
- NatWest Markets has now helped 33 clients issue green, social and sustainable bonds, totalling c.£29bn since 2019. NatWest Markets was ranked #1 bookrunner for UK corporate green and sustainable bonds in H1 2020.

2 Purpose of this Framework

We have developed our Green, Social and Sustainability Bond Framework (the “Framework”) with the aim to attract dedicated funding for loans and investment that bring a positive environment or social impact. The Framework provides a clear and transparent set of criteria to enable investments which support the transition to a low-carbon economy or bring positive social benefits, and create long-term value for our stakeholders.

The ICMA Green Bond Principles (“GBP”)[1], Social Bond Principles (“SBP”)[2] and Sustainability Bond Guidelines (“SBG”)[3] represent a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the green and social bond market by clarifying the approach for issuing a green or social bond. In line with the ICMA GBP, SBP and SBG, the NatWest Group Green, Social & Sustainability Bond Framework has four key components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

We have also sought an external review on the Framework from an established independent second-party opinion (“SPO”) provider, Sustainalytics. This is available on the Sustainalytics website and published on the NatWest Group website.

1 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf
2 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf
3 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainability-Bonds-Guidelines-June-2018-270520.pdf

3 Types of Issuance

Under this Framework, we can issue three types of bonds, as defined in Section 4:

1. **Green Bonds**
   Green bonds, in order to finance and/or refinance Eligible Green Loans

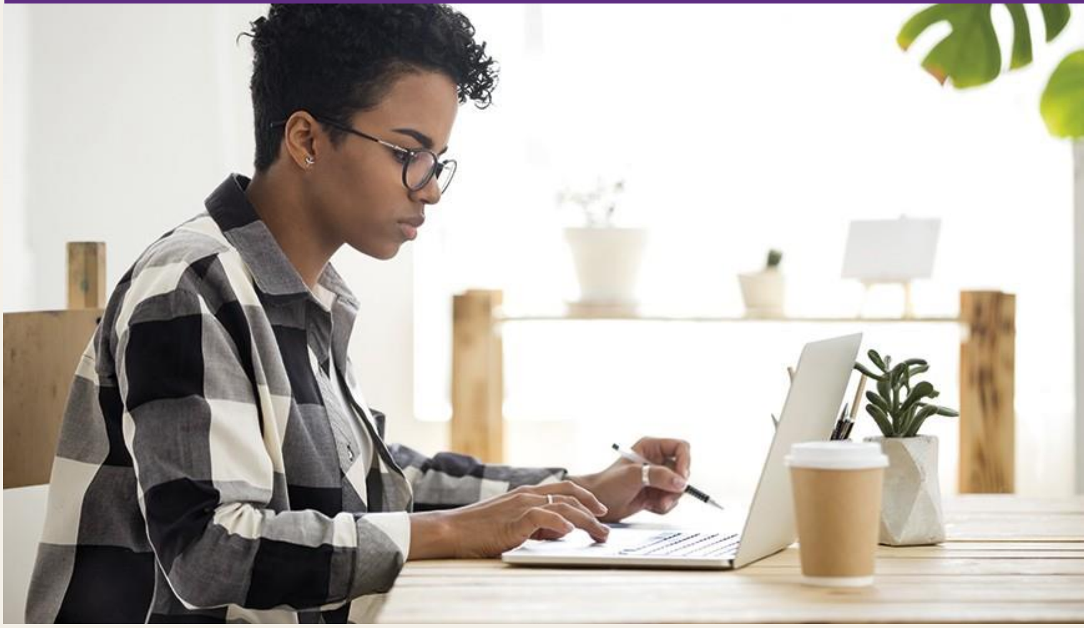
2. **Social Bonds**
   Social bonds, in order to finance and/or refinance Eligible Social Loans

3. **Sustainability Bonds**
   Sustainability Bonds, in order to finance and/or refinance a combination of Eligible Green Loans and Eligible Social Loans.

Green, Social or Sustainability Bonds may take different forms of bond structures from across the capital structure, including for example, a Senior Unsecured or Covered Bond, and will be issued from our holding company (NatWest Group Plc), or any of its subsidiaries, including for instance National Westminster Bank Plc.

Helping staff cut their personal carbon footprint

Our colleagues want to know what they can do to help us tackle one of the biggest challenges the world faces. Climate change is one of the most important issues of our age and tackling it is at the heart of NatWest Group's purpose. As the vast majority of the bank's staff continue to work from home because of the coronavirus pandemic, NatWest Group has issued a new carbon calculator to provide tips to staff on how they can save energy and cut their personal carbon footprints.



4 Use of Proceeds

Loans, investments and projects which are to be financed and/or refinanced in whole or in part by the allocation of the proceeds of Green, Social and Sustainability Bonds raised under this Framework ("Eligible Loans") must fall into the categories outlined below, aligning with NatWest Group's Climate and Sustainable Finance criteria.

The "Eligible Portfolio" is defined as Eligible Green Loans and/or Eligible Social Loans originated by NatWest Group up to 36 months prior to the Green, Social or Sustainable Bonds issuance date. In addition, borrowers must not be engaged in any business activity described in Appendix 1 (*Excluded Sectors*).

The categories below constitute Green and Social Loan Eligibility Criteria.

4.1 Eligible Green Loans

"Eligible Green Loans" refers to loans dedicated to financing of eligible green projects with positive environmental impacts, including climate change mitigation, reduction of Greenhouse Gas emissions and reduction of pollution. All of these impacts are believed to support the transition to a low-carbon economy.

Renewable Energy
Loans for the equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:

- Wind projects, including onshore and offshore wind energy projects
- Solar projects or photovoltaic energy projects
- Small-scale hydropower projects up to 20MW capacity as well as wave and tidal facilities

Pollution Prevention and Control
Loans for technologies and operations supporting the reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy.

- Biomass and waste to energy projects

4.1 Eligible Green Loans (continued)

Green Buildings
Loans for green buildings, which meet regional, national or internationally recognised standards or certifications, as further described in section 5.1:

- Domestic property which scores B or above according to the Energy Performance Certificate rating or equivalent metric
- Commercial property which scores highly according to relevant metrics
- Measures which reduce energy consumption, such as retrofitting, improving and upgrading existing assets for improved energy efficiency either in whole or as needed.

Clean Transportation
Loans for technologies and operations supporting the transition to low carbon means of transportation. This would also include loans to infrastructure projects that would reduce the circulation of cars, as well as the manufacturing of infrastructure components.

- Hybrid, electric and alternatively fuelled cars, buses, trucks and trains, that fall below 75gCO_2/p-km for passengers and 25gCO_2/t-km for freight transportation.

Continued support for Affordable Housing

We are committed to supporting the delivery and maintenance of housing in the UK, which is vital to the economy and people and families who rely on affordable housing. In July 2020 we announced continued support of the housing association sector with £3bn of new funding over the next three years that can support the development of around 20,000 new homes.

4.2 Eligible Social Loans

"Eligible Social Loans" refer to loans with positive social impacts, including facilitation of job conservation or creation, revitalisation of economically depressed areas and reduction of poverty as well as loans which contribute to benefits in relation to improved coverage of vital services, and reduced inequality:

Female-Owned Business Lending
Financing/refinancing to SMEs where at least one of the owners of the enterprise is a woman.

Access to Essential Services
Financing/refinancing of loans that enhance access to essential services (e.g. healthcare & education) including activities involving the development, expansion or acquisition of buildings, facilities, or equipment relating to:

- Infrastructure for hospitals, laboratories, clinics, healthcare and hospices that are affiliated with the NHS, part of the NHS trust, or are more broadly accessible to the whole public.
- Infrastructure for the provision of childcare and child, youth or adult education and vocational training services which are broadly accessible to the whole public.

Affordable Housing
Financing/refinancing of loans that provide greater access to affordable housing in the UK in accordance to accredited or registered affordable housing definitions, or contributes to enhanced access for low income residents or marginalised communities, as defined in section 5.2.

SME Lending
Financing/refinancing of loans to Small and Medium size enterprises ("SMEs") with geo-scoring of areas with high unemployment/low income, with potential targeting of specific sectoral activity codes, as further described in section 5.3.

5 Evaluation and Selection process

A Green, Social and Sustainability Bond Working Group (the "Working Group") meets regularly, and is responsible for:

- Approve the proposed assets for inclusion in the Eligible Portfolio as set out in Use of Proceeds
- Managing the Eligible Portfolio over the lifetime of the Green, Social and Sustainability Bond, to ensure that proceeds are used solely for the financing and refinancing of the Eligible Green Loans and Eligible Social Loans
- Monitoring developments in the wider Green, Social and Sustainability bond sector and updating this Framework and eligibility criteria accordingly
- Document the evaluation and selection process in order to facilitate external verification (if required) of whether selected loans meet the Green and Social Loan Eligibility Criteria.

The Working Group is formed by members of Treasury, including the Head of Treasury Debt Capital Markets, as well as members from Sustainable Banking; Communications and Marketing; Treasury, ESG and Disclosure Legal; Commercial Banking; Risk; and attended from time to time by other subject-matter experts.

In line with standard practice, we ensure that all selected Eligible Loans comply with official national and social standards and local laws and regulations on a best-effort basis.

5.1 Selection of eligible Green Building loans

Selection will focus on loans which provide financing and/or refinancing to domestic and commercial property (for example residential homes, offices, retail stores, and data centres) with a high energy-efficiency score, as well as for renovations which increase the energy-efficiency of these properties.

To be eligible, the loans must meet the following criteria:

1. For new and existing domestic property, that which scores A or B according to its Energy Performance Certificate ("EPC")[1] (currently ranging from A down to G, where G is least energy-efficient);

2. For new and existing commercial property:
    - that which scores A or B or greater according to its Non-domestic Energy Performance Certificate ("NDEPC")[2] (currently ranging from A down to G, where G is least energy-efficient) or;
    - that which is rated "Very Good" according to BREEAM[3], or "Gold" according to LEED[4], or any other comparable certification where available.

3. Renovation of existing buildings which meet the following criteria:
    - Energy savings of at least 30% in comparison to the baseline performance of the building before the renovation, measured in kWh/m^2 per year.

Should these ratings no longer be available in the future, we will seek to use a suitable alternative metric. Any such update would be disclosed via an updated Framework.

1 In the UK, and EPC is required whenever a property is built, sold or rented. An EPC contains i) information about a property's energy use and typical energy costs and ii) recommendations about how to reduce energy use and save money (please see https://www.gov.uk/buy-sell-your-home/energy-performance-certificates for more information).
2 In the UK, a NDEPC is required whenever a premises is rented, sold or altered (please see https://www.gov.uk/energy-performance-certificate-commercial-property for more information).
3 BREEAM ® is an environmental assessment method and rating system for buildings launched in 1990. BREEAM sets a standard for best practice in sustainable building design, construction and operation and a measure of a building's environmental performance. It encourages designers, clients and others to think about low carbon and low impact design, minimizing the energy demands created by a building before considering energy efficiency and low carbon technologies (please see www.breeam.org for more information).
4 LEED® or Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve different levels of certification. Prerequisites and credits differ for each rating system, and teams choose the best fit for their project.

5.2 Selection of eligible Affordable Housing loans

Selection will focus on loans which provide financing and/or refinancing to not-for-profit, registered housing associations operating in the UK, for the provision of affordable housing. This includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. To be eligible, the housing associations must be involved in the construction, management and refurbishment of properties for one or more of the following:

1. Social Rent

Social rented homes are provided by local authorities and housing associations. Rent levels are around 50% of market rents for the local area, and rent increases are limited by governments. This usually provides a more secure, long-term tenancy then private renting.

2. Affordable Rent (sometimes known as Intermediate Rent)

This is open to a broader range of household incomes than social rent. It is subject to controls that ensure rents charged are no high than 80% of local market rents. Affordable rents are also provided by local authorities and housing associations.

3. Shared Ownership

This is where the occupier purchases a share of a property (between 25% and 75%) from a housing association. They then pay the housing association an 'affordable rent' on the part owned by the housing association. An individual’s eligibility to access shared ownership housing is subject to certain criteria and conditions including household income cap.

4. Supported Housing

This is any housing scheme where housing, support and sometimes care services are provided to help people to live as independently as possible in the community. It includes care, nursing and sheltered housing.

5.3 Selection of eligible SME loans

Selection will focus on loans which provide financing and/or refinancing to SMEs situated in deprived areas in the UK. Eligible loans in this category are aimed at SMEs with an emphasis on employment creation or employment retention in specific economically underperforming regions of the UK.

To be eligible, the loans must meet the following criteria:

1. Be an SME as defined in the UK Companies Act 2006.
2. Be located in an economically underperforming region of the UK, as defined below; and
3. Not be engaged in any business activity described in Appendix 1 (*Excluded Sectors*).

We have designed a method for identifying economically underperforming areas in UK by employing public macroeconomic data released by the UK Office for National Statistics ("ONS"). Specifically, we consider two regional indicators at Local Administrative Unit ("LAU") level to determine economically underperforming areas:

1. Gross Value Added per head ("GVA"); and
2. Unemployment Claimant Percentage ("UCP").

The ONS LAUs are areas that are parts of the Nomenclature of Territorial Units for Statistics hierarchical classification of UK areas, created by the Statistical office of the EU in order to produce regional statistics which are comparable across the European Union.

Our asset selection methodology therefore consists of mapping loan-specific postcodes from the lending data to the related LAUs, in order to extract the GVA and UCP data relevant to the respective postcodes. Should GVA and UCP not be available in the future, we will seek to use a suitable alternative metric. Any such update would be disclosed via an updated Framework.

Lastly, we use an equally weighted index of GVA and UCP to rank our UK SME loan book. The assets mapped to the bottom 30% of the LAU distribution represent the potential pool of assets for a social bond issuance. On a best-endeavours basis, we will allocate issuance proceeds to an even distribution of loans from each of these bottom 3 deciles.

5.4 Future Amendments, Exclusions and Equator Principles

Future Amendments
The chosen categories in section 4 are subject to ongoing review by the Green, Social and Sustainability Bond Working Group (as described in this section) and we may, from time to time, add additional bond categories in line with the ICMA GBP, SBP and SBG in order to include other assets depending on loan-book growth and business targets. We welcome the developments of the EU taxonomy and its applicability to the Eligible Loan criteria; we will consider incorporating these amendments once finalised into future updates of the framework.

Exclusions
We will not knowingly allocate the proceeds from the Green, Social and Sustainability Bonds issued under this Framework to loans to businesses or enterprises in a number of industries that are considered to have potential negative social or environmental impact. As such, loans to businesses or enterprises that meet any of the following criteria are ineligible for the proceeds from Green, Social and Sustainability Bond issued under this Framework:

1. Those businesses which fall under the SIC codes listed in Appendix 1, which cover a range of businesses such as, but not limited to, alcohol, environmental damage, fossil fuels, gambling, tobacco or weapons.

2. Those businesses which are found to have engaged in illegal business practices.

In addition, non-performing loans and encumbered assets are also ineligible for allocation of the proceeds of Green, Social and Sustainability Bonds raised under this Framework.

Equator Principles
The Equator Principles ("EP") are a voluntary set of standards adopted by financial institutions for determining, assessing and managing environmental and social risks in project-related transactions. NatWest Group has been a member since 2003.

All transactions that fall within the scope of EP undergo an initial environmental and social risk screening (using a questionnaire). Typically for project finance deals, a suitably qualified technical advisor is engaged, who provides an opinion on potential environmental and social impacts of the project and compliance with the EP. Additionally, such transactions are subject to enhanced due diligence by an ESE advisory team. This includes a review of the project-related transaction for compliance with the EP. The EP use a scale of categorisation – A to C – to determine the scale of environmental and social impacts, with Category A being projects with the highest impacts and Category C, the lowest. Depending on the risk category, the prospective financing may be subject to a further and separate review by a Reputational Risk Committee.

6 Management of Proceeds

Lending forecasts and business plans will be reviewed by the Working Group ahead of bond issuance to ensure an appropriate Eligible Portfolio is in place for the duration of the Green, Social and Sustainability Bonds issued under this Framework. At issuance, we will make clear if we expect the full allocation to take place over time, where for example the Eligible Loans have not been fully drawn. We will also strive to report the expected timeline for full allocation on a best-endeavours basis.

After issuance of a bond, the net proceeds will be managed by Treasury on a portfolio basis. As long as the bond is outstanding, we will intend to exclusively allocate an amount equivalent to or in excess of the net proceeds of the bond to an Eligible Portfolio in line with the above-mentioned Green and Social Loan Eligibility Criteria and evaluation and selection process.

In line with internal monitoring of the Eligible Portfolio, the Working Group will review and approve allocations of proceeds from the issue of Green, Social and Sustainability Bonds under this Framework to Eligible Loans on a monthly basis as required.

If a loan no longer meets the Green and Social Loan Eligibility Criteria (as described in Section 4), we will remove the loan from the Eligible Portfolio and replace it with another eligible loan as soon as reasonably practicable.

Where assets unexpectedly mature such that the outstanding bond proceeds exceed the amount allocated to Eligible Loans, or where full allocation is not immediately possible, we will hold and/or invest any surplus proceeds at our discretion in cash or short term liquid investment until additional Eligible Loans are available.

7 Reporting

The ICMA Green Bond Principles and Social Bond Principles require issuers to keep investors and other stakeholders updated on the allocation of proceeds.

In addition to information relating to the projects to which Green, Social or Sustainability Bond issued under this Framework proceeds have been allocated, the GBP and SBP recommend disclosure of the expected impact of the projects.

An allocation and impact report will be prepared by the Treasury DCM team, or other subject matter expert (as required), reviewed by the Working Group and made available on the NatWest Group website. Such reports will be available within a year from the issuance of the applicable Green, Social or Sustainability Bonds and at least annually thereafter.

On a best-effort basis, we will align our reporting with the approach described in "Green Bonds – working towards a Harmonized Framework for Impact Reporting (April 2020)"[1] and "Social Bonds – working towards a Harmonized Framework for Impact Reporting (June 2020)"[2].

1 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-220520.pdf
2 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Harmonized-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf

7.1 Allocating reporting

Our allocation report will provide indicators, on a portfolio basis including, but not limited to:

- The total amount of proceeds allocated to Eligible Loans
- The number of Eligible Loans included in the Eligible Portfolio
- The balance of unallocated proceeds
- The amount and the percentage of new financing and/or refinancing.

7.2 Impact reporting

Where feasible, we will strive to report granular metrics relevant to the assets to which proceeds have been allocated. This may include information regarding, for example:

- Renewable Energy
    - Installed capacity (MW)
    - Annual production of renewable energy (MWh)
    - Annual emissions avoided (tCO_2 equivalent)

- Pollution Prevention and Control
    - Quantity of recycled materials (tonnes)
    - Annual production of renewable energy (MWh)
    - Annual emissions avoided (tCO_2 equivalent)

- Green Buildings
    - Estimated ex-ante annual energy consumption (KWh/m^2)
    - Annual emissions avoided (tCO_2 equivalent)

- Clean Transportation
    - Number of electric vehicles in portfolio

- Access to essential services, including SME Lending
    - Number of jobs created or retained by LAU / region
    - Number of jobs created or retained by activity sector
    - Number of loans included in portfolio

- Female-owned Business Lending
    - Number of loans included in portfolio

- Affordable Housing
    - Number of homes built or refurbished
    - Number of loans included in portfolio

For other categories we may provide impact indicators where practicable.

8 External review

8.1 Second Party Opinion

We will, from time to time, obtain an independent second party opinion from Sustainalytics (or similar agency) to confirm the validity of the NatWest Group Green, Social and Sustainability Bond Framework. The independent second party opinion will be published on the NatWest Group website.

8.2 Verification

We may request our external auditor to produce, on an annual basis, starting one year after the issuance and until the maturity of the Green, Social and Sustainability Bonds issued under this Framework, a limited assurance report of the allocation of the proceeds.

Depending on the type of instrument issued under the Framework, we may seek a Climate Bond Initiative Certification.

Appendix 1: Excluded Sectors

Category	Sector	SIC Code
Alcohol	Manufacture of distilled potable alcoholic beverages	15.91/0/0
	Wholesale of alcoholic and other beverages	51.34/0/0
Environmental Damage	Mining of uranium and thorium ores	12.00/0/0
	Mining of iron ores	13.10/0/0
	Mining of non-ferrous metal ores, except uranium and thorium ores	13.20/0/0
	Quarrying of stone for construction	14.11/0/0
	Quarrying of limestone, gypsum and chalk	14.12/0/0
	Quarrying of slate	14.13/0/0
	Operation of gravel and sand pits	14.21/0/0
	Mining of clays and kaolin	14.22/0/0
	Mining of chemical and fertilizer minerals	14.30/0/0
	Other mining and quarrying not elsewhere classified	14.50/0/0
	Processing of nuclear fuel	23.30/0/0
	Wholesale of metals and metal ores	51.52/0/0
Fossil Fuels	Deep coal mines	10.10/1/0
	Opencast coal working	10.10/2/0
	Manufacture of solid fuel	10.10/3/0
	Mining and agglomeration of lignite	10.20/0/0
	Extraction and agglomeration of peat	10.30/0/0
	Extraction of crude petroleum and natural gas	11.10/0/0
	Service activities incidental to oil and gas extraction excluding surveying	11.20/0/0
	Other treatment of petroleum products (excluding petrochemicals manufacture)	23.20/2/0
	Manufacture of industrial gases	24.11/0/0
	Manufacture of gas; distribution of gaseous fuels through mains	40.20/0/0
	Wholesale of petroleum and petroleum products	51.51/1/0
	Wholesale of other fuels and related products	51.51/2/0
	Oil and gas supply by pipeline	60.30/0/1
Gambling	Gambling and betting activities	92.71/0/0
Tobacco	Manufacture of tobacco products	16.00/0/0
	Agents involved in the sale of food, beverages and tobacco	51.17/0/0
	Wholesale of unmanufactured tobacco	51.25/0/0
	Wholesale of tobacco products	51.35/0/0
	Non-specialised wholesale of food, beverages and tobacco	51.39/0/0
	Retail sale in non-specialised stores with food, beverages or tobacco predominating	52.11/0/0
	Retail sale of tobacco products	52.26/0/0
	Other retail sale of food, beverages and tobacco in specialised stores	52.27/0/0
Weapons	Manufacture of explosives	24.61/0/0
	Manufacture of weapons and ammunition	29.60/0/0

Important Information

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Prospective investors should have regard to the information in the relevant documents relating to any particular Green, Social or Sustainability Bond regarding the use of proceeds of such Green, Social or Sustainability Bond and must determine for themselves the relevance of such information for the purpose of any investment in such Green, Social or Sustainability Bond together with any other investigation such investor deems necessary. In particular no assurance is given by NWG that the use of such proceeds for any Eligible Portfolio will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a ‘green’, ‘social’ or ‘sustainable’ or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as ‘green’, ‘social’ or ‘sustainable’ or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond will meet any or all investor expectations regarding such ‘green’, ‘social’ or ‘sustainable’ or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Portfolio.

NWG's failure to allocate the proceeds of any particular Green, Social or Sustainability Bond to finance an Eligible Portfolio or to provide annual progress reports as described in Section 7, the failure of any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond to meet this Framework, or the failure of external auditors to give a limited assurance report of the allocation of the bond proceeds (as described in Section 8.2), will not constitute a default with respect to any particular Green, Social or Sustainability Bond and may affect the value of any particular Green, Social or Sustainability Bond and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

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If any particular Green, Social or Sustainability Bond is at any time listed or admitted to trading on any dedicated 'green', 'social' or 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by NWG or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond). Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by NWG or any other person that any such listing or admission to trading will be obtained in respect of any particular Green, Social or Sustainability Bond or, if obtained, that any such listing or admission to trading will be maintained during the life of any particular Green, Social or Sustainability Bond.

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