



Second-Party Opinion

NatWest Group Green, Social and Sustainability Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the NatWest Group Green, Social and Sustainability Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy; Energy Efficiency; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Clean Transportation; Green Buildings; Living Natural Resources and Land Use Projects; Access to Essential Services: Healthcare; Access to Essential Services: Education and Vocational Training; Affordable Housing; Socio-economic Advancement and Empowerment: Women Empowerment; and Employment Generation: Sole Traders, Partnerships and SMEs – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15.



PROJECT EVALUATION AND SELECTION NatWest Group's Green, Social and Sustainability Financing Working Group (the "Working Group") will evaluate, select, monitor and approve Eligible Assets against the criteria. NatWest Group's environmental, social and ethical risk assessment process is applicable to all commercial lending decisions. Additionally, NatWest Group complies with applicable regulations to mitigate social risks related to retail lending. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS NatWest Group's Treasury will be responsible for the management and allocation of proceeds to eligible assets and will track the proceeds through an eligibility criteria register to determine an eligible portfolio. NatWest Group intends to allocate a specific pool of assets to each issuance and has communicated to Sustainalytics that it intends to reach full allocation within 12 months of issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash or short-term liquid instruments. This is in line with market practice.



REPORTING NatWest Group intends to prepare a combined allocation and impact report and make it available, on its website at least on an annual basis. Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category and social asset category, the number of eligible assets included in the eligible portfolio, the balance of unallocated proceeds and the amount and percentage of new loans added to the eligible portfolio post initial allocation. Sustainalytics views NatWest Group's allocation and impact reporting commitments as aligned with market practice.

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Issuer Location Edinburgh, United Kingdom

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Introduction

NatWest Group plc, together with its subsidiaries, ("NatWest" or the "Bank") is a banking and financial services group, headquartered in Edinburgh, United Kingdom. NatWest provides personal, business and commercial banking products and services, such as current and savings accounts, mortgages, loans, project finance loans, risk management and trading solutions. The Bank operates under several brands, including Coutts, Lombard NatWest, NatWest Markets and the Royal Bank of Scotland, serving 19 million customers through more than 800 branches.

NatWest has developed the NatWest Group Green, Social and Sustainability Financing Framework (the "Framework") under which NatWest Group and its subsidiaries intend to issue green, social and sustainability bonds (including senior unsecured bonds, subordinated bonds and covered bonds) and short-term notes such as commercial paper, and use the proceeds to finance and refinance, in whole or in part, existing and future loans (including mortgages, term loans and revolving credit facilities), investments or other financial assets¹ ("Eligible Assets") that are expected to deliver positive environmental and/or social impacts. The Framework defines eligibility criteria in seven green and five social categories:

Green Categories:

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Clean Transportation
6. Green Buildings
7. Living Natural Resources and Land Use Projects

Social Categories:

8. Access to Essential Services: Healthcare
9. Access to Essential Services: Education and Vocational Training
10. Affordable Housing
11. Socioeconomic Advancement and Empowerment: Women Empowerment
12. Employment Generation: Sole Traders, Partnerships and SMEs

NatWest engaged Sustainalytics to review the NatWest Group Green, Social and Sustainability Financing Framework, dated December 2022, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).² The Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021.

The credibility and anticipated positive impacts of the use of proceeds; and the alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

¹ Other financial assets may include hire purchase agreements, finance and operating leases, rental contract hire agreements. NatWest intends to allocate an amount equivalent to or more than the net proceeds to the eligible portfolio whilst the financing instrument is outstanding and therefore, intends to replace short-term operating leases with an eligible asset on expiry.

² The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/> and <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ The NatWest Group Green, Social and Sustainability Financing Framework will be available at: <https://investors.natwestgroup.com/fixed-income-investors/green-social-and-sustainability-bonds/gss-framework>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NatWest's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NatWest representatives have confirmed that: (1) they understand it is the sole responsibility of NatWest to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NatWest.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and note proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, NatWest is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NatWest has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NatWest Group Green, Social and Sustainability Financing Framework

Sustainalytics is of the opinion that the NatWest Group Green, Social and Sustainability Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP, and with the SBG. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The following eligible categories are aligned with those recognized by the GBP, SBP and SBG: Renewable Energy; Energy Efficiency; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Clean Transportation; Green Buildings; Living Natural Resources and Land Use Projects; Access to Essential Services: Healthcare; Access to Essential Services: Education and Vocational Training; Affordable Housing; Socio-economic Advancement and Empowerment: Women Empowerment; and Employment Generation: Sole Traders, Partnerships and SMEs.
 - NatWest has communicated to Sustainalytics it will limit refinancing under the Framework to capital expenditures.
 - Under the Renewable Energy category, NatWest may finance or refinance Eligible Assets for the development, maintenance, operation or manufacture of new and existing renewable electricity generation projects and associated products, facilities and infrastructure, including: i) onshore and offshore wind energy; ii) concentrated solar power (CSP) and solar photovoltaic power (PV); iii) hydropower; iv) wave and tidal energy; v) geothermal energy; vi) green hydrogen; vii) electricity transmission and distribution projects connecting renewables to the UK National Grid or the

interconnected European grid system; viii) battery and hydrogen storage systems connected to renewables; and (ix) renewable energy generation equipment.

- NatWest has communicated to Sustainalytics that the Bank will limit financing and refinancing under the Framework to CSP plants where at least 85% of the electricity generated will be derived from solar energy.
- Hydropower/hydroelectric projects are those which comply with at least one of the following criteria: i) the electricity generation is a run-of-river plant without an artificial reservoir; ii) a power density above 10 W/m²; or iii) have a life cycle carbon intensity below 50 gCO₂e/kWh. For all new hydropower projects financed or refinanced under the Framework, NatWest will require an environmental and social impact assessment to be conducted by a credible body and a screening questionnaire to be completed, in line with the Equator Principles. Financing of projects associated with highly controversial issues defined by the environmental, social and ethical assessment will be excluded.
- Geothermal energy facilities where the lifecycle GHG emissions from the generation of electricity are lower than 100 gCO₂e/kWh.
- Transmission and distribution infrastructure projects may include interconnectors and investments to improve capacity and energy efficiency.
- NatWest has communicated to Sustainalytics that funding will be restricted to facilities dedicated to the manufacture of components for renewables such as wind turbines and solar panels in line with the exclusionary criteria under the Framework which excludes investments related to fossil-fuels.
- Sustainalytics considers investments under this category to be in line with market practice.
- Under the Energy Efficiency category, NatWest may finance or refinance Eligible Assets to support customers in the development, manufacture, repair, maintenance or installation of energy efficiency technologies, products and systems, including: i) smart meters for electricity; ii) energy efficient lighting; iii) energy efficient HVAC systems; iv) distributed generation; v) peak demand management; vi) devices measuring, regulating or controlling energy performance of buildings; and vii) upgrades of existing broadband networks (e.g. copper) to fiber optic.
 - NatWest has communicated to Sustainalytics that the Bank will exclude the financing of (i) fossil fuel-powered technologies in line with the exclusionary criteria under the Framework, and ii) energy-efficient technologies designed or intended for carbon-intensive industries.
 - NatWest may also finance or refinance loans for professional services related to improving the energy performance of buildings, including: i) technical consultations (such as energy consultations, energy simulations and production of energy performance contracts) associated with the improvement of buildings' energy performance; and ii) energy audits and building energy performance assessments.
 - Sustainalytics considers expenditures under this category to be aligned with market practice and further encourages NatWest to report on estimated or achieved energy efficiency gains where feasible.
- Under the Sustainable Water and Wastewater Management category, NatWest may finance or refinance Eligible Assets to support the construction, extension, renewal, upgrade or operation of water and wastewater facilities, including drinking water infrastructure and wastewater treatment facilities. The Bank may also finance or refinance Eligible Assets for with an aim to improve water quality and increase water use efficiency.
 - Projects financed to improve water quality and water use efficiency may include: i) precision irrigation technologies (such as drip water irrigation); ii) water recycling systems; iii) rainwater collection systems; iv) water reservoirs; v) anaerobic digestion of sewage, sludge and bio-waste; vi) water treatment facilities; and vii) water meters.
 - NatWest has informed Sustainalytics that the Bank will exclude: i) the treatment of wastewater from fossil fuel operations in line with the exclusionary criteria under the Framework; and ii) the financing of new recreational projects and projects in water-stressed locations.
 - Sustainalytics considers investments under this category to be in line with market practice.

- Under the Pollution Prevention and Control category, NatWest intends to finance or refinance Eligible Assets for the development, construction, operation or maintenance of sustainable waste management projects and infrastructure including the collection and processing of non-hazardous waste for recycling.
 - NatWest has communicated to Sustainalytics that: i) waste collection vehicles directly financed or refinanced under the Framework will comply with the Clean Transportation eligibility criteria; ii) recycling of electronic waste financed or refinanced under the Framework will be supported by the implementation of a robust waste management plan; and iii) recycling activities financed or refinanced under the Framework will be limited to mechanical recycling. Sustainalytics considers the collection, processing and recycling of non-hazardous waste to be aligned with market practice.
- Under the Clean Transportation category, NatWest may finance or refinance Eligible Assets for the following types of vehicles and associated infrastructure projects:
 - Low-carbon passenger and freight transportation, including electric, hybrid, hydrogen and fuel cell vehicles, such as buses, trucks, trains and passenger ferries. Sustainalytics notes that NatWest has included a carbon intensity threshold of 50 gCO₂/passenger-kilometre (0 gCO₂/pkm from 2025) for passenger transportation and 25 gCO₂/tonne-kilometre for freight transportation.⁵ NatWest has communicated to Sustainalytics the exclusion of: i) freight rail that is primarily designed for or used for the transportation of fossil fuels (more than 50%); and ii) freight rail intended or designed specifically for the transportation of fossil fuels, in line with the exclusionary criteria under the Framework.
 - Low-carbon infrastructure projects, including the manufacture, installation, maintenance and repair of electric charging and hydrogen fueling stations for private and public transport.
 - Infrastructure projects for personal mobility, such as footpaths and cycle paths and for public transport, such as metro and railway stations and tracks in line with the aforementioned carbon intensity threshold for passenger transportation.
 - Electric i) material handling equipment; ii) access equipment; and iii) construction equipment including forklifts, scissor lifts and excavation machinery.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Green Buildings category, NatWest may finance or refinance Eligible Assets for the construction, acquisition or retrofitting of buildings which meet one of the following criteria:
 - Residential buildings in the UK that have received an energy performance certificate (EPC) with energy class A or B, or a Standard Assessment Procedure (SAP) score of 86+ (equivalent to EPC label B). For more information, please see Appendix 1: EPC Rating.
 - Commercial or public buildings that have achieved one of the following green building certification levels: BREEAM Excellent;⁶ BRE Home Quality Mark 4*;⁷ or LEED Gold.⁸ Sustainalytics views these certification schemes as robust and credible.
 - Retrofit or renovation of existing buildings that lead to an improvement in energy savings (measured in kWh/m² per year) of at least 30% compared to pre-renovation levels. NatWest may finance retrofit costs which may include: i) insulation of walls and roofs; ii) installation of LED lighting; iii) replacement of boilers and other heating or cooling systems with ground-source or air-source heat pumps; iv) installation of energy management systems; v) refurbishment of heating, ventilation and air-conditioning systems; vi) devices for measuring, regulating and controlling energy performance; and vii) on-site renewable energy technologies, such as solar panels or ground-mounted wind power.
 - Sustainalytics considers activities under this category to be in line with market practice.

⁵ Carbon intensity thresholds for road transportation are based on the Worldwide Harmonized Light Vehicle Test Procedure (WLTP).

⁶ BREEAM: <https://bregroup.com/products/breeam/>

⁷ BRE Home Quality Mark: <https://bregroup.com/products/home-quality-mark/>

⁸ LEED: <https://www.usgbc.org/leed>

- Under the Living Natural Resources and Land Use Projects category, NatWest may finance or refinance Eligible Assets supporting: i) certified sustainable forestry; ii) sustainable agriculture; iii) sustainable fisheries; and iv) preservation and restoration of natural landscapes in accordance with the following criteria:
 - Sustainalytics notes that sustainable forestry activities will be certified under the Forest Stewardship Council standard,⁹ the Programme for the Endorsement of Forest Certification¹⁰ or the Sustainable Forestry Initiative.¹¹ Sustainalytics views these certification schemes as robust and credible.
 - Sustainable agriculture projects certified under UK or EU organic farming regulation.^{12,13} The Bank may also finance the installation of solar panels in the certified farms in compliance with the Renewable Energy criteria of the Framework.
 - Sustainalytics notes that fisheries financed under the Framework will be certified under the Aquaculture Stewardship Council¹⁴ or the Global G.A.P. Aquaculture Standard.¹⁵ Sustainalytics views these certification schemes as robust and credible.
 - Projects supporting the preservation and restoration of natural landscapes include protected areas such as national parks, afforestation and reforestation projects and the conservation of terrestrial and aquatic biodiversity in coastal, marine and water environments. This may include financing environmental charities, national trust or natural park operators that intend to use the areas for permanent protection. NatWest has communicated to Sustainalytics that the primary objective of the above expenditures is for the protection and preservation of natural landscapes. Regarding afforestation and reforestation projects under the Framework, NatWest will obtain information to ensure the following, where feasible: i) tree species used for reforestation and afforestation activities will be native or well adapted to local conditions, and ii) the presence of a sustainable forest management plan, preferably certified to FSC or PEFC. However, Sustainalytics notes that the Bank may not always receive relevant information to confirm the aforementioned criteria and therefore encourages NatWest to prioritize projects which meet this criteria and to report on the positive environmental impact achieved as part of its annual reporting commitments.
 - NatWest has communicated to Sustainalytics that projects related to the restoration of marine areas for aquaculture financed or refinanced under the Framework will be certified under the Aquaculture Stewardship Council or Global G.A.P. Aquaculture Standard. Sustainalytics views these certification schemes as robust and credible.
 - Sustainalytics considers activities under this category to be in line with market practice.
- Under the Access to Essential Services: Healthcare category, NatWest may finance or refinance Eligible Assets that support: i) the development, expansion or acquisition of buildings, facilities and equipment related to hospitals, laboratories, clinics, healthcare and hospices; ii) children's pediatric care and maternal and reproductive healthcare products and services for women; and iii) the funding of health-related R&D programmes.
 - NatWest will limit financing and refinancing of loans under the Framework in the UK to projects that are: i) affiliated with the NHS, ii) part of the NHS trust, or iii) supported by government spending, subsidies or social security to ensure accessibility and affordability to all.
 - NatWest will limit financing and refinancing of loans under the Framework in Europe to projects supported by government spending, subsidies, social security or universal healthcare schemes to ensure accessibility and affordability to all.
 - NatWest will limit financing and refinancing of loans under the Framework for health-related R&D projects to products and services offered by the NHS. However, in the absence of specifications of the projects intended to be funded, Sustainalytics has not

⁹ FSC: <https://fsc.org/en/fsc-public-certificate-search>

¹⁰ PEFC: <https://pefc.org/what-we-do>

¹¹ SFI: <https://www.scsglobalservices.com/services/sfi-forestry-certification-services>

¹² European Commission, "Legislation for the organics sector", at: https://agriculture.ec.europa.eu/farming/organic-farming/legislation_en

¹³ UK Organic Farmers & Growers, "Organic Certification", at: <https://ofgorganic.org/certification/organic-certification>

¹⁴ ASC: <https://www.asc-aqua.org/what-we-do/>

¹⁵ Global G.A.P.: https://www.globalgap.org/uk_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/

been able to assess the potential positive social impact of such projects and, therefore, considers the expenditure to be a deviation from what Sustainalytics considers to be good practice for health-related R&D expenditures.

- Under the Access to Essential Services: Education and Vocational Training category, NatWest may finance or refinance Eligible Assets for the development, expansion or acquisition of buildings, facilities and equipment related to providing child, youth and adult education, and vocational training services. The Bank may also finance or refinance loans that support projects and schemes to train teachers and educators.
 - Sustainalytics notes that NatWest will limit financing and refinancing under the Framework to public facilities and services that are accessible to all regardless of their ability to pay. Sustainalytics considers that investments under this category are expected to enhance access to education for low-income populations, and therefore, views these investments as socially impactful.
- Under the Affordable Housing category, NatWest may finance or refinance Eligible Assets to UK-accredited or registered housing associations involved in the construction, management or refurbishment of properties for: i) social rent; ii) affordable rent; iii) shared ownership; or iv) supported housing. The Bank may also finance or refinance mortgages to individuals and families purchasing homes under the UK government-backed Shared Ownership and Right to Buy schemes.
 - NatWest defines social rent properties as homes provided by local authorities and housing associations, whose rent levels are approximately 50-60% of market rents of the local area and whose rent increases are limited by the UK government. The Bank defines affordable rent properties as homes provided by local authorities and housing associations with controls that ensure rents charged are not higher than 80% of local market rent.¹⁶ Sustainalytics considers that these housing programmes are expected to enhance access to affordable rental housing for low-income populations.
 - To support home ownership in the UK, NatWest intends to target individuals, families and housing projects under the UK government's Shared Ownership scheme. Under this scheme, households with an annual income of up to GBP 80,000 (EUR 92,000) or GBP 90,000 (EUR 103,000) in London or first-time buyers are eligible to purchase ownership shares of homes, with the remaining shares owned by a landlord. The scheme is only available to individuals or households that cannot afford all of the deposit and mortgage payments for a home that meets their needs.¹⁷ Sustainalytics notes that, in addition to the aforementioned requirements, NatWest has set an eligibility threshold for gross median household income of GBP 44,663 (EUR 50,686) to enhance access to affordable home ownership for low-income population groups in the UK.¹⁸
 - To support accommodation for vulnerable population groups in the UK that require supervision or care to live independently, NatWest intends to target housing associations involved in the provision of supported housing. The UK government has developed a National Statement of Expectations for the supported housing sector, and announced in 2018 that costs for supported housing would be funded by the Housing Benefit.¹⁹ Sustainalytics notes that the supported housing sector is diverse, with considerable variation among housing providers, schemes and associated support services, such as those offered by local council housing, housing associations, voluntary organizations and charities. Sustainalytics notes that the Framework

¹⁶ Barton, C. et al. (2022), "What is affordable housing?", UK Parliament, at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7747/>

¹⁷ Government of the UK, "Shared Ownership", at: <https://www.gov.uk/shared-ownership-scheme#:~:text=Help%20and%20advice-How%20shared%20ownership%20works,a%20landlord%20on%20the%20rest>

¹⁸ Government of the UK, Office for National Statistics, "The effects of taxes and benefits on household income, disposable income estimate", (2021), at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/householddisposableincomeandinequality>

¹⁹ Government of the UK, "Funding for Supported Housing", (2018), at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732692/Supported_Housing_Funding_Consultation_Response.pdf

- restricts financing for supported housing projects to housing providers that are governed by the UK government.²⁰
- To further support home ownership in the UK, NatWest intends to target individuals and families covered under the UK government's Right to Buy scheme, which enables tenants of council homes²¹ to buy their homes at a discount. In 2021, eligible tenants received a maximum discount of GBP 87,200 (EUR 100,000), except in London boroughs, where the maximum discount was GBP 116,200 (EUR 133,000).^{22,23}
 - Sustainalytics is of the opinion that investments under this category are expected to enhance access to affordable housing in the UK and, therefore, views these investments as socially impactful.
 - Sustainalytics notes that NatWest's role in affordable housing projects is limited to that of a financing provider. Additionally, the Bank is reliant on the UK government's criteria for such projects and, therefore, does not have control on setting the detailed criteria for low-income groups and affordability mechanisms. In this regard, Sustainalytics encourages NatWest, where feasible, to provide disclosure on the affordable housing programmes financed and relevant beneficiaries, and to report on the social impact achieved as part of its annual reporting commitments.
- Under the Socio-economic Advancement and Empowerment: Women Empowerment category, NatWest may finance or refinance Eligible Assets to women-led businesses including: i) women sole traders; ii) unincorporated partnerships where the majority of the partners are women; iii) limited liability partnerships or incorporated SMEs²⁴, where at least 51% of the ownership or economic distributions are to women.²⁵
 - The Bank may also finance loans to charities and not-for-profit organisations which support projects, schemes and initiatives that provide women with access to technology, information, financial services or family care support to establishing businesses.
 - Sustainalytics is of the opinion that investments under this category are expected to enhance access to financing for the target population and, therefore, views these investments as socially impactful.
 - Under the Employment Generation: Sole Traders, Partnerships and SMEs category, NatWest may finance or refinance Eligible Assets to SMEs²⁶ or sole traders in economically underperforming regions with high unemployment rates or low-income levels in the UK.
 - The Bank defines economically underperforming regions as areas ranking in the bottom 30th percentile of local administrative units based on gross value added per head and the unemployment claimant percentage.²⁷
 - Sustainalytics is of the opinion that investments under this category are expected to improve access to financing for sole traders, partnerships and SMEs in the UK and, therefore, views these investments as socially impactful.
 - Sustainalytics notes that the Framework excludes investments in the following activities in all categories: alcohol, environmental damage, fossil fuels, gambling, tobacco and weapons. In addition, the Bank will not finance businesses or projects engaged in illegal business practices or known to have been involved in a confirmed ESG controversy.
 - Project Evaluation and Selection:

²⁰ Government of the UK, "Supported housing: national statement of expectations", (2020), at: <https://www.gov.uk/government/publications/supported-housing-national-statement-of-expectations/supported-housing-national-statement-of-expectations#:~:text=In%20supported%20housing%2C%20accommodation%20is,people%20with%20a%20learning%20disability>

²¹ Council housing in the UK refers to public housing rented to individuals and households who are unable to afford market-rate rents or cannot buy their own home. Registered Social Landlords, including semi-independent and not-for-profit housing associations, and council housing are collectively referred to as social housing in the UK.

²² Government of the UK, "Right to Buy: buying your council home", at: <https://www.gov.uk/right-to-buy-buying-your-council-home>

²³ Tenants receive a 35% discount on houses and a 50% discount on flats if they have been public sector tenants for between three and five years.

²⁴ NatWest adheres to the UK government definition of SMEs in the UK Companies Act 2006, at:

<https://www.legislation.gov.uk/ukpga/2006/46/part/15/chapter/12/crossheading/companies-qualifying-as-mediumsized>

²⁵ NatWest defines control on the basis of women having the following rights: i) right to appoint and remove directors, members, person as trustee; ii) significant influence or control; or iii) voting rights in excess of 50% of total voting rights as disclosed in the Government of the UK's Companies House.

²⁶ Ibid.

²⁷ Definitions of gross value added per head and the unemployment claimant percentage are as per the Government of the UK's Office for National Statistics.

- NatWest’s Green, Social and Sustainability Financing Working Group (the “Working Group”) is responsible for evaluating, selecting and monitoring eligible assets against the eligibility criteria in the Framework. The Working Group consists of representatives from the Bank’s Treasury Debt Capital Markets, Treasury Risk and Social Finance and Climate and Purpose Finance departments.
- NatWest adheres to its environmental, social and ethical (ESE) risk assessment framework to assess and manage environmental and social risks. The ESE risk assessment framework outlines the Bank’s risk acceptance criteria and due diligence processes for several sectors. A specialist risk assessment team is tasked with implementation and oversight. This process is applicable to all commercial lending decisions made under the Framework. Additionally, the Bank complies with applicable regulations to mitigate social risks such as predatory lending that are associated with retail loans. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
- Based on the establishment of the Working Group and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market expectations.
- Management of Proceeds:
 - NatWest Group’s Treasury will be responsible for the management and allocation of proceeds, and will track the proceeds using an eligibility criteria register.
 - The Bank has communicated to Sustainalytics that it intends to reach full allocation within 12 months of each issuance. Pending full allocation or in case of asset maturity leading to the outstanding bond proceeds exceeding the allocated amount to the eligible asset portfolio, proceeds will be temporarily held or invested in cash or short-term liquid instruments.
 - Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - NatWest intends to report on the allocation of proceeds and corresponding impact, which will be published on its website on an annual basis.
 - Allocation reporting is intended to include the total amount of proceeds allocated to each category, the number of eligible assets included in the eligible portfolio, the balance of unallocated proceeds and the amount and percentage of new loans added to the Eligible Portfolio.
 - Impact reporting is intended to include metrics such as renewable energy generation (measure in MWh); estimated avoided GHG emissions (measured in tCO₂eq); the number of electric, hybrid or hydrogen fuel cell vehicles financed; and the estimated number of housing units developed or acquired. For a full list of impact metrics, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.
 - Based on intention to report on both allocation and impact, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021

Sustainalytics has determined that the NatWest Group Green, Social and Sustainability Financing Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 2: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of NatWest Group

Contribution to NatWest Group’s sustainability strategy²⁸

Sustainalytics is of the opinion that the Framework is aligned with NatWest’s aim to promote sustainability through a focus on i) financing projects that address climate change; ii) promoting entrepreneurship and

²⁸ Sustainalytics notes that the Bank has developed a strategy which has three focus areas: climate, enterprise and learning and that Bank has not developed a formal Sustainability Strategy. The information included in this section has been prepared in accordance with the Bank’s publicly available disclosure at the time of the SPO.

business growth; and iii) building individual financial capability and resilience.²⁹ NatWest's 2021 ESG Supplement was prepared in accordance with the Global Reporting Initiative (GRI) Standards and provides additional disclosure in line with the Sustainability Accounting Standards Board Framework.^{30,31}

NatWest is a signatory to the Collective Commitment to Climate Action and has joined the Net-Zero Banking Alliance, initiatives supported by the UNEP FI and linked to the Principles for Responsible Banking (PRB). The Bank aims to achieving net zero GHG emissions by 2050 including i) financed emissions: GHG emissions from loans and investments attributable to NatWest); (ii) assets under management: GHG emissions associated with the Bank's discretionarily managed assets); and (iii) operational value chain (GHG emissions from the upstream and downstream activities associated with the Bank's operations.^{32,33} This includes the Bank's plan for a 50% reduction of its direct own operations carbon footprint by 2025 against a 2019 baseline and financed activities by 2030 versus a 2019 baseline.³⁴ In 2021, the Bank reduced GHG emissions from its operations by 46% relative to 2019 and increased its renewable energy consumption to 97%.³⁵

As part of its ambition to climate and sustainable financing, NatWest set a goal in 2020 to provide GBP 20 billion (EUR 23 billion) in Climate and Sustainable Funding and Financing between 2020 and 2022. Surpassing this goal in October 2021, the Bank revised its target to provide an additional GBP 100 billion (EUR 116 billion) in Climate and Sustainable Funding and Financing activities between July 1, 2021 and the end of 2025³⁶, with the aim to build on financing renewable energy, mortgages and electric vehicles to support the UK government's transition towards a net zero economy.³⁷ The Bank's focus on sustainable financing is also reflected in its issuance, amongst others, of a EUR 1 billion affordable housing social bond, a GBP 600 million (EUR 696 million) green mortgage bond in 2021, and a GBP 494 million (EUR 573 million) renewable energy green bond in 2020.^{38,39}

NatWest is also committed to promoting entrepreneurship and has set a target to support 35,000 individuals and businesses through enterprise programmes in 2021. The Bank facilitates small-business growth and employment generation through initiatives such as its Entrepreneur Accelerator Programme and Help to Grow Management scheme, which offer business expertise through coaching, workshops, networking events and university courses. As part of its focus on removing barriers to business growth, NatWest supported 55,000 individuals and small businesses through enterprise programmes in 2021, with 60% of them identifying as women and 26% coming from a minority group. The same year, the Bank made available GBP 1 billion (EUR 1.2 billion) in funding to help women-led enterprises recover from the COVID-19 pandemic.⁴⁰

Sustainalytics is of the opinion that the NatWest Group Green, Social and Sustainability Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further NatWest's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework are intended to be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving loss of biodiversity from land use for large-scale infrastructure development;

²⁹ NatWest, "c 2021 Environmental, Social and Governance Supplement", at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/2021-esg-supplement.pdf>

³⁰ SASB Standards: <https://www.sasb.org/standards/download/>

³¹ Global Reporting Initiatives Standards: <https://www.globalreporting.org/standards>

³² NatWest, "NatWest Group becomes Net-Zero Banking Alliance founding member", (2021), at: https://www.natwestgroup.com/content/natwestgroup.com/en_uk/natwestgroup/news/2021/04/natwest-group-becomes-net-zero-banking-alliance-founding-member.html

³³ Emissions from the Bank's operations include direct scope 1, 2 and 3 (paper, water, waste, business travel, commuting and work-from-home) emissions, and excludes indirect upstream and downstream emissions from its value chain. Financed emissions are defined by NatWest as scope 1 and 2 emissions attributable to the Bank's loans and investments. For oil and gas extraction, land transport and automotive manufacturing sectors, the Bank includes scope 3 emissions as well.

³⁴ NatWest, "2021 Climate-related Disclosures Report", at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/2021-climate-related-disclosure-report.pdf>

³⁵ Ibid.

³⁶ In accordance with the Bank's revised criteria.

³⁷ NatWest, "2021 Environmental, Social and Governance Supplement", at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/2021-esg-supplement.pdf>

³⁸ NatWest, "NatWest Group issues €1bn inaugural affordable housing social bond", (2021) at: <https://www.natwestgroup.com/news/2021/02/natwest-group-issue-1bn-inaugural-affordable-housing-social-bond.html>

³⁹ NatWest, "2021 Climate-related Disclosures Report", at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/2021-climate-related-disclosure-report.pdf>

⁴⁰ NatWest, "2021 Environmental, Social and Governance Supplement", at: <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/18022022/2021-esg-supplement.pdf>

emissions, effluents and waste generated in construction projects financed by the Bank; and occupational health and safety. Sustainalytics acknowledges NatWest's limited involvement in the development of specific projects financed under the Framework, but notes that the Bank could be exposed to environmental and social risks associated with the loans that it may provide.

Sustainalytics is of the opinion that NatWest is able to manage or mitigate potential risks through the implementation of the following:

- NatWest's Environment, Social and Ethical (ESE) Risk Management Framework includes policies and procedures to evaluate and address ESE impacts of its lending and financing activities. This includes the Bank's risk acceptance criteria, which specify an enhanced due diligence process intended to promote better risk mitigation and management. As part of its ESE-sector-based lending and financing practices and risk policies, the Bank requires all customers to adhere to applicable local and international environmental, social and human rights standards. NatWest has also incorporated the UN Global Compact principles and is a member of the Equator Principles, indicating its commitment to environmental and social responsibility and to upholding principles on human rights, labour standards and anti-corruption.⁴¹
- In 2021, NatWest undertook an initial portfolio analysis in collaboration with the United Nations Environment Programme Finance Initiative using the PRB portfolio impact assessment tool to assess the potential impact in its lending portfolio.⁴² Additionally, the Bank requires borrowers to comply with the Environmental Impact Assessment regulations that have been implemented at the UK and EU levels in response to the amended EU Directive 2001/42/EC.⁴³ These regulations are aimed at preventing environmental degradation by ensuring that projects with potential environmental impacts are approved by a local planning authority.⁴⁴
- Regarding emissions, effluents and waste generated in construction, most projects financed by the Bank have been in the UK with a few projects in the US and the EU. In the EU, projects are subject to regulatory standards based on the EU directive for industrial emissions, whereas in the UK, the government has implemented the EU directive through a similar national level regulation.⁴⁵ These directives, which have been incorporated into local legislation by the UK government, promote the use of standards and techniques that reduce pollutants and increase energy and resource efficiency.⁴⁶ Sustainalytics also notes that the UK and the US are recognized under the Equator Principles as Designated Countries, which indicates the presence of robust environmental and social governance legislation systems and institutional capacity to ensure mitigation of common environmental and social risks.⁴⁷
- To address occupational health and safety risks, NatWest requires its suppliers to adhere to its Supplier Charter, which outlines requirements for NatWest's suppliers in key areas related to the environment, health and safety, business ethics and adherence to all related national and international legislation.⁴⁸ Additionally, the Bank's Code of Conduct outlines principles and requires employees to adhere to the code in the aforementioned areas as well as privacy and client confidentiality, bribery and corruption, and prevention of harassment.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NatWest has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 12 use of proceeds categories are aligned with those recognized by the GBP and SBP. Sustainalytics has focused below on four categories where the impact is specifically relevant in the local context.

⁴¹ Ibid.

⁴² Ibid.

⁴³ European Commission, "Directive 2001/42/EC", (2001), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32001L0042>

⁴⁴ Government of the UK, "Environmental Impact Assessment", (2020), at: <https://www.gov.uk/guidance/environmental-impact-assessment>

⁴⁵ European Commission, "Industrial Emissions Directive", at: <https://ec.europa.eu/environment/industry/stationary/ied/legislation.htm>

⁴⁶ Government of the UK, "Industrial emissions standards and best available techniques", (2020), at: <https://www.gov.uk/guidance/industrial-emissions-standards-and-best-available-techniques>

⁴⁷ Equator Principles, "Designated & Non-Designated Countries", at: <https://equator-principles.com/designated-countries/>

⁴⁸ NatWest, "Supplier Charter", (2020), at: <https://www.natwestgroup.com/sustainability/governance-and-responsible-business/supply-chain.html>

Contribution of green buildings to climate change mitigation in the UK

In the UK, the building sector is a key contributor to GHG emissions and plays a crucial role in the country's climate and energy plans. In 2018, the UK built environment (including buildings and infrastructure) was responsible for 25% of the country's total GHG emissions.⁴⁹ The UK housing stock is the oldest in Europe, with 40% of houses in England and Wales built before 1919 and approximately 68% having uninsulated cavity walls, thus energy inefficient.^{50,51} Furthermore, a large share of the energy consumed is generated from fossil fuels, with gas boilers being the primary heating source for 85% of homes in the UK.⁵²

The UK's Integrated National Energy and Climate Plan includes a target to achieve countrywide net zero GHG emissions by 2050.⁵³ The UK has also set intermediate emission reduction goals of 68% by 2030 and 78% by 2035 relative to 1990 levels.⁵⁴ To meet these targets, GHG emissions from existing residential buildings will need to be reduced by an estimated 50% by 2035 (57% from non-residential buildings), and all new homes will need to be net zero ready by 2025.^{55,56} In addition, existing buildings will also require deep energy retrofits and the development of new buildings will have to meet increasingly stringent standards, including strategies to reduce construction impacts and improve operational energy use and energy efficiency.⁵⁷ In this sense, the UK's Green Homes Grant in 2020 provided GBP 2 billion (EUR 2.34 billion) to homeowners to improve energy performance of their homes and GBP 1 billion (EUR 1.17 billion) to improve the energy efficiency of publicly owned buildings.⁵⁸

Based on the above, Sustainalytics expects NatWest's financing of green buildings in the UK to be impactful in reducing GHG emissions and energy consumption from the British building sector, and to support the UK in achieving its climate targets.

Importance of increasing the share of renewable energy in the UK, EU and US

The UK's energy supply sector accounted for 23.6% of the country's total CO₂ emissions in 2021.⁵⁹ Fossil fuels are the largest source of electricity generation in the country, accounting for 35% in 2021.⁶⁰ The UK's electricity demand is expected to increase by 50% by 2035 relative to a 2019 baseline due to increasing demand from the transport, building and industrial sectors.⁶¹ Additionally, in 2021, the UK government pledged to fully decarbonize its power system by 2035.⁶² Energy generated from renewable sources is expected to play a key role in achieving the country's decarbonization targets and clean-power goals, with wind and solar projected to be "key building blocks of the future generation mix"; the UK government having a target to increase onshore

⁴⁹ UK Green Building Council, "Net Zero Whole Life Carbon Roadmap", (2021), at: <https://www.ukgbc.org/wp-content/uploads/2021/11/UKGBC-Whole-Life-Carbon-Roadmap-Technical-Report.pdf>

⁵⁰ UK Green Building Council, "Climate Change", (2022), at: <https://www.ukgbc.org/climate-change-2/>

⁵¹ Piddington, J. et al. (2020), "The Housing Stock of The United Kingdom", BRE Trust, at: https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf

⁵² Committee on Climate Change, "Heat in UK buildings today", (2019), at: <https://www.theccc.org.uk/wp-content/uploads/2017/01/Annex-2-Heat-in-UK-Buildings-Today-Committee-on-Climate-Change-October-2016.pdf>

⁵³ UK Department for Business, Energy & Industrial Strategy, "The UK's Integrated National Energy and Climate Plan", (2020), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991649/uk-integrated-national-energy-climate-plan-necp-31-january-2020.pdf

⁵⁴ Government of the UK, "UK enshrines new target in law to slash emissions by 78% by 2035", (2021), at: <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

⁵⁵ UK Green Building Council, "Net Zero Whole Life Carbon Roadmap", (2021), at: <https://www.ukgbc.org/wp-content/uploads/2021/11/UKGBC-Whole-Life-Carbon-Roadmap-A-Pathway-to-Net-Zero.pdf>

⁵⁶ Government of the UK, "New homes to produce nearly a third less carbon", (2021), at: <https://www.gov.uk/government/news/new-homes-to-produce-nearly-a-third-less-carbon>

⁵⁷ UK Green Building Council, "Net Zero Carbon Buildings: A Framework Definition", (2019), at: <https://ukgbc.s3.eu-west-2.amazonaws.com/wp-content/uploads/2019/04/08140941/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>

⁵⁸ Government of the UK, "Greener homes, jobs and cheaper bills on the way as government launches biggest upgrade of nation's building in a generation", (2020), at: <https://www.gov.uk/government/news/greener-homes-jobs-and-cheaper-bills-on-the-way-as-government-launches-biggest-upgrade-of-nations-buildings-in-a-generation>

⁵⁹ UK Department for Business, Energy & Industrial Strategy, "2021 UK greenhouse gas emissions, provisional figures", (2022), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1064923/2021-provisional-emissions-statistics-report.pdf

⁶⁰ National Grid, "How much of the UK's energy is renewable?", (2022), at: <https://www.nationalgrid.com/stories/energy-explained/how-much-uk-s-energy-renewable#:~:text=Zero%2Dcarbon%20power%20in%20Britain's,with%20over%2075%25%20in%202010.>

⁶¹ Climate Change Committee, "The Sixth Carbon Budget: The UK's path to Net Zero", (2020), at: <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>

⁶² Government of the UK, "Net Zero Strategy: Build Back Greener", (2021), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf

wind and solar capacity by an additional 12 GW and offshore wind capacity to 40 GW by 2030.⁶³ Additionally, the UK targets the deployment of 22 GW of wave and tidal energy generation capacity by 2050.⁶⁴

The EU energy system accounts for 75% of the bloc's total GHG emissions.⁶⁵ As part of the European Green Deal, the EU has set a goal to become climate neutral by 2050. The EU has also set intermediate targets to reduce its GHG emissions by 40% by 2030 relative to 1990 levels and to increase the share of energy usage from renewable sources to at least 32% by 2030.⁶⁶ To achieve these targets, total electricity production from renewable sources should range between 60% and 65% of all EU electricity production.⁶⁷ In 2020, this share was estimated to be 22%.⁶⁸ A substantial expansion of renewable energy production is required for the EU to achieve its short- and long-term targets.⁶⁹ As part of the REPowerEU plan, the EU aims to install new solar PV systems with a capacity of more than 320 GW by 2025 and almost 600 GW by 2030.⁷⁰ The EU has also set targets for an installed capacity of at least 60 GW of offshore wind and 1 GW of ocean energy by 2030, and 300 GW and 40 GW, respectively, by 2050.⁷¹

In the US, the electricity generation sector is the second largest source of GHG emissions, accounting for 25% of the country's GHG emissions in 2020, with 60% of the US electricity generation coming from fossil fuels.^{72,73} Although renewable energy generation in the US has experienced significant growth since 2008, it accounted for only 20.1% of the country's total electricity generated in 2021.⁷⁴ According to the US National Renewable Energy Laboratory, currently available technologies, including wind and solar energy, have the potential to increase renewable energy capacity to account for 80% of US electricity generation by 2050.⁷⁵ In 2021, the US government set a goal to reach carbon-free electricity by 2035.⁷⁶ The adoption of the Inflation Reduction Act in 2022 is expected to boost the range of clean-energy technologies through the provision of USD 370 billion for energy security and investments to mitigate the effects of climate change.⁷⁷

Based on the above, Sustainalytics is of the opinion that NatWest's financing of renewable energy projects in the UK, EU and US are expected to contribute to lowering the share of fossil fuel sources in electricity generation and reduce energy-related GHG emissions in the UK, EU and US.

Importance of financing affordable housing in the UK

The UK is experiencing a significant housing shortage, evidenced by the estimated 8 million people in England alone with some form of housing need in 2019.⁷⁸ Although the UK had the highest share of social rental housing in the OECD in 2020, more than 1 million households were on social housing waiting lists;^{79,80} the price-to-earnings ratio having deteriorated from 2.9 to 6.7 in the UK between 1995 and 2021.⁸¹ Compounding

⁶³ UK Department for Business, Energy & Industrial Strategy, "Energy White Paper: Powering our Net Zero Future", (2020), at:

<https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>

⁶⁴ Jin, S. et al. (2021), "Wave energy in the UK: Status review and future perspectives", Renewable and Sustainable Energy Reviews, at:

<https://www.sciencedirect.com/science/article/abs/pii/S1364032121002240?via%3Dihub>

⁶⁵ European Commission, "Powering a climate-neutral economy: Commission sets out plans for the energy system of the future and clean hydrogen", (2020), at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1259

⁶⁶ European Commission, "2030 climate & energy framework", at: https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2030-climate-energy-framework_en

⁶⁷ French Institute of International Relations, "More renewables in the European Union? Yes, we can", (2018), at:

<https://www.ifri.org/en/publications/editoriaux-de-lifri/edito-energie/more-renewables-european-union-yes-we-can>

⁶⁸ Eurostat, "Renewable Energy Statistics", at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Renewable_energy_statistics

⁶⁹ Ibid.

⁷⁰ European Commission, "REPowerEU: affordable, secure and sustainable energy for Europe", at: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en

⁷¹ European Commission, "Offshore renewable energy", at: https://energy.ec.europa.eu/topics/renewable-energy/offshore-renewable-energy_en

⁷² US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

⁷³ US Energy Information Administration, "Electricity Explained", at:

<https://www.eia.gov/energyexplained/electricity/#:~:text=Electricity%20is%20both%20a%20basic,wind%20energy%2C%20into%20electrical%20power>

⁷⁴ Ibid.

⁷⁵ US National Renewable Energy Laboratory, "Renewable Electricity Futures Study", (2012), at: <https://www.nrel.gov/docs/fy13osti/52409-ES.pdf>

⁷⁶ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁷⁷ IEA, "World Energy Outlook", (2022), at: <https://iea.blob.core.windows.net/assets/c282400e-00b0-4edf-9a8e-6f2ca6536ec8/WorldEnergyOutlook2022.pdf>

⁷⁸ National Housing Federation, "People in housing need 2020", at: <https://www.housing.org.uk/resources/people-in-housing-need/>

⁷⁹ OECD, "OECD Affordable Housing Database", at: <http://www.oecd.org/housing/data/affordable-housing-database/>

⁸⁰ Heath, L. (2020), "Just one social home delivered for every 175 households on waiting lists", Inside Housing, at:

<https://www.insidehousing.co.uk/news/just-one-social-home-delivered-for-every-175-households-on-waiting-lists-69035>

⁸¹ Hilber, C. et al. (2022), "Why is it so difficult to tackle the lack of affordable housing?" The London School of Economics and Political Science, at: <https://blogs.lse.ac.uk/politicsandpolicy/why-is-it-so-difficult-to-tackle-the-lack-of-affordable-housing/>

the problem, the COVID-19 pandemic exacerbated the housing shortage in the UK: construction of new affordable housing units will be approximately 100,000 fewer than the number of targeted units for 2023.⁸²

With more than 10% of households on council waiting lists for more than five years, the UK government has set a goal of building 300,000 houses annually between 2021 and 2026, dedicating part of this goal to affordable housing.^{83,84} Specifically, the government aims to provide GBP 11.5 billion (EUR 13.2 billion) in capital funding through the Affordable Homes Programme to construct 180,000 additional homes by 2026 to increase access to affordable rental housing and home ownership.^{85,86}

Based on the above, Sustainalytics is of the opinion that NatWest's financing of affordable housing is expected to increase access to housing for the targeted populations and communities in the UK.

Importance of financing SMEs in the UK

SMEs make up 99% of all businesses in the UK, employ approximately 61% of the workforce and contribute GBP 2.2 trillion (EUR 2.5 trillion) in revenue to the British economy.⁸⁷ In spite of that, multiple limitations in the UK finance system for SMEs created an estimated gap in financing for SMEs of GBP 22 billion (EUR 25.2 billion), according to the 2021 report of the All-Party Parliamentary Group on Fair Business Banking, which also appointed SME banking barriers for women-led businesses and regional discrepancies in finance which contribute to the UK having one of the most spatially imbalanced economies in Europe.^{88,89}

In response to the COVID-19 pandemic, the UK government implemented loan schemes to support businesses continuity for SMEs,^{90,91,92} contributing to gross bank lending flows increasing by more than 80% in 2020 to reach an unprecedented level of GBP 103.8 billion (EUR 118 billion) in 2021.⁹³ However, despite the record growth in SME lending in reaction to the pandemic, and as financing returned to pre-pandemic levels in 2021, SMEs located in regions outside of London and SMEs led by women remain particularly disadvantaged in accessing finance.^{94,95}

Considering the above, Sustainalytics is of the opinion that NatWest's financing to women-led businesses and SMEs in economically underperforming regions is expected to help generate employment opportunities and contribute to closing the SME financing gap in the UK.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the NatWest Group Green, Social and Sustainability Financing Framework are expected to help advance the following SDGs and targets:

⁸² Leckie, C et al. (2021), "Building post-pandemic prosperity", Pragmatix Advisory, at: <https://www.local.gov.uk/sites/default/files/documents/2021-09-14%20Arch%2C%20LGA%2C%20NFA%20final%20report.pdf>

⁸³ Leckie, C et al. (2021), "Building post-pandemic prosperity", Pragmatix Advisory, at: <https://www.local.gov.uk/sites/default/files/documents/2021-09-14%20Arch%2C%20LGA%2C%20NFA%20final%20report.pdf>

⁸⁴ UK Ministry of Housing, Communities & Local Government, "Planning for the Future", (2020), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907647/MHCLG-Planning-Consultation.pdf

⁸⁵ National Housing Federation, "Affordable Homes Programme 2021-26", at: <https://www.housing.org.uk/our-work/building-new-homes/AHP-2021-26/#:~:text=The%20AHP%20plans%20to%20deliver,homes%20to%20provide%20supported%20housing>

⁸⁶ UK Ministry of Housing, Communities & Local Government, "Jenrick unveils huge £12 billion boost for affordable homes", (2020), at: <https://www.gov.uk/government/news/jenrick-unveils-huge-12-billion-boost-for-affordable-homes>

⁸⁷ OECD, "United Kingdom", (2020), at: <https://www.oecd-ilibrary.org/sites/cbcbf56e7-en/index.html?itemId=/content/component/cbcbf56e7-en>

⁸⁸ WPI Economics, "Scale up to level up – Reforming SME Finance - A WPI Economics Report for the All-Party Parliamentary Group (APPG) on Fair Business Banking", (2021), at: https://www.appgbanking.org.uk/wp-content/uploads/2021/10/Scale-up-to-Level-Up-Final-Report-for-the-APPG-on-Fair-Business-Banking_amended-2.pdf

⁸⁹ Industrial Strategy Council, "UK Regional Productivity Differences", (2020), at: https://industrialstrategy.org.uk/sites/default/files/attachments/UK%20Regional%20Productivity%20Differences%20-%20An%20Evidence%20Review_0.pdf

⁹⁰ British Business Bank, "Bounce Back Loan Scheme (BBLs)", at: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/>

⁹¹ Government of the UK, "Recovery Loan Scheme", (2022), at: <https://www.gov.uk/guidance/recovery-loan-scheme>

⁹² Government of the UK, "Finance and support for your business", at: <https://www.gov.uk/business-finance-support>

⁹³ OECD, "United Kingdom", (2022), at: <https://www.oecd-ilibrary.org/sites/965359a2-en/index.html?itemId=/content/component/965359a2-en#section-d1e231302>

⁹⁴ Trade Finance Global, "SME lending returned to pre-pandemic levels in 2021, but regions still playing catch-up to London, says latest British Business Bank report", (2022), at: <https://www.tradefinanceglobal.com/posts/sme-lending-returned-to-pre-pandemic-levels-in-2021-but-regions-still-playing-catch-up-to-london-says-latest-british-business-bank-report/>

⁹⁵ British Business Bank, "Small Business Finance Markets 2021/22", (2022), at: <https://www.british-business-bank.co.uk/wp-content/uploads/2022/02/Small-Business-Finance-Markets-Report-2022-FINAL.pdf>

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Living Natural Resources and Land Use Projects	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Access to Essential Services: Healthcare	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality

Access to Essential Services: Education and Vocational Training		technical, vocational and tertiary education, including university
	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
Affordable Housing	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Socioeconomic Advancement and Empowerment: Women Empowerment	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	10. Reduced Inequalities	10.2 By 2040, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Employment Generation: Sole Traders, Partnerships and SMEs	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	10. Reduced Inequalities	10.2 By 2040, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

NatWest has developed the NatWest Group Green, Social and Sustainability Financing Framework, under which it may issue green, social and sustainability instruments and use the proceeds to finance and refinance, in whole or in part, existing and future loans, investments or assets in eligible green and social categories (Renewable Energy; Energy Efficiency; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Clean Transportation; Green Buildings; Living Natural Resources and Land Use Projects; Access to Essential Services: Healthcare; Access to Essential Services: Education and Vocational Training; Affordable Housing; Socio-economic Advancement and Empowerment: Women Empowerment; and Employment Generation: Sole Traders, Partnerships and SMEs). Sustainalytics considers that the projects funded by the proceeds are expected to deliver positive environmental and social impacts.

The NatWest Group Green, Social and Sustainability Financing Framework outlines a process for tracking, allocating and managing proceeds and NatWest's intention to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the NatWest Group Green, Social and Sustainability Financing Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 3, 4, 5, 6, 7, 8, 9, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that NatWest has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that NatWest Group is well positioned to issue green, social and sustainability instruments and that the NatWest Group Green, Social and Sustainability Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021), and aligns with the Sustainability Bond Guidelines (2021).

Appendix

Appendix 1: EPC Rating

Definition		
<p>When a home is built, sold or rented in the UK, it needs an Energy Performance Certificate (EPC). This shows you how much a building will cost to heat and light, what its carbon dioxide emissions are likely to be and what improvements you can make to improve its energy efficiency.</p> <p>An EPC rates a property in bands from A (most efficient) to G (least efficient) and is valid for 10 years from the date it's issued.</p>		
EPC Rating Bands		
Energy Efficiency Rating	Environmental Impact Rating	
	Current	Potential
Very energy efficient - lower running costs		
(92 to 100) A		
(81 to 91) B		
(69 to 80) C	69	71
(55 to 68) D		
(39 to 54) E		
(21 to 38) F		
(1 to 20) G		
Not energy efficient - higher running costs		
England & Wales	EU Directive 2002/91/EC	
Very environmentally friendly - lower CO ₂ emissions		
(92 to 100) A		
(81 to 91) B		
(69 to 80) C	71	74
(55 to 68) D		
(39 to 54) E		
(21 to 38) F		
(1 to 20) G		
Not environmentally friendly - higher CO ₂ emissions		
England & Wales	EU Directive 2002/91/EC	
<p>Using the government's Standard Assessment Procedure (SAP) an house will be given a numerical score from 1-100 SAP points. These scores are divided into bands as follows:</p> <ul style="list-style-type: none"> EPC rating A = 92-100 SAP points (most efficient) EPC rating B = 81-91 SAP points EPC rating C = 69-80 SAP points EPC rating D = 55-68 SAP points EPC rating E = 39-54 SAP points EPC rating F = 21-38 SAP points EPC rating G = 1-20 SAP points (least efficient) <p>EPC will have two main charts. On the right hand side of each chart, the current rating based on the existing energy performance of a property next to the potential rating one could achieve by making the improvements recommended in an EPC.</p>		

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NatWest Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	NatWest Group Green, Social and Sustainability Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 5, 2022
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> .	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDSOverall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Renewable Energy; Energy Efficiency; Sustainable Water and Wastewater Management; Pollution Prevention and Control; Clean Transportation; Green Buildings; Living Natural Resources and Land Use Projects; Access to Essential Services: Healthcare; Access to Essential Services: Education and Vocational Training; Affordable Housing; Socio-economic Advancement and Empowerment: Women Empowerment; and Employment Generation: Sole Traders, Partnerships and SMEs – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14 and 15.

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTIONOverall comment on section *(if applicable)*:

NatWest Group's Green, Social and Sustainability Financing Working Group (the "Working Group") will evaluate, select, monitor and approve Eligible Assets against the criteria. NatWest Group's environmental, social and ethical risk assessment process is applicable to all commercial lending decisions. Additionally, NatWest Group complies with applicable regulations to mitigate social risks related to retail lending. Sustainalytics considers these risk management systems to be adequate and the project evaluation and selection process to be in line with market practice

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

NatWest Group's Treasury will be responsible for the management and allocation of proceeds to eligible assets and will track the proceeds through an eligibility criteria register to determine an eligible portfolio. NatWest Group intends to allocate a specific pool of assets to each issuance and has communicated to Sustainalytics that it intends to reach full allocation within 12 months of issuance. Pending allocation, unallocated proceeds will be temporarily held or invested in cash or short-term liquid instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

NatWest Group intends to prepare a combined allocation and impact report and make it available, on its website at least on an annual basis. Allocation reporting will include the total amount of proceeds allocated to each eligible green asset category and social asset category, the number of eligible assets included in the eligible portfolio, the balance of unallocated proceeds and the amount and percentage of new loans added to the eligible portfolio post initial allocation. Sustainalytics views NatWest Group's allocation and impact reporting commitments as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project ☐ On a project portfolio basis
- ☒ Linkage to individual bond(s) ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts ☐ Sustainability Bond financed share of total investment
- ☒ Other (please specify):
The number of eligible assets included in the eligible portfolio, the balance of unallocated proceeds, the amount and percentage of newly originated loans added to the eligible portfolio

Frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project ☐ On a project portfolio basis
- ☒ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings ☒ Energy Savings
- ☐ Decrease in water use ☒ Number of beneficiaries
- ☐ Target populations ☒ Other ESG indicators (please specify):

Renewable Energy	<ul style="list-style-type: none"> Renewable energy generation (MWh) Estimated carbon emissions avoided through renewable energy (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> Expected energy savings (MWh) Estimated avoided GHG Emissions (tCO₂e)

Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual volume of wastewater treated • Number of people supplied with drinking water
Pollution Prevention and Control	<ul style="list-style-type: none"> • Quantity of recycled materials (tonnes) • Annual production of renewable energy (MWh) • Annual emissions avoided (tCO₂e)
Clean Transportation	<ul style="list-style-type: none"> • Number of EV charging, or hydrogen filling stations installed, indicating total capacity • Number of electric, hybrid or hydrogen fuel cell vehicles financed
Green Buildings	<ul style="list-style-type: none"> • Estimated Carbon Emission Avoided (tCO₂e)
Living Natural Resources and Land Use Projects	<ul style="list-style-type: none"> • Area of natural landscape preserved (km²) • Ecologically sustainable agricultural production per hectare (tonnes)
Access to essential services (healthcare and education)	<ul style="list-style-type: none"> • Number of public education schools (including kindergarten, primary and/or secondary schools and universities) supported; and/or number of individuals benefiting from these educational services
Affordable Housing	<ul style="list-style-type: none"> • Estimated number of housing units developed / acquired
Socioeconomic Advancement and Empowerment: Women Empowerment	<ul style="list-style-type: none"> • Number of women employed
Employment Generation: SMEs and Sole Traders	<ul style="list-style-type: none"> • Estimated number of jobs created or enabled by LAU / region • Estimated number of jobs created or enabled by activity sector

Frequency:☒ Annual☐ Semi-annual☐ Other (please specify):**Means of Disclosure**☐ Information published in financial report☐ Information published in sustainability report☒ Information published in ad hoc documents☐ Other (please specify):☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**☐ Consultancy (incl. 2nd opinion)☐ Certification☐ Verification / Audit☐ Rating

☐ Other *(please specify)*:

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognized external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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