

Independent assurance report to the Directors of NatWest Group plc on certain sustainability metrics and elements of the UN Principles for Responsible Banking ('UN PRB') Template for the year ended 31 December 2022

Scope

EY was engaged by NatWest Group plc (the 'Group' or 'NWG') to perform an assurance engagement in accordance with International Standard on Assurance Engagements (UK) 3000 July 2020, in respect of certain NWG sustainability metrics and elements of the UN PRB Template (together the 'Subject Matter') presented in the Group's 2022 Strategic Report, the 2022 Environmental, Social and Governance ('ESG') Disclosures Report, ESG Frameworks Appendix and the 2022 Climate-related Disclosure Report ('CRDR') (collectively referred to as the 'Reports'). Specifically, EY was engaged to provide:

- Reasonable assurance over the Subject Matter identified in table A below; and
- Limited assurance over the Subject Matter identified in tables B and C below.

These sustainability metrics are marked with an asterisk (*) within these Reports, and the UN PRB Template is presented within the ESG Frameworks Appendix within the 2022 ESG Disclosures Report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Reports, and accordingly, we do not express an opinion or conclusion on this information.

Table A: Reasonable assurance Subject Matter

Climate	Operational footprint: Scope 1 and 2 (market-based and location-based) CO ₂ equivalent emissions in tonnes (tCO ₂ e)
Colleague	Proportion of ethnic minority employees in our CEO-4 and above UK roles (%)
	Gender balance in top three senior management layers (%)

Table B: Limited assurance Subject Matter

	Operational footprint: Scope 3 CO ₂ equivalent emissions (excl. financed emissions) in tonnes (tCO ₂ e)
	Operational footprint: Energy and cost saving impact (GWh and £)
	Scope 3 (category 15) financed emissions based on loans analysed as at 31 December 2021 (£bn and as a % of the total balance sheet loans) and data quality scores for the following sectors: <ul style="list-style-type: none"> • Residential Mortgages (MtCO₂e and kgCO₂e/m²) • Commercial Real Estate (MtCO₂e and kgCO₂e/m²) • Oil and Gas (MtCO₂e) • Agriculture – Primary Farming (MtCO₂e and tCO₂e/£m)
Climate	Climate and sustainable funding and financing (£) since 1 July 2021
	Heightened climate-related risk sectors (£m and %)
	Harmful activities (Credible Transition Plan): Oil and gas majors & in scope coal exposure (£m and %)
	Percentage of UK Retail and Private Banking residential mortgages by Energy Performance Certificate (EPC) band rated A-C (where EPC ratings available)
	Retail Banking Green Mortgage product completion value (£) since launch in Q4 2020
	Flood risk profile of UK residential mortgage portfolio (£)

Table B: Limited assurance Subject Matter

Enterprise	Number of Interventions delivered (or supported through programmes) to start, run, or grow a business
	Number of individuals and businesses supported through Enterprise programmes
	Youth Interventions: Number of young adults engaged in enterprise and entrepreneurship programmes
Learning	Number of financial capability interactions delivered (annually towards the 2023 target)
	Number of additional customers helped to start saving
Customer	Number of digitally active, online and mobile, retail and business banking customers
	Proportion of customers exclusively using digital channels (%)
	Number of video banking appointments
	Number of artificial intelligence (Cora) interactions - retail
	Proportion of artificial intelligence (Cora) interactions that required no human input (%)
Responsible Business	Direct community investment (DCI) spend (£)

Table C: Limited assurance Subject Matter within the UN PRB Template

Limited assurance on the four sections below within the United Nations Environmental Programme (UNEP) Finance Initiative (FI) Principles for Responsible Banking's (PRB) Reporting and Self-Assessment template (the 'UN PRB Template'):

- Section 2.1 - Impact Analysis
- Section 2.2 - Target Setting
- Section 2.3 - Plans for Target Implementation and Monitoring
- Section 5.3 - Governance Structure for Implementation of the Principles

Criteria applied by the Group

The Subject Matter needs to be read and understood together with the reporting criteria. The Group is solely responsible for selecting and applying these reporting criteria.

The Subject Matter and other sustainability information in the Reports were prepared by the Group. The definitions of and methods used to prepare the Subject Matters identified in tables A and B, are included in the 'Basis of Reporting 2022' document, under the 'Scope and exclusions' and 'Method' columns, available in Appendix A. The Basis of Reporting 2022 has been used as the Reporting Criteria against which to evaluate the measurement and presentation of the Subject Matter defined above.

With respect to the Subject Matter in table C, the Group is a signatory to the UN PRB and is therefore required to perform an annual self-assessment based on the reporting requirements for the signatories. The UN PRB Template for reporting and self-assessment is included in the Frameworks Appendix section of the ESG Disclosures Report 2022, with the reporting requirements (the 'Reporting Criteria') described in the 'Reporting and self-assessment requirement' column.

The Reporting Criteria were specifically designed for the preparation of the Reports. As a result, the Subject Matter may not be suitable for other purposes.

Respective responsibilities

The Group's responsibilities

As Directors of the company, you are responsible for selecting the Reporting Criteria, and for presenting the Subject Matter, identified in tables A, B and C above, in accordance with that Reporting Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Reasonable assurance

It is our responsibility to express an opinion on the presentation of the Subject Matter identified in table A above, based on the evidence we have obtained.

Limited assurance

It is our responsibility to provide a conclusion on the Subject Matter identified in tables B and C above, based on our examination.

Our approach

We conducted our engagement in accordance with the International Standard on Assurance Engagements (UK) 3000 (July 2020) *Assurance engagements other than audits or reviews of historical financial information* ('ISAE (UK) 3000 (July 2020)') as promulgated by the Financial Reporting Council (FRC).

The objective of a reasonable assurance engagement is to perform such procedures on a sample basis as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a positive conclusion in respect of the Subject Matter included in table A.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion in respect of the Subject Matter included in tables B and C. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control

In performing this engagement, we have applied International Standard on Quality Control (ISQC) 1 and the independence and other ethical requirements of the Institute of Chartered Accountants of England and Wales (ICAEW) Code of Ethics (which includes the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)).

Description of procedures performed

We have performed the procedures agreed with you and set out in our engagement letter dated 25 July 2022.

The procedures we performed over the Subject Matter identified in tables A and B above, were based on our professional judgement and included, but were not limited to:

- Evaluating the appropriateness of the Reporting Criteria used to measure and disclose the Subject Matter.
- Interviewing management and relevant staff to understand how the Reporting Criteria was applied, and relevant information and data gathered for the measurement and reporting of the Subject Matter.
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the Subject Matter, including obtaining an understanding of internal controls relevant to the measurement and recording of the Subject Matter, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control framework.
- Performing an analytical review of the data underlying the Subject Matter, including comparison with the previous reporting period, and inquiring of management to understand any significant unexplained variances.
- Evaluating the appropriateness of related metrics within the Report and the consistency of the Subject Matter presented across the Reports.
- For selected samples, checked the mathematical calculations and formulae applied in the measurement of the Subject Matter.

Solely in respect of the Subject Matter identified in table A:

- Key items and representative samples based on statistical sampling methodology were selected and agreed to source information to check the accuracy and completeness of the data.

The procedures we performed over the Subject Matter identified in table C above, were based on our professional judgement and included, but were not limited to:

- Interviewing management to understand the systems and processes in place to collect data and prepare the UN PRB Template and confirming our understanding against documents produced by the Group.
- Reading the UN PRB Template and considering the appropriateness of the description of the processes, activities and outcomes and whether these sufficiently reflect the actions taken by the Group, given the understanding and knowledge obtained by us through the course of this engagement.
- Obtaining evidence, on a sample basis, to test the accuracy of the statements within sections 2.1, 2.2, 2.3 and 5.3 of the UN PRB Template.
- Our procedures were data and evidence based and limited to the statements made in sections 2.1, 2.2, 2.3 and 5.3 of the UN PRB Template, as identified in table C above. The individual assessment of whether the Group is aligned with the requirements of the UN PRB and is meeting its commitments will be undertaken by a sustainability expert within the UNEP FI Secretariat.

Inherent limitations

Our conclusions are based on historical information and the projection of any information or conclusions in the attached report to any future periods would be inappropriate. Our examination excludes audit procedures such as verification of underlying assets, liabilities and transactions and is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the information.

Our conclusions

- Reasonable assurance: In our opinion, the Subject Matter identified in table A above, for the year ended 31 December 2022, is fairly stated, in all material respects, based on the Reporting Criteria.
- Limited assurance: Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter identified in tables B and C above, for the year ended 31 December 2022, is not fairly stated, in all material respects, based on the Reporting Criteria.

Restricted use

This report is produced in accordance with the terms of our engagement letter dated 25 July 2022 for the purpose of reporting to the Directors of the company in connection with the Subject Matter for the year ended 31 December 2022.

This report is made solely to the company's Directors, as a body, in accordance with our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Directors as a body, for our examination, for this report, or for the conclusions we have formed.

Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose. Our report must not be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances, without our express prior written permission. This engagement is separate to, and distinct from, our appointment as the auditors to the Group.

Appendix A: Basis of Reporting 2022



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Basis of Reporting 2022

Introduction

This document details our approach, scope, and controls including the sustainability metrics included within EY's 2022 Sustainability Limited & Reasonable Assurance Engagement. These sustainability metrics are reported in the 2022 reporting suite including the Strategic Report, the Climate-related Disclosures Report and the ESG Disclosures Report.

We note that there are currently limited industry standards or globally recognised established practices for measuring sustainability or ESG performance and for defining ESG metrics. However, we anticipate that standards and definitions will develop and consolidate over time, and we are committed to working to align our reporting, our future approach, and processes in line with these developments.

Key Metrics



Theme	Metric #	Metric
Climate	1	Total Scope 1, 2 and 3 CO ₂ e (tCO ₂ e) operational emissions (excl. financed emissions)
	2	Own operations project energy and cost saving impact (£ and GWh)
	3	Climate and sustainable funding and financing (£)
	4	Harmful activities (Credible Transition Plan): Oil and gas majors and in-scope coal exposure (£m & %)
	5	Heightened climate-related risk sectors (£m & %)
	6	Energy efficiency of the UK residential mortgage portfolio - Energy Performance Certificate (EPC) rating
	7	Retail Banking Green Mortgage product completion value (£)
	8	Flood risk profile of UK residential mortgage portfolio
	9	Scope 3 financed CO ₂ e (MtCO ₂ e/year) emissions
Enterprise	10	Number of interventions delivered (or supported through programmes) to start, run, and grow a business.
	11	Number of individuals and business supported through enterprise programmes. (all split by % of social purpose-led, outside London and southeast, female, and ethnic minority).
	12	Youth supported: young adults engaged in enterprise and entrepreneurship activity.

Key Metrics



Theme	Metric #	Metric
Learning	13	Number of financial capability interactions delivered against the 2023 target
	14	Additional customers helped to start to save
Customer	15	Number of digitally active, online and mobile, retail and business banking customers.
	16	Proportion of customers exclusively using digital channels (%)
	17	Number of video banking appointments
	18	Number of artificial intelligence (Cora) interactions
	19	Proportion of artificial intelligence (Cora) interactions that required no human input (%)
Responsible Business	20	Direct community Investment (DCI)
Colleague	21	Proportion of ethnic minority employees in our CEO-4 and above UK roles (%)
	22	Gender balance in our CEO-3 and above global roles (%)

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
<p>1. Total scope 1, 2 and 3 CO₂e (tCO₂e) operational emissions (excl. financed emissions)</p>	<p>Our own direct operational carbon emissions are the aggregation of carbon dioxide equivalent (CO₂e) arising from the consumption and use of:</p> <ul style="list-style-type: none"> • Scope 1: natural gas, liquid fossil fuels, fluorinated gas losses and owned/leased vehicles. • Scope 2: electricity, district heating and cooling used in NatWest Group premises (market-based and location-based). • Scope 3: paper and water, category 5: waste (UK and RoI only), category 6: business travel including air, rail, hired vehicles and our grey fleet, category 7: employee commuting and working from home. <p>Our operational value chain carbon emissions are the aggregation of carbon dioxide equivalent (CO₂e) arising from the consumption and use of Scope 3, all upstream and downstream emissions excluding categories 8, 10 + 14. For explanations please see page 69 of NatWest Group 2021 Climate-related Disclosures Report.</p> <p>The reporting period for emissions and other own operational metrics is for the 12 months ending the 30th of September each year.</p>	<p>The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control. Where we do not have direct data, we use calculated extrapolations which account for 1.46% of our total Scope 1, 2 and 3 direct own operations emissions in 2022. Emissions have been calculated using the Greenhouse Gas Protocol Corporate Standard and associated guidance and include all greenhouse gases, reported in tonnes of carbon dioxide equivalent (CO₂e) and global warming potential values. When converting data to carbon emissions, we use Emission Factors from UK Government Emissions Conversion Factors for Company Reporting (Department for Business, Energy & Industrial Strategy, 2021), CO₂ Emissions from Fuel Combustion (International Energy Agency, 2021) or relevant local authorities as required. NatWest utilises a third-party software system, to capture and record the Group's environmental impact and ensure that control framework and assurance requirements are met. All data is aggregated at a regional level to reflect the total regional consumption. The regional consumption results are then collated to reflect the total NatWest Group emissions. CO₂e values are attributed to these sources via an automatic conversion module in the third-party system. For more information, please see https://www.natwestgroup.com/sustainability/environment-and-climate/own-operational-footprint.html</p>	<p>CO₂e emissions data is validated by external service providers each month. Monthly and more detailed quarterly checks are carried out on data completeness and data variance.</p>

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
2. Own operations project energy and cost saving impact (£ and GWh)	<p>Our own operations project energy and cost savings relate to all projects completed across our UK property portfolio over the 12-month reporting period which have delivered energy impacts. These can include fuel switches as well as increased efficiency in mechanical and electrical equipment. Energy savings are defined by calculating historic vs new equipment energy consumption, which then has a £ per GWh impact associated to calculate cost savings.</p> <p>The reporting period for emissions and other own operational metrics is for the 12 months ending the 30th of September each year.</p>	<p>General projects: The contractor selects the property where the project is being undertaken by entering its SVP (unique site identifier). This looks up the property's annual use of electricity or natural gas. We use 2019 as the period due to unrepresentative consumption in 2020-2021 due to the covid-19 pandemic.</p> <p>The contractor selects the 'project type' from a pre-defined list of mechanical and electrical (M&E) interventions – e.g., "Lighting upgrade". This specifies the further data the contractor will need to provide to complete the calculation.</p> <p>The contractor enters the stated efficiency/rating and anticipated run hours of the 'old' and the 'new' equipment to calculate an energy differential that equates to either an increase or decrease in energy use related to the investment.</p> <p>For certain project types, the contractor will be prompted to enter the 'ratio of the <energy type> used in the building for <asset being replaced>'. This is calculated separately and is the typical percentage of the energy type (e.g., electricity) used in the building for the electrical load selected by the project type (e.g., lighting), multiplied by the percentage of assets being replaced as part of the project (e.g. 50%).</p> <p>Finally, the GWh differential is then multiplied by a cost of energy to determine the monetary increase or saving.</p> <p>Data centres: GWh is determined using a combination of actual measurement for consumption before and after project completion. Actual cost of electricity consumption in the UK is used to determine the cost saving impact.</p> <p>To provide the original baseline to calculate the energy savings we measure the actual consumption of our equipment as we have a power monitoring system installed across the electrical infrastructure in the data centres. When we need to go down to the circuit level, we use a power analyser connected to the circuit.</p>	<p>Project details are provided by our 3rd party contractors once a project has had sign-off. Monthly checks are carried out on data completeness and data variance.</p>

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
3. Climate and sustainable funding and financing (£)	<p>The climate and sustainable funding and financing (CSFF) metric is used by NatWest Group to measure the level of support it provides customers, through lending products and underwriting activities, to help in their transition towards a low carbon, climate-resilient and sustainable economy. We have made a commitment to provide £100 billion of CSFF between the 1st of July 2021 and the end of 2025. The climate and Sustainable Funding and Financing Inclusion (CSFFI) criteria, which was first published in 2020, is used to determine the assets, activities and companies that are eligible to be included in this metric. The detailed CSFFI criteria is available at NatWestGroup.com.</p> <p>The CSFFI criteria will evolve to ensure consistency with any developments of the existing and/or new external standards, taxonomies, and eligibility criteria (such as the UK Green Finance Taxonomy) and it is therefore expected that over time updated CSFFI criteria will be released. All transactions are also subject to NatWest Group's environmental, social, and ethical (ESE) risk policies.</p> <p>The CSFFI criteria in place was announced in October 2021 and came into effect from the 1st of January 2022. A revised criteria was published in December 2022 and will be implemented from 1st of January 2023.</p> <p>Amounts relating to NatWest Group own Green, Social and Sustainability (GSS) bond issuances are excluded from CSFF reporting.</p> <p>CSFF transactions included within 2022 reporting were completed during the 2022 financial year with minor deviation for data sources which are provided 1 month in arrears.</p>	<p>On a quarterly basis, eligible deals are identified and reported. For the purposes of tracking against the CSFF target, quarterly reporting is aggregated (i.e., the sum of CSFF reported in each quarter will be the total CSFF for the year). Eligible deals are categorised and recorded as follows:</p> <p>Specific purpose wholesale Lending: Specific purpose lending to wholesale customers within the scope of the CSFFI criteria.</p> <p>Residential mortgages that have an EPC rating of A or B. Included from 1st of July 2021 for eligible mortgages where EPC information is available.</p> <p>Green public bonds, green private placements, and green loan underwriting: Underwriting of specific use of proceeds debt capital market issuances for projects expenditures, as well as green loan commitments when clients meet the CSFFI criteria.</p> <p>Sustainability Linked Loans, Bonds and Private Placements made to customers and clients, in line with Loan Market Association (LMA) Sustainability Linked Loan principles and International Capital Market Association (ICMA) Sustainability Linked Bond principles where deal targets include green performance indicators, aligned to CSFFI criteria.</p> <p>Other wholesale general purpose lending or wider financing within the CSFFI criteria: General-purpose loans and wider financing (including bonds and private placements) to a customer who can evidence:</p> <ul style="list-style-type: none"> • 50% or more of their revenues, are in the categories and sectors outlined in the Criteria; or • 75% or more of their assets are in the categories and sectors outlined in the Criteria, in the case of Utilities or Real Estate customers; or • 75% of Assets under Management (in the case of a fund client) are invested in activities outlined in the Criteria, at the time of reporting. <p>Amount Reported: Lending amounts represent total commitment and include any undrawn portion of committed credit limits. Underwritten deals (Bonds, Private Placement and Loans), amounts represent the NWM Group share of the notional (total underwriting amount lead managed or placed by NWM Group), based on the number of underwriters within a specific deal. A conservative approach to data collection is followed and amounts may have haircuts applied (where agreed via internal governance) in some situations.</p> <p>Broadly CSFF is reported to: illustrate progress against CSFF target, internally as part of segment reporting, target setting and as an input into executive remuneration considerations.</p>	<p>Attested business line submissions with further checks including reconciling lending facilities (excluding assets booked on Lombard platforms) against established reporting platforms, sample criteria eligibility checks and escalation to CSFF disclosure working group where necessary. Quarterly signoffs by Finance and the Climate Centre of Excellence.</p>

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
4. Harmful activities (Credible Transition Plan): Oil and gas majors and in-scope coal exposure (£m & %)	<p>As part of our climate ambition announced in February 2020, we stated that we planned:</p> <ul style="list-style-type: none"> to stop lending and underwriting to companies with more than 15% of activities related to thermal and lignite coal, unless they had a Credible Transition Plan in line with the 2015 Paris Agreement in place by end of 2021; a full phase-out from thermal and lignite coal by 2030; and to stop lending and underwriting to major oil and gas producers unless they had a Credible Transition Plan aligned with the 2015 Paris Agreement in place by the end of 2021. <p>During 2021 NatWest Group completed a credible transition plan (CTP) assessment for relevant large corporate customers in scope (as outlined above). This metric details exposure to Oil and Gas majors and Coal companies that were in scope of CTP assessments.</p> <ul style="list-style-type: none"> Customers assessed as having Paris aligned credible transition plans will be retained, provided they comply with our ESE policies. We will continue to monitor customers' progress against their published transition plan or strategy annually, as part of the environmental, social and ethical (ESE) risk assessment process. Where Coal customers were assessed as not having a Credible transition plan aligned with the 2015 Paris Agreement, we will stop lending and underwriting to these customers, including stopping renewal, extension or refinancing of any existing commitments at 31 December 2021. We will fully exit these customer relationships as soon as is practicable. Where Oil and gas customers were assessed as not having Paris aligned credible transition plans in place, we will stop lending and underwriting to these customers as soon as practicable, including stopping renewal, extension or refinancing of any existing commitments at 31 December 2021. In our continued discussions with these customers, we understand that they are investing in activities to support transition towards net zero. As a responsible business and in recognition of NatWest Group role's in financing the transition, we may provide lending and underwriting to these customers where such lending and underwriting is limited to activities that are aligned to our Climate and Sustainable Funding and Finance Inclusion (CSFFI) criteria, where the proceeds of such financing are linked to the development of the assets and activities referenced in the CSFFI criteria. 	<p>For a customer's transition plan to be assessed as credible and in line with the 2015 Paris Agreement, we applied the following criteria:</p> <ul style="list-style-type: none"> A quantitative assessment using an independent third-party proprietary model to assess alignment with the 2015 Paris Agreement A credibility assessment Management review and assessment <p>For further details refer to the 2021 NatWest Group plc Climate-related Disclosures Report pages 30 – 31.</p> <p>Companies that have greater than 15% of activities related to thermal and lignite coal, as defined by EBITDA, have been identified by subject matter experts within the wholesale business. Oil and Gas majors have similarly been identified by subject matter experts and are a subset of the Oil and Gas sector exposure.</p> <p>Exposure to these assets is reported as gross (of Expected Credit Loss) loans and advances balance sheet values accounted at amortised cost and fair value through comprehensive income, and in addition, related off-balance sheet amounts typically reflecting undrawn loan commitments and contingent obligations.</p>	<p>The NatWest Group Reputation Risk Committee (GRRC) approved outcomes of the quantitative and credibility assessments as well as customers' forward-looking strategy and alignment to NWG ESE policies, and the impact of current and expected legislative requirements and policy developments on customers' strategies.</p> <p>Monthly exposure review by business line subject matter expert. Exposure values generated as a subset of credit exposure reporting and reconciled back to ledger and off-balance sheet control report.</p>

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
5. Heightened climate-related risk sectors: (£m & %)	<p>In 2022, NatWest Group developed a methodology to consistently identify and assess sectors exposed to heightened climate risk. The methodology builds on the qualitative approach applied for identifying heightened climate risk sectors in 2020 and 2021.</p> <p>The quantitative outputs from climate scenario analysis form the foundations of the methodology. Other climate data that is available to NatWest Group is also overlaid to provide additional insight. Recognising that climate risks can impact NatWest Group's lending assets as a result of changing climate conditions and/or climate mitigation activity, and that NatWest Group financing can impact on climate change, the methodology applies consistent weightings across physical climate risk, transition climate risk and NatWest Group financed emissions.</p> <p>By applying a data led approach, a more granular review of climate-related risk exposure was completed at a sub-sector level. This enabled NatWest Group to reflect variability of sub-sector exposure to climate risk within a sector. This approach identified 44 subsectors exposed to heightened climate-related risk, increasing to 47 within 17 sectors, following a qualitative overlay applied by internal subject matter experts</p> <p>NatWest Group acknowledge that climate data available both internally and externally is still in its early stages and is expected to mature over time. Recognising this, the heightened climate risk sector methodology is expected to continue to evolve and will be reviewed on an annual basis.</p> <p>Note, underlying exposures for leveraged funds and securitisations are generally diversified, and as such we look to manage any climate-related risks at client level, rather than classifying entire sectors as exposed to heightened climate-related risk. In addition, securitisations are primarily managed as an asset class within NatWest Group, rather than via sector frameworks. As a result, leveraged fund and securitisations were excluded from our assessment</p>	<p>Reporting method is consistent with other credit exposure reporting as presented in the Risk and Capital Management section of the NatWest Group Annual Reported Accounts.</p> <p>Standard Industrial Classifications (SIC Codes) are used to determine the assets linked to a wholesale sector, while the residential mortgages portfolio is reported on a product basis.</p> <p>Heightened climate-related risk sector exposure is reported as gross (of Expected Credit Loss) loans and advances balance sheet values accounted at amortised cost and fair value through comprehensive income, and in addition, related off-balance sheet amounts typically reflecting undrawn loan commitments and contingent obligations. The exposure values are also presented as a percentage of the total NatWest Group exposure on the same basis.</p> <p>The exposure reflects all lending to customers in these sectors and sub-sectors, including climate and sustainable lending.</p>	<p>Key control elements to this reporting include: SME review including IFRS 9 Disclosure working group review of disclosures, Reconciliation controls to other sector disclosures, overall balances reconciled to the ledger, Validation to other existing disclosures, Sign off Disclosure produced from data supporting audited IFRS 9 disclosures supported by RCA process and controls.</p>

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
6. Energy efficiency of the UK residential mortgage portfolio - Energy Performance Certificate (EPC) rating	<p>Percentage of UK Retail and Private Banking residential mortgages by Energy Performance Certificate (EPC) band (where EPC ratings available). Data source and limitations: EPC data has been sourced from the Energy Performance of Buildings for England and Wales published by the Ministry of Housing, Communities and Local Government's open data source.</p> <p>The data is drawn from EPCs issued for domestic and non-domestic buildings constructed, sold or let since 2008. It provides information on the energy efficiency ratings of domestic and non-domestic buildings during the energy assessment process. The registers do not hold data for every domestic and non-domestic building, or every building occupied by public authorities in England and Wales. For the mortgages on properties in Scotland we are sourcing EPC data from the Public Available Data Extracts site of the Energy Saving Trust, published by the Scottish Government. This data is updated quarterly and contains energy certificates from the start of 2013. An EPC is required when a building is constructed, sold or let, and is valid for 10 years. As a result, the EPC analysis is based on EPC data at the time it was last available. New certificates typically take 3-6 months to be included in the data source.</p>	Account level matching to source systems.	Business SME review and sign off. Production review and sign off ensuring all internal controls have been performed.
7. Retail Banking Green Mortgage product completion value (£)	Value in GBP of gross new drawn lending within the calendar year associated with the Retail Banking Green Mortgage product. The product offers lower interest rates for customers purchasing homes with a valid Energy Performance Certificate (EPC) rating of A or B at the time of application.	Product codes are used to identify the green mortgage product in source systems.	Business SME review and sign off Production review and sign off ensuring all internal controls have been performed.
8. Flood risk profile of UK residential mortgage portfolio	Proportion of properties at high (11 or over) and very high risk (over 31) of flood, as a percentage of total Retail and Private Banking mortgage lending and by region in the UK (based on GBP value). This is based on the JBA flood scoring scale.	Account level matching to source systems.	Business SME review and sign off Production review and sign off ensuring all internal controls have been performed.

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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
9. Scope 3 financed CO ₂ e (MtCO ₂ e/year) emissions	<p>In February 2020, we set ourselves the challenge to at least halve the climate impact of our financing activity by 2030 and align with the 2015 Paris Agreement. Financing activity refers to the loans and investments (debt securities and equity shares) accounted for at amortised cost and FVOCI on NatWest Group's balance sheet. We use financed emissions as a key metric to estimate the climate impact of our financing activity and set a baseline for our climate ambition to align with the 2015 Paris Agreement.</p> <p>Financed emissions are GHG emissions that NatWest Group finances through its lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol and are often the most significant part of a financial institution's climate impact.</p> <p>Financed emissions are measured as million tonnes of carbon dioxide equivalent per year and reflect the impact of a financial institution's lending and investment on economic activity e.g. production of goods and services, and related emissions.</p> <p>Our capability to estimate financed emissions is improving, in 2020 we disclosed the Financed Emissions of 4 sectors/products, increasing to 12 in 2021 and 14 in 2022. We continue to work on this and further refine our estimates as we enhance our understanding, calculation methodologies and data. There have been four priority sectors identified which are in scope of EY assurance. These sectors are residential mortgages, commercial real estate, agriculture – primary farming, and oil and gas.</p> <p>In line with the PCAF Standard, we have estimated absolute emissions based on Scope 1 and 2 emissions attributable to loans and investments for the sectors or subsectors analysed. In addition, for our oil and gas extraction, land transport and automotive manufacturing sectors, we have included Scope 3 emissions based on downstream use of products sold as they constitute a large proportion of the overall estimated emissions in these sectors.</p> <p>There are various data limitation challenges associated with the estimation of financed emissions due to the lack of available, granular, reliable and verifiable customer and counterparty data. More information can be found in section 5.5 and 5.7 of our 2022 Climate-related Disclosures Report.</p>	<p>Financed emission models are run on an annual basis for each sector. The reporting period is 1 year behind the other content within the 2022 Climate-related Disclosures Report e.g. FY 2022 report contains estimated emissions for FY 2021.</p> <p>We have used a combination of different methodologies to calculate emissions with each sector model being run separately.</p> <p>To estimate financed emissions by sector, we looked at emissions on a counterparty basis. For the residential mortgages and commercial real estate sectors, we used EPC ratings to estimate emissions. For other sectors, the following approach is applied:</p> <ul style="list-style-type: none"> Where available, we used customers' published emissions to estimate NatWest Group financed emissions – these were sourced from third parties who have processes in place to gather and validate this data. Where published emissions were not available, we used other externally published financial and non-financial data to estimate financed emissions. For customers where externally published emissions or other data were not available, we used average emissions per pound exposure from the sector to estimate financed emissions at an individual loan level. <p>Further detail of our approach to estimating financed emissions by sector can be found in section 5.5 and 5.7 of our 2022 Climate-related Disclosures Report.</p>	<p>Financed Emission model outputs are reviewed by subject matter experts and business lines as part of each annual run. This includes performing a dry-run to test data inputs, model methodologies and ensuring all internal controls have been performed.</p> <p>Data inputs are signed off for use by each data owner, with further checks including reconciling financial data against established reporting platforms performed before each model run.</p> <p>The model methodology for each sector has been reviewed and validated by our internal Model Risk team.</p>

Theme 2: Enterprise



An **intervention** is defined as the participation of an individual in an enterprise-related activity. The intervention must be free to access and funded or resourced by the NatWest Group, and must meet all of the below criteria:

- (i) There must be an active opt in or intent, such as: registration, meeting acceptance, request to watch / view / listen, or attendance.
- (ii) There must be a credible outcome, such as: upskilling, education or knowledge, or guidance on how to access support.
- (iii) Attendance must be able to be evidenced and where applicable, delivered via an approved digital delivery platform: Zoom, Meta, AEM, etc.

External partners are all the companies and charities, that we work with to deliver enterprise related activities and initiatives. This includes but is not limited to Swoop, The Prince's Trust, Digital Boost, etc.

Demographics threshold

A demographics threshold of 20% is in place to ensure that activity generated by our contributing activities is representational across the demographics we measure. Across each individual activity which contributed towards our Enterprise objectives, we calculate the total of those reporting the demographics (excluding 'prefer not to say' and NIL responses) as a % of the total number of individuals being reported.

Yes check

Helping us to make purpose-led decisions and has become an integral part of how we approach difficult decisions across the bank since it was first launched back in 2012.

Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
10. Number of interventions delivered (or supported through programmes) to start, run, and grow a business	<p>This represents the total number of interventions, submitted by internal teams or external partners which occurred in the reporting period 1 January to 31 December 2022.</p> <p>An intervention is defined as the participation of an individual in an enterprise-related activity.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS and Ulster Bank. Coutts and Ulster bank (ROI) are excluded.</p>	Data is collated monthly by third party supplier, PNE. Data is collected from external partners and internal NatWest group areas. Data is collected from various sources e.g., Manual reporting templates, Zoom, Eventbrite CRM, etc.	<p>Each intervention set is reviewed on its merits by the 3rd party (PNE) and a reporting steering committee to ensure (using the Yes check) that it is a material and credible intervention.</p> <p>Interventions that are run in conjunction with third parties, such as local enterprise partnerships, councils, event agencies and partners are evidenced by the event organiser sharing confirmation of numbers at that event. There is no incentive for these third parties to misrepresent the numbers, and NatWest Group does not take action to verify these.</p>



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Theme 2: Enterprise

Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
11. Number of individuals and businesses supported by enterprise programmes, split by %	<p>This represents the total number of individuals or businesses participating in an intervention, submitted by internal teams or external partners where a unique email address can be provided to identify the individual or business who attended the event.</p> <p>Exceptions can be made if there is a valid reason for not collecting emails such as: restrictions created by working with third parties, external platforms, privacy policy requirements or GDPR regulatory changes. In this situation a pre-defined proxy will be used to calculate the number of individuals and business supported for the respective initiative, using available data where we are able to validate the information provided. A caveat may be used for external reporting.</p> <p>The % of ethnic minority background, outside of London and the South East England and social purpose led is calculated based on the proportion of the population that disclosed information and extrapolated across the total population of individuals.</p> <p>The % of women supported is calculated based on: the total number of individuals participating submitted by internal teams or external partners where there is participation of an individual meeting the below criteria:</p> <ul style="list-style-type: none">the number of women supported is calculated as a % of those that disclose their gender and identify as women, where this information is available, orthe contributing activity can be identified or can be evidenced as being wholly created or delivered for the purpose of supporting women in business, in line with our Intervention definition, in which instance, all participating individuals of the activity can be counted in support of the metric, regardless of their identified gender. <p>Scope of reporting includes the UK banking entities including NatWest, RBS and Ulster Bank. Coutts and Ulster bank (ROI) are excluded.</p>	<p>Data is collated monthly by third party supplier, PNE. Data is collected from external partners and internal NatWest group areas. Data is collected from various sources e.g., Manual reporting templates, Zoom, Eventbrite CRM, etc.</p>	<p>Each intervention set is reviewed on its merits by the third party (PNE) and a reporting steering committee to ensure (using the Yes check) that it is a material and credible intervention.</p> <p>Interventions that are run in conjunction with third parties, such as local enterprise partnerships, councils, event agencies and partners are evidenced by the event organiser sharing confirmation of numbers at that event. There is no incentive for these third parties to misrepresent the numbers, and NatWest Group does not take action to verify these.</p> <p>The proxy used to calculate individuals and businesses supported will be sense checked for validity annually, against previously assured reportable information and 2021 annual results.</p>

Refer to page 11 for the definitions of Intervention, External partners, Demographics threshold and the Yes check.

Theme 2: Enterprise



Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
12. Number of Youth Supported, split by %	<p>This represents the total number of youth individuals participating submitted by internal teams or external partners where there is participation of an individual meeting the below criteria:</p> <ul style="list-style-type: none">aged 18 years or under. <p>For % women supported, due to the age demographic of participating individuals and safeguarding requirements, it is not possible to collate the total number of individuals for the purposes of reporting. The number of participating individuals can be calculated based on:</p> <ul style="list-style-type: none">average UK class sizes.ONS (Office of National Statistics) UK demographic data.the proportion of the population that disclosed information and extrapolated across the total population of individuals, using a proxy. <p>The % of, outside of London and the South East England is calculated based on the population that disclosed information.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS and Ulster Bank. Coutts and Ulster bank (ROI) are excluded.</p>	<p>Data is collated monthly by third party supplier, PNE. Data is collected from external partners and internal NatWest group areas. Data is collected from various sources e.g., Manual reporting templates, Zoom, Eventbrite CRM, etc.</p>	<p>Each intervention set is reviewed on its merits by the third party (PNE) and a reporting steering committee to ensure (using the Yes check) that it is a material and credible intervention.</p> <p>Interventions that are run in conjunction with third parties, such as local enterprise partnerships, councils, event agencies and partners are evidenced by the event organiser sharing confirmation of numbers at that event. There is no incentive for these third parties to misrepresent the numbers, and NatWest Group does not take action to verify these.</p>

Refer to page 11 for the definitions of Intervention, External partners, Demographics threshold and the Yes check.

Theme 3: Learning



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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
13. Number of financial capability interactions delivered against the 2023 target	<p>The number of financial capability interactions delivered in the reporting period 1 January to 31 December 2022. The Financial capability interactions are not restricted to NatWest Group customers only.</p> <p>Interaction is defined as one of either:</p> <ul style="list-style-type: none"> Individual instances of uses of the financial capability programmes and services: FHC (inclusive of digital)(1), MoneySense, Fraud & Scams Education, Financial Education (Adult), Financial Foundations Workshops. New unique users interacting with a financial capability product or feature: Spending Features(2), Savings Goals, Digital Regular Saver, Know My Credit Score, Investing Journeys. <p>1. FHC totals may be understated, due to only counting interactions that can be matched to a specific colleague. The impact is expected to be low.</p> <p>2. Unique users of the Spending Features product are recalculated every 90 days, therefore customers may be recorded as unique users in multiple periods should they meet the user criteria within each 90 day period.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS, Ulster Bank and Coutts. Ulster Bank (ROI) is excluded.</p>	<p>Data is collected from multiple sources and by different means for face-to-face delivery and virtual alternatives. Various customer analytics data tools are used, and individual data collated centrally, and control checks are performed.</p> <ul style="list-style-type: none"> MoneySense is calculated as new teacher registrations within the year, multiplied by the number of classes they have advised they will teach and the UK average class size. 	Reported monthly to Retail Banking governance forum.
14. Number of additional customers helped to start to save	<p>Number of customers who have savings of £100 for the first time compared to the January 2019 baseline in the reporting period 1 January to 31 December 2022.</p> <p>The metric includes all savings accounts (including instances where a customer is saving for a beneficiary) and all customers linked to these accounts, so there will be some double counting in instances of joint accounts, since it's based on value of balances that the customers have access to. Current accounts are excluded.</p> <p>We acknowledge that there may be instances where customers had existing savings with other banks and transferred them into their NatWest Group account.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS, Ulster Bank and Coutts. Ulster Bank (ROI) is excluded.</p>	<p>The data and analytics team extract the data using a bespoke report that captures:</p> <ol style="list-style-type: none"> Active adult (16yrs and over) with money transmission accounts (MTA) and who have >=£100 in savings or invest accounts; it also includes customers who do not hold a MTA but do have a Help to Buy ISA (with balances >=£100) . Savings balance (summed per customer) with >=£100 is classed as someone who has "started to save". Excludes customers who had >= £100+ in savings from January 2019-Jan 2020 . First Saver(Parents with >=£100 in trust account for child)+MTA_ACTIVE. 	Various validation checks for completeness and consistency are completed including checks against the previous months' data and expected volumes.

Theme 4: Digital Customer



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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
15. Number of digitally active, online and mobile, retail and business banking customers	<p>The number of digitally-active retail and business banking customers that have accessed the retail mobile banking app or online banking platform in the reporting period within the last 3 months as at 31 December 2022.</p> <p>Scope of reporting includes the UK banking entities including NatWest and RBS. Ulster Bank (NI), Coutts, NWM, RBSI and Ulster (ROI) are excluded.</p>	Data is sourced from Viewpoint (analytical software that holds all underlying data).	Data is subject to internal quality assurance by Performance Insights Team. Includes manual completeness and consistency checks.
16. Number of customers exclusively using digital channels (%)	<p>The percentage of customers with active current accounts that have accessed a digital platform (online or mobile) and not used branch or telephony for three rolling months in the reporting period 1 January to 31 December 2022.</p> <p>An active customer is someone that has carried out a customer-initiated transaction in the last three months – this is a transaction outside of fees, charges, and interest.</p> <p>Branch and telephony usage is a non-digital transaction. Credit card payments would not be captured in the digital channel, unless, transferred to an agent.</p> <p>Scope of reporting includes the UK banking entities including NatWest and RBS. Ulster Bank (NI), Coutts, NWM, RBSI and Ulster (ROI) are excluded.</p>		
17. Number of retail banking video banking appointments	<p>The number of video banking interactions of retail banking customers with 'Video banker held appointments' in the reporting period 1 January to 31 December 2022. (Excludes Contact centre video banking appointments).</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS and Ulster Bank (NI). Coutts, NWM, RBSI and Ulster (ROI) are excluded.</p>		Data is subject to internal quality assurance by Performance Insights Team.

Theme 4: Digital Cora Customer

Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
18. Number of retail banking artificial intelligence (Cora) interactions	<p>The number of conversations with retail banking Cora interactions when the customer has interacted with Cora, these interactive chats could result in a single conversation having more than one interaction. However, it does not include non-interactive chats where the customers has just opened a Cora conversation window, and not asked a question. Reporting period 1 January to 31 December 2022.</p> <p>Cora is a retail banking artificial intelligence system, aimed at supporting our retail banking customers.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS, Ulster Bank (NI) NWM, RBSI and Ulster (ROI). Coutts are excluded.</p>	Data is sourced from Cognos (Artificial Intelligence conversation reporting tool) an analytical software that holds all underlying data.	Data is subject to internal quality assurance. Includes manual completeness and consistency checks.
19. Number of retail (Cora) interactions that required no human input (%)	<p>The percentage of retail banking Cora containment is based on the interactions that have provided an answer to the customer and require no human input for the reporting period 1 January to 31 December 2022. This is when an interactive Cora chat did not lead to a human handoff or phone number given (incomplete chats are not included).</p> <p>Cora is a retail banking artificial intelligence system, aimed at supporting our retail banking customers.</p> <p>Scope of reporting includes the UK banking entities including NatWest, RBS, Ulster Bank (NI) NWM, RBSI and Ulster (ROI). Coutts are excluded.</p>		

Theme 5: Responsible Business



Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
20. Direct Community Investment (DCI)	The DCI includes cash donated directly to charities through customer and colleague charitable activity and the direct spending on our community investment programmes such as MoneySense. DCI does not include the cash value of staff time (volunteering), in-kind contributions (for example where we forego fees on banking services to community organisations or notional property costs to deliver our programmes) or management costs (salaries of those working directly on community activities) although these are included in the overall B4SI metric.	Community programme spend and other charitable donations are captured through various central and local data collection tools and financial reporting systems. The various data points are collated and reviewed centrally.	Data is subject to internal quality assurance by central team who monitor the overall spend and manage the community investment programmes and initiatives.

Theme 6: Colleague



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Metric and Unit of Reporting	Scope and exclusions	Method	Internal Reporting and Controls
21. Proportion of Ethnic Minority employees in our CEO-4 and above UK roles (%)	<p>The percentage of Ethnic Minority employees in the UK, defined as CEO, CEO-1, CEO-2, CEO-3, and CEO-4 layers according to line-management reporting lines as at 31 December 2022.</p> <p>Specific rules and exclusions include</p> <ul style="list-style-type: none"> Where individuals are on secondment, their secondment role is used as a basis for reporting. Based on active permanent headcount only - non-active headcount includes individuals on maternity / paternity leave, long term sick and career breaks. All clerical, appointed and lower management level roles and some business management and leadership support roles in these levels i.e., Executive Assistant and Business Support are excluded from CEO-1, CEO-2 and CEO-3 but are included for CEO-4. 	Data is sourced from Workday (human capital management software) on the last day of the quarter and is used to produce quarterly scorecards.	Data is representative of Workday. Worker gender and worker ethnic origin completeness and conformity is managed through monthly data quality assurance checks in line with Data Management Operational Procedures. The process is mostly automated and manual checks are completed on the key areas to ensure accuracy of reporting especially around exclusions.
22. Gender balance in our CEO-3 and above global roles (%)	<p>The percentage of women employees globally, defined as the CEO, CEO- 1, CEO-2 and CEO-3 layers according to line-management reporting structure as at 31 December 2022.</p> <p>Specific rules and exclusions include</p> <ul style="list-style-type: none"> Where individuals are on secondment, their secondment role is used as a basis for reporting. Based on active permanent headcount only - non-active headcount includes individuals on maternity / paternity leave, long term sick and career breaks. All clerical, appointed and lower management level roles and some business management and leadership support roles in these levels i.e., Executive Assistant and Business Support are excluded. 		