

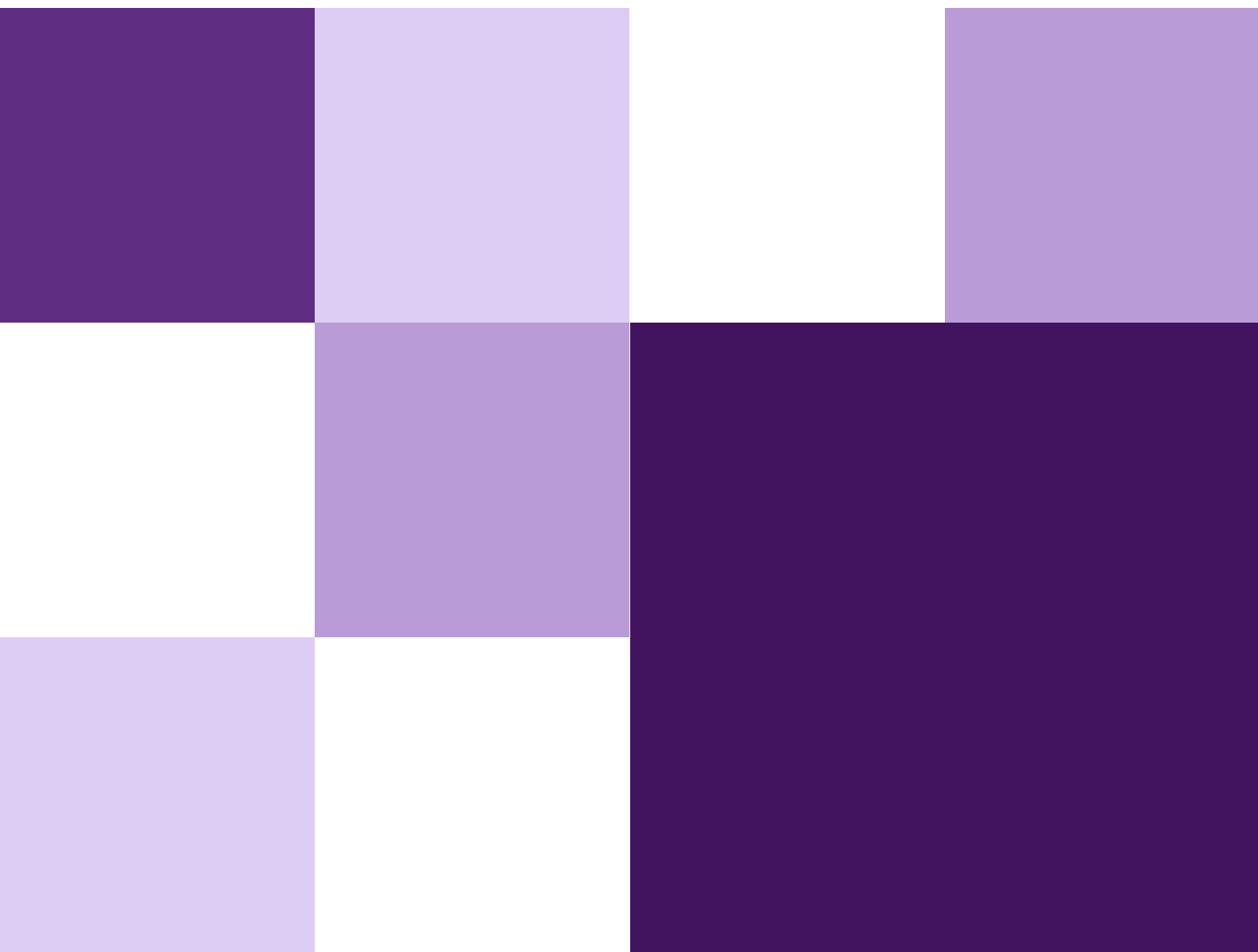


Green, Social and Sustainability Bonds Allocation and Impact Report

Thrive Together

31 May 2022

natwestgroup.com



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Assurance approach

NatWest Group plc appointed Ernst & Young LLP (EY) to provide independent assurance over certain sustainability metrics, indicated with (*) in this report. The assurance engagement was planned and performed 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)”). An assurance report was issued and is included within this consolidated report which includes further details on the scope, respective responsibilities, work performed, limitations and conclusion.

1. Building a Purpose-Led Bank

Our purpose-led strategy aims to deliver sustainable, long-term business performance and create the greatest value for our stakeholders.

As a relationship bank for a digital world, we exist to champion our customers' potential by supporting them at every stage of their lives. With this lifecycle approach, our purpose will create longer-term and deeper relationships with our customers, helping them, our communities and economy to thrive – and, in turn, deliver sustainable returns.

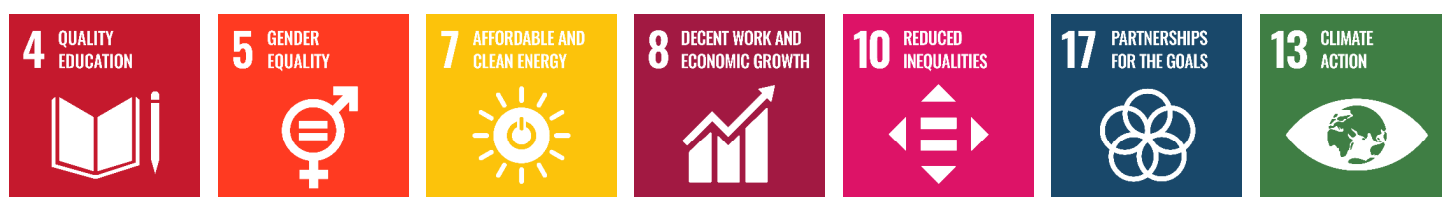
We recognise the need to be a sustainable bank, resilient to future environmental and social shifts, and better able to capitalise on the commercial opportunities that these shifts can also present. At the centre of our approach is the belief that we must have a reciprocal relationship with society, the environment and the communities where we operate.

As a large corporation we benefit from a range of social goods in the form of customer trust, deposits, an educated workforce, licences, protections and infrastructures, all of which enable us to operate. In return, through our purpose, we seek to create enhanced social value, seeing this as a healthy and natural expectation of us to do business.

It's why we have chosen to work closely with 'Blueprint for Better Business', an independent charity which aims to enable a better society through better business. Its principles allow us to think more widely about our purpose and what is needed to bring it to life across our organisation: by being honest and fair with our customers and suppliers; acting as a responsible employer; operating as a good citizen in our communities; and being guardians for the next generation.

Implicit within the Blueprint for Better Business framework and embedded through all our activities is a commitment to understanding the key issues for our business and where we can have the most meaningful impact – with a focus on three specific areas: climate, enterprise and learning.

The reporting period covered in this paper is from 1 January 2021 to 31 December 2021.



“We”, “our” or “NatWest Group” refers to NatWest Group plc and subsidiaries.

2. NatWest Group Green, Social and Sustainability Bonds Highlights

NatWest Group Green Bonds

Number of Green Mortgages Allocated	2,293
Estimated Carbon Emissions Avoided per annum Through Energy Efficiency	6,420 tCO ₂ e
Number of Renewable Energy Lending Facilities Allocated	16
Renewable Energy Generation*	761,299 MWh
Estimated Carbon Emissions Avoided* per annum Through Renewable Energy	161,647 tCO ₂ e

‘Emissions Avoided’, in the context of this report, does not align with the definition of and approach of calculating ‘avoided emissions’ provided by the Partnership for Carbon Accounting Financials¹ that is limited to project financings with restricted use of proceeds. In this report, we apply the ‘avoided emissions’ concept to provide some indication of estimated impact of loans where proceeds may not be restricted to a specified use of proceeds. Please refer to Section 3.4 of this report for further details of methodologies applied to provide an estimate of ‘Emissions Avoided’.

NatWest Group Social Bonds

Number of Housing Associations Supported	28
Estimated New Housing Units Developed/Acquired*	285
Estimated Existing Housing Units Partially Supported*	~127,000
Average Number of SMEs Supported	1,904
Estimated Jobs Created/Enabled*	8,592

¹ <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>.

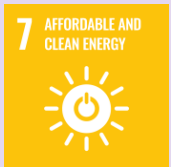

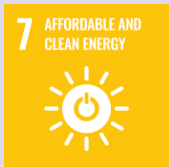
* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds

3.1 NWG GSS Bond Framework – Green Bonds

Our eligibility criteria is outlined in our Green, Social and Sustainability Bonds Framework (the “Framework”)². The International Capital Markets Association (“ICMA”) Green Bond Principles (“GBP”)³ represent a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond.

The below table summarises NatWest Group’s approach to issuances which (re)finance eligible green projects with positive environmental impacts (“Green Bonds”) to comply with the key components of the ICMA guidelines.

ICMA Category	Energy Efficiency	Renewable Energy
SDG	SDG 7: Affordable and Clean Energy SDG 13: Climate Action  	SDG 7: Affordable and Clean Energy 
Use of Proceeds	Framework section 4.1 Eligible Green Loans: Green Buildings	Framework section 4.1 Eligible Green Loans: Renewable Energy
Evaluation and Selection Process	Framework section 5.1 Selection of eligible Green Building loans	Framework section 5.3 Selection of eligible SME loans
Management of Proceeds	The net proceeds of the Green Bonds will be managed by Treasury on a portfolio basis. As long as the Green Bonds are outstanding, we will intend to exclusively allocate an amount equivalent to, or in excess of, the net proceeds of the Green Bonds to Eligible Green Loans in line with the Green Loan Eligibility Criteria set out in our Framework and evaluation and selection process.	
Reporting	An allocation and impact report will be expected to be available a year from issuance of the applicable Green Bonds and at least annually thereafter.	

² https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/green-social-and-sustainability-bonds/gss-bond-framework-oct-2020.pdf

³ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

3. NatWest Group Green Bonds (cont'd)

3.2 Green Bond Issuances as at 31 December 2021

As of 31 December 2021, NatWest Group had issued £1.09 billion aggregate principal amount of Green Bonds (sterling equivalent based on the FX rate at issuance).

Green Bonds	Issue Date	ICMA Category	SDGs Addressed	Currency	Notional (m)	Maturity	Signed amount (GBP m)	Share of Total Financing (%) ⁴	Eligibility of Green Bond (%)	Amount Allocated (GBP m)	Portfolio lifetime	ISIN
Renewable Energy	25/05/2020	Renewable Energy	7	USD	600	22/05/2024	549	100	100	493	Matched to bond maturity	US780097BN03
Green Mortgage	09/11/2021	Energy Efficiency	2	GBP	600	09/11/2028	600	95	100	570*	Matched to bond maturity	XS2405139432

⁴ Share of Total Financing (%) = Amount Allocated (GBP m)/Notional (GBP m)

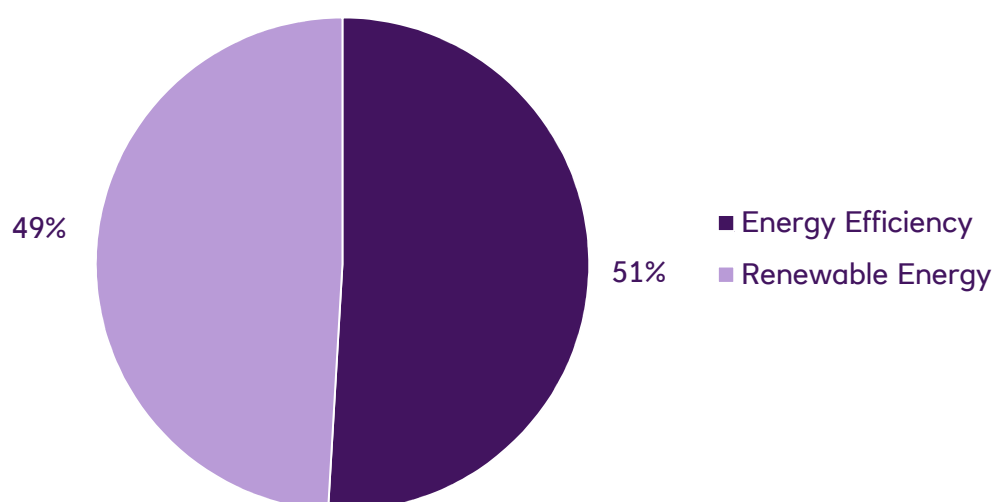
* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.3 Green Bond Allocation Summary

The amounts equivalent to the Green Bond proceeds have been used to finance and/or refinance renewable energy projects and residential mortgages which have an Energy Performance Certificate (“EPC”) rating of A or B* (“Green Mortgages”)⁵. The Green Bond Portfolios are fully allocated 12 months after issuance at which point the pool balance will remain higher than the bond proceeds. The November 2021 Green Bond issuance is currently 95% allocated and will be fully allocated by November 2022.

NatWest Group's Green Bond Portfolios



Category	Balance at 31 December 2021 (£m)
Energy Efficiency	570*
A EPC Rating	17
B EPC Rating	553
Renewable Energy	549
Solar	220
Onshore Wind	172
Offshore Wind	137
Hydropower	20
Total	1,119

⁵ Premised on mortgages for energy efficient homes (EPC A or B rated) being aligned to the World Green Building Council definition of green mortgages and now having Pioneer status with the Green Home Finance Principles (<https://www.greenfinanceinstitute.co.uk/ghfp/>)

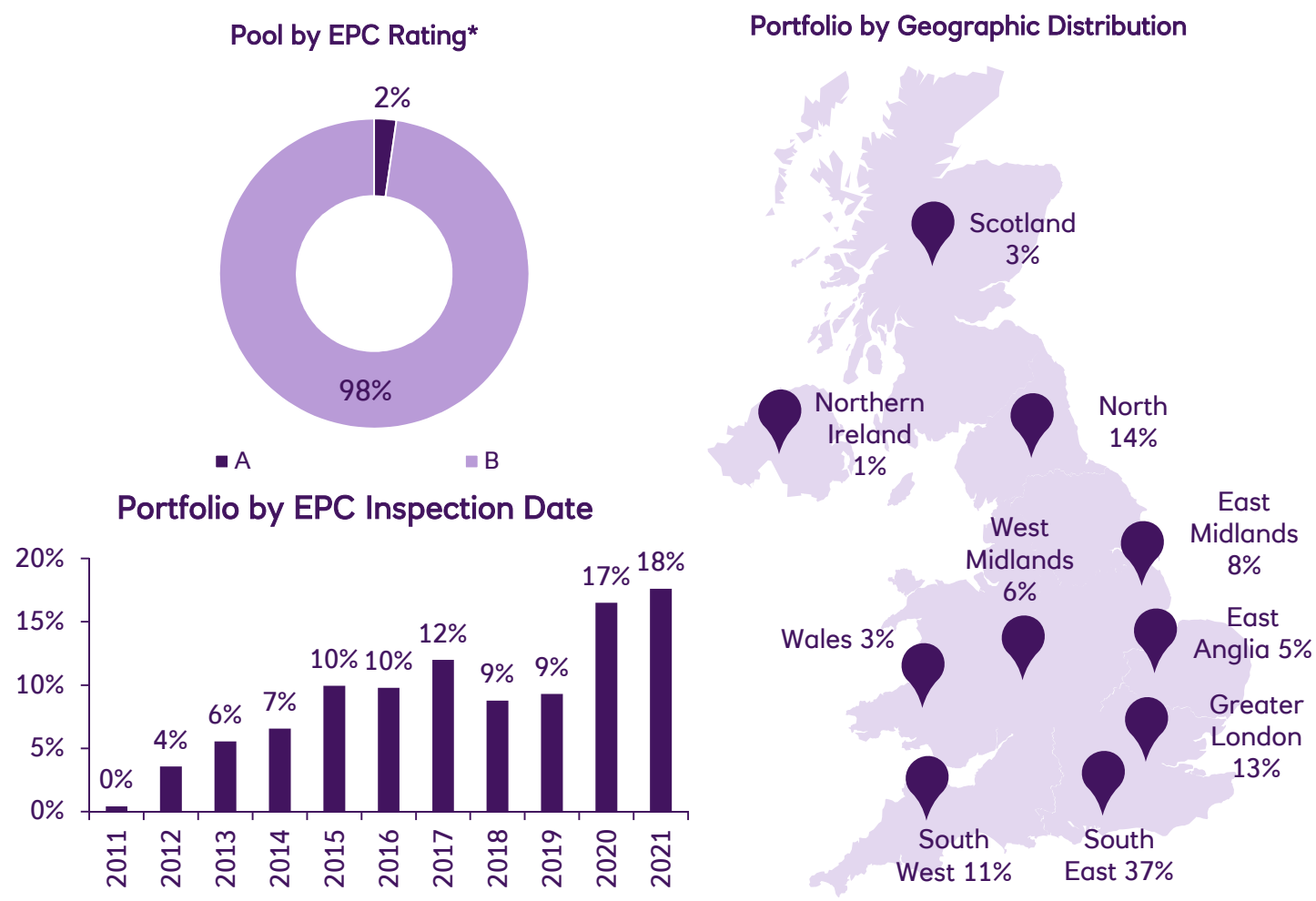
* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.3 Green Bond Allocations – Energy Efficiency

NatWest Group is supporting its residential mortgage customers to improve the energy efficiency of their residential properties by offering a Green Mortgage with economic incentives for customers purchasing, porting or re-mortgaging a property with an EPC rating⁶ of A or B*, rewarding them for choosing an energy efficient home and for playing their part in helping to drive the UK transition to a net-zero economy.

The net proceeds from our Green Bond issued in November 2022 have financed and/or refinanced Green Mortgages. At the time of issuance in November 2021, we selected a pool of Green Mortgages which the represented approximately 50% of the net proceeds of the Green Bond issued November 2021. We have since added further eligible Green Mortgages now totalling £570 million* as at 31 December 2021 (the “Green Mortgage Portfolio”), which is 95% of the targeted £600 million. The Green Mortgage Portfolio is expected to be fully allocated by November 2022.



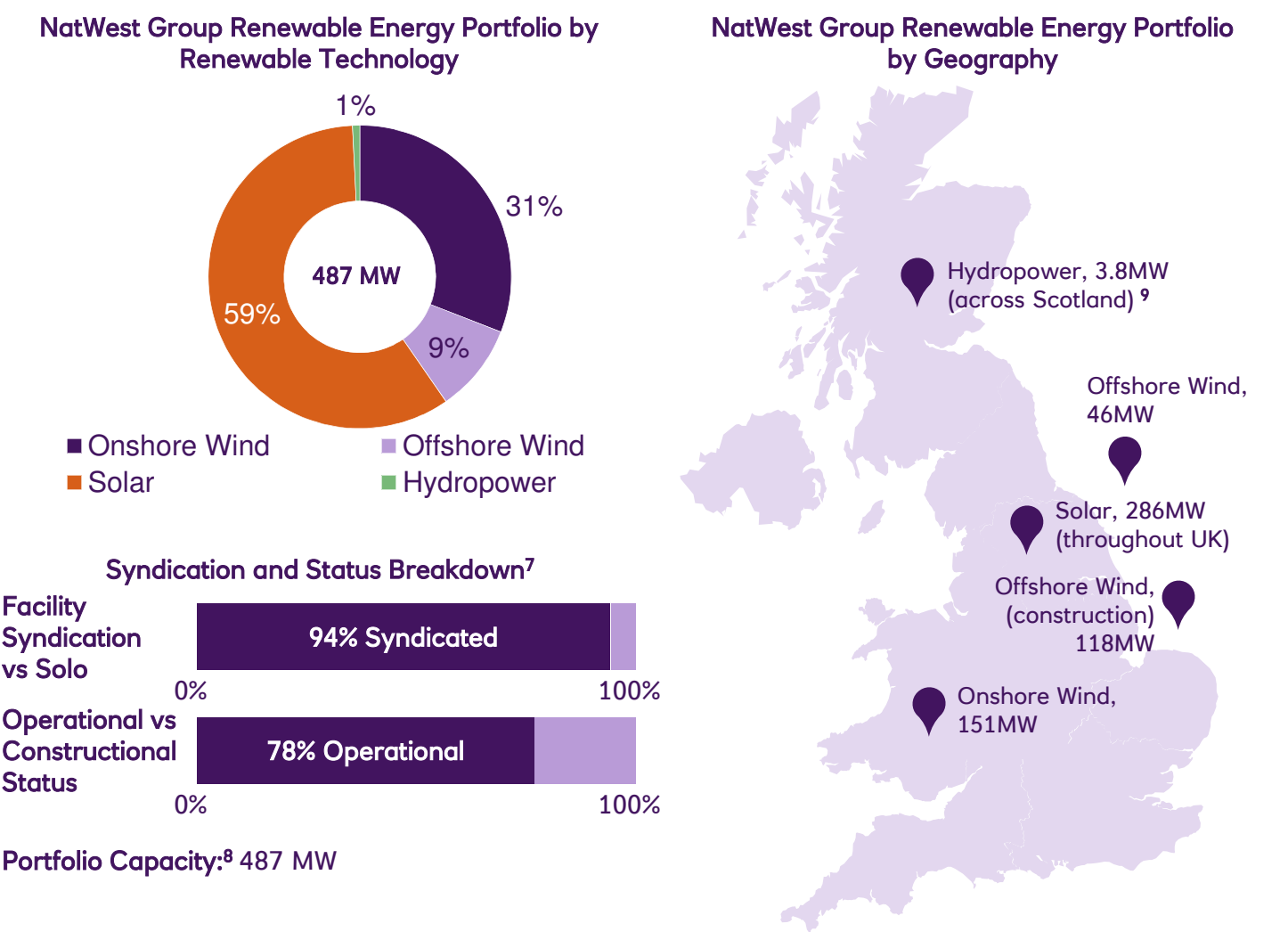
⁶ For a summary of the limitations of carbon emissions calculated using EPC ratings, see section 5.2 and 5.8 of the NatWest Group plc 2021 Climate-related disclosures report. https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/18022022/2021-climate-related-disclosure-report.pdf
* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.3 Green Bond Allocations – Renewable Energy

Net proceeds of the Green Bonds issued in May 2020 have been fully allocated since issuance to renewable energy projects across Scotland and England. As set out in our Allocation Report published in May 2020, proceeds refinanced a variety of renewable energy technologies, including Onshore Wind, Offshore Wind, Solar and Hydropower. Since issuance, the portfolio now totals £549 million across 16 projects throughout the UK (the “Renewable Energy Portfolio”).

As the selected facilities are repaid, we expect to select new facilities in line with the criteria in the Framework, to maintain the required notional throughout the life of the bond. As a result of this, the composition of Renewable Energy types in the Renewable Energy Portfolio may change. Any changes are subject to review and approval by our Working Group as described in the Framework.



⁷ Facility syndication and operational status breakdown is calculated according to total project capacities.
⁸ Total portfolio capacity includes the operational project capacities attributed to NWG determined according to method set out on page 10.
⁹ Map locations are approximate. A selection of projects within the portfolio are shown only for illustrative purposes.

3. NatWest Group Green Bonds (cont'd)

3.4 Green Bond Estimated Impacts – Energy Efficiency

Actual energy performance data for the properties within the Green Mortgages Portfolio is largely unavailable. We therefore use EPC ratings as a proxy for actual energy efficiency of the mortgaged properties. This approach has the limitations summarised in Sections 5.2, 5.7 and 5.8 of the NatWest Group plc 2021 Climate-related Disclosures Report¹⁰. To provide an approximate indication of the energy efficiency impact of the Green Mortgage Portfolio, we estimate the avoided kgCO₂e from the Green Mortgage Portfolio. To estimate this, we use the following two data sets: (i) NatWest Group's total residential mortgage loan exposure of £194,011million¹¹ which has a reported physical emission intensity of 37.4 kgCO₂e/m² p.a. (that has a data quality rating of 4.2¹²) for 2020¹³; and (ii) NatWest Group's estimates of physical emission intensity (kgCO₂e/m² p.a.) of its A or B EPC rated¹⁴ residential mortgage properties, which is a subset of the first dataset. We assume that the physical emission intensity of NatWest Group's overall residential mortgage exposure is representative of the physical emission intensity of all properties in the United Kingdom and can be used as a proxy for the UK benchmark of physical emissions as recommended in the ICMA guidance¹⁵. We assume the Green Mortgage Portfolio is representative of the properties in the subset of A and B EPC rated properties* in the total NatWest Group residential mortgage portfolio as at 31 December 2021.

We summarise below the steps we took to estimate this assumed impact:

1. The physical emission intensity (kgCO₂e/m² p.a.) for NatWest Group's total residential mortgage loan exposure which we use in this report was prepared and calculated by NatWest Group and published in its 'NatWest Group plc 2021 Climate-related Disclosures Report'¹⁶ on 18 February 2022 and reported as 37.4 kgCO₂e/m² p.a. The physical emission intensity calculation is based on data from 2020 which is then applied to the total residential mortgage portfolio as of 31 December 2021.
2. The physical emission intensity (kgCO₂e/m² p.a.) for the A and B EPC rated residential properties in the total NatWest Group residential mortgage portfolio as at 31 December 2021 is a subset of the data appearing in the 'NatWest Group plc 2021 Climate-related Disclosures Report' which only includes the physical emission intensities for A and B EPC rated residential properties, weighted by the outstanding principal amount of the residential properties in the Green Mortgage Portfolio. This results in 13.6 kgCO₂e/m² p.a.
3. To calculate the estimated carbon emissions avoided in the Green Mortgage Portfolio, we have calculated the reduction in the physical emission intensity of the total NatWest Group residential mortgage portfolio (37.4 kgCO₂e/m² p.a.) as at 31 December 2021 and the subset of A and B EPC rated properties in the total NatWest Group residential mortgage portfolio as at 31 December 2021 (13.6 kgCO₂e/m² p.a.) and multiplied by the total floor area of the Green Mortgage Portfolio (269,751 m²)* to arrive at the estimated carbon emissions avoided (6,420,370 kgCO₂e p.a.). The total floor area of Green Mortgage Portfolio is an aggregate of the total floor area of each property in the Green Mortgage Portfolio as disclosed in the relevant EPC certificate.

Assumptions/Risks: The underlying calculations for physical emission intensities are subject to significant uncertainties, assumptions, judgements and data limitations as disclosed in Sections 5.2, 5.7 and 5.8 of the NatWest Group plc 2021 Climate-related Disclosures Report¹⁷. Therefore, there is a risk that the level of assumed carbon emission intensity and the level of actual avoided carbon emission intensity differ significantly.

¹⁰ For a summary of the limitations of carbon emissions calculated using EPC ratings, see section 5.2, 5.7 and 5.8 of the NatWest Group plc 2021 Climate-related disclosures report: <https://investors.natwestgroup.com/-/media/Files/R/RBS-IR-V2/results-center/18022022/2021-climate-related-disclosure-report.pdf>

¹¹ Page 58 of the NatWest Group plc 2021 Climate-related disclosures report

¹² Page 79 of the NatWest Group plc 2021 Climate-related disclosures report

¹³ The Physical Emission Intensity is calculated based on 2020 data but is being applied to the 31 December 2021 balance of NatWest Group's total residential mortgage loan exposure. Page 80 of the NatWest Group plc 2021 Climate-related disclosures report.

¹⁵ Page 5: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>

¹⁶ Page 80 of the NatWest Group plc 2021 Climate-related disclosures report

^{14,17} For a summary of the limitations of carbon emissions calculated using EPC ratings, see section 5.2, 5.7 and 5.8 of the NatWest Group plc 2021 Climate-related disclosures report

* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.4 Green Bond Estimated Impacts – Energy Efficiency

Impact Summary

As at 31 December 2021, the Green Mortgage Portfolio contains residential properties that are exclusively A or B EPC rated*, compared to NatWest Group's overall residential portfolio of which 15% are A or B EPC rated properties. By virtue of the higher level of A and B EPC rated properties in the Green Mortgage Portfolio compared to the NatWest Group level, we would expect that the Green Mortgage Portfolio to have a lower level of physical emissions intensity. As outlined on page 10, we estimate that the properties in the Green Mortgage Portfolio emit 60% less carbon than the overall NatWest Group average. The reason for the lower level of carbon emissions could be due to a multitude of factors including; the building's age, improved levels of insulation in the building's fabric; more efficient performance and/or net zero energy sources used for space, water heating and lighting; or, improved levels of air tightness of the building. EPC data is 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. 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. The below provides an estimation of the amount of carbon emissions avoided based upon the approach detailed on page 10.

Estimated Carbon Emission Reduction versus the NatWest Group Residential Mortgage Portfolio	
Average Estimated Physical Emissions Intensity of the NatWest Group Residential Mortgage Portfolio ¹⁸ (p.a.)	37.4 kgCO ₂ e/m ²
Average Estimated Physical Emissions Intensity of the A and B EPC Rated Properties (p.a.)	13.6 kgCO ₂ e/m ²
Total Floor Area of the Green Mortgage Portfolio*	269,751 m ²
Estimated Carbon Avoided = (Average Estimated Physical Emissions Intensity of the NatWest Group Residential Mortgage Portfolio – Average Estimated Physical Emissions Intensity of the A and B EPC Rated Properties) * Total Floor Area of the Green Mortgage Portfolio	
Estimated Carbon Emissions Avoided (p.a.)	6,420,370 kgCO ₂ e
Reduction per £1 million invested = (£1 million/£600 million) * Estimated Carbon Avoided	
Reduction per £1 million invested (p.a.)	10,701 kgCO ₂ e

¹⁸ Page 80 of 'NatWest Group plc 2021 Climate-related Disclosures Report' https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/results-center/18022022/2021-climate-related-disclosure-report.pdf

* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.4 Green Bond Estimated Impacts – Renewable Energy

In estimating carbon emissions avoided, we consider that the energy generated by the renewable energy projects in the Renewable Energy Portfolio would have been otherwise generated through other means, such as by fossil-fuel generators, in a proportion according to the average composition of power generation facilities within the UK energy generation network.

We have therefore estimated the carbon that the Renewable Energy Portfolio emissions avoids by utilising the UK Government's Department of Business, Energy & Industrial Strategy ("BEIS") published¹⁹ *emissions factor*, in unit of tCO₂e/MWh. This includes the carbon emissions produced by total electricity generation in the UK as at 31 December 2021.

We apply this carbon emissions factor to the energy generation of the projects within the Renewable Energy Portfolio. For the purposes of the calculation, we have included the time period for the 12 months to 31 December 2021. In this methodology we only include the estimated energy generation attributed to our share of any syndicated facility, considering only the debt financing of projects, and only those in operation. For the purposes of calculating the project share attributed to NWG, we assume syndicated facilities are paid down in whole at the same rate as our portion is repaid, per ordinary syndication arrangements for this type of lending. The calculation of project share attributed to NWG reflects that of the original project debt and original facility amounts per loan documentation, and considers projects to be wholly debt-funded. In future, we may consider alignment with the Partnership for Carbon Accounting Financials methodology, though we note additional complexity in how the equity portion of project financing is incorporated into impact calculations.

We expect to report on those facilities which are currently in construction, using the same methodology in our next impact report, if full operations have commenced. In order to support the move towards transparent impact reporting, we have opted to leverage publically available²⁰ *load factors* relevant to each renewable energy type in order to estimate operating capacities. These factors are applied to installed capacities, to account for environmental and meteorological variations which impact energy generation.

This methodology ultimately gives an indicative estimate for the mass of equivalent tCO₂e avoided, which we report in metric tonnes. As the Renewable Energy Portfolio is now greater than the bond balance issuance amount, the tCO₂e avoided is adjusted to only consider in the impact what has been funded with the bond proceeds. We note the decarbonisation of the UK energy network in recent years, where fossil-fuel power stations are being gradually displaced by renewable energy generation. This figure for carbon emissions avoided is therefore a conservative estimate; we would expect a higher quantum of carbon emissions avoided if baselined to an energy network with larger proportion of fossil-fuel electricity generation.

Renewable Technology	Lending Facilities	Notional (NWG) ²¹	Installed Capacity (Total)	Installed Capacity (NWG Share)	Energy Generation (Total)	Energy Generation (NWG Share)	Emissions Avoided (NWG)	Emissions Avoided (NWG) per £1 Million Invested
	-	£m	MW	MW	MWh	MWh	tCO ₂	
Onshore Wind	5	172	958	151	2,353,387	369,703	78,499	
Offshore Wind	5	137	1,553	46	6,199,204	183,156	38,890	
Solar	5	220	580	286	568,889	280,875	59,638	
Hydropower	1	20	4	4	13,600	13,600	2,888	
Totals	16	549	3,095	487	9,135,080	847,333	179,914	
Total Allocated²²		493	2,781	437	8,207,555	761,299*	161,647*	328

¹⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049333/conversion-factors-2021-full-set-advanced-users.xlsm

²⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057646/ET_6.1_DEC_21.xlsx

²¹ Portfolio notional assessed at 31 December 2021. Allocation and impacts presented in this report reflect the portfolio as at that date.

²² 'Total Allocated' represents the portion of the pool funded by the bond proceeds of £493 million.

* Covered by EY Assurance. See page 2 for more information.

3. NatWest Group Green Bonds (cont'd)

3.5 Case Studies – Renewable Energy²³

Belenus Energy Limited

Belenus Energy Limited is a portfolio of two operational UK ground-mounted solar photovoltaic assets, Averill Farm, based in Derbyshire and Spittleborough Farm, based in Wiltshire. NatWest Group, following a competitive request for proposal process, participated in this solar project in 2019 to bilaterally refinance and re-lever the assets, totalling 14.1MW capacity, generating electricity and exporting to the grid with bandings of 1.3 and 1.6 ROCs (Renewable Obligation Certificates) per MW respectively. This project forms part of our green bond portfolio.



The Renewables Obligation scheme is one of the main renewable support mechanisms in the UK for large scale renewable energy generation where both assets are ROC accredited, which are an important part of the UK renewable energy market.

The sponsor is Octopus Investments Limited, who are an established sponsor with a long-term approach and track record. They are one of the UK's largest investors in wind and solar farms, with a strategy to lead and pave the way for a greener future.

Galloper Offshore Wind Farm Limited

Galloper Offshore Wind Farm Limited is wind farm project, located 30km off the coast of Suffolk. The project is syndicated, and part of which is included in the Renewable Energy Portfolio. Construction of Galloper Offshore Wind Farm started with onshore works in late 2015 with offshore construction getting underway in the summer of 2016. First power was generated by the wind farm in November 2017 and it became fully operational in March 2018. The project is owned by a consortium led by Macquarie Asset Management (25%), RWE Renewables (25%), Siemens Financial Services (25%), Spring Infrastructure (12.5%) and ESB (12.5%).

The Project comprises of 56 Siemens 6.3MW turbines with a combined capacity of 353MW. Each year Galloper Offshore Wind Farm's 56 turbines generate enough green electricity to power the equivalent of more than 380,000 British homes. Approximately 60 personnel operate and maintain the wind farm from a purpose-built Operations & Maintenance facility in Harwich International Port. The Operations & Maintenance team work with local businesses and organisations regularly to support local initiatives.







²³ Source of information provided directly from the relevant project and/or from the relevant project's website (<https://octopusrenewables.com> and <http://www.galloperwindfarm.com/>)

4. NatWest Group Social Bonds

4.1 NWG GSS Bond Framework – Social Bonds

Our eligibility criteria is outlined in our Green, Social and Sustainability Bonds Framework (the “Framework”²⁴). The ICMA Social Bond Principles (“SBP”)²⁵ represent a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the social bond market by clarifying the approach for issuing a social bond.

The below table summarises NatWest Group’s approach to issuances which (re)finance loans with positive social impacts (“Social Bonds”) to comply with the key components of the ICMA guidelines.

ICMA Category	Affordable Housing	Employment Generation
SDG	SDG 1: No Poverty 	SDG 1: No Poverty SDG 8: Decent Work and Economic Growth SDG 10: Reduced Inequalities   
Use of Proceeds	Framework section 4.2 Eligible Social Loans: Affordable Housing	Framework section 4.2 Eligible Social Loans: SME Lending
Evaluation and Selection Process	Framework section 5.2 Selection of Affordable Housing loans	Framework section 5.3 Selection of eligible SME loans
Management of proceeds	The net proceeds of the Social Bonds will be managed by Treasury on a portfolio basis. As long as the Social Bonds are outstanding, we intend to exclusively allocate an amount equivalent to, or in excess of, the net proceeds of the Social Bonds to Eligible Social Loans in line with the Social Loan Eligibility Criteria and evaluation and selection process.	
Reporting	An allocation and impact report will be expected to be available a year from issuance of the applicable GSS bonds and at least annually thereafter.	

²⁴ https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR-V2/green-social-and-sustainability-bonds/gss-bond-framework-oct-2020.pdf

²⁵ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>

4. NatWest Group Social Bonds (cont'd)

4.2 Social Bond Issuances

As at 31 December 2021, NatWest Group had issued £1.51 billion aggregate principal amount of Social Bonds (sterling equivalent based on the FX rate at issuance).

Green Bonds	Issue Date	ICMA Category	SDGs Addressed	Currency	Notional (m)	Maturity	Signed amount (GBP m)	Share of Total Financing (%) ²⁶	Eligibility of Green Bond (%)	Amount Allocated (GBP m)	Portfolio lifetime	ISIN
SME Lending	15/11/2019	Employment Generation	1, 8, 10	EUR	750	15/12/2025	642	100	100	642	Matched to bond maturity	XS2080205367
Affordable Housing	23/02/2021	Affordable Housing	1	EUR	1,000	26/02/2030	1,200	100	100	867	Matched to bond maturity	XS2307853098

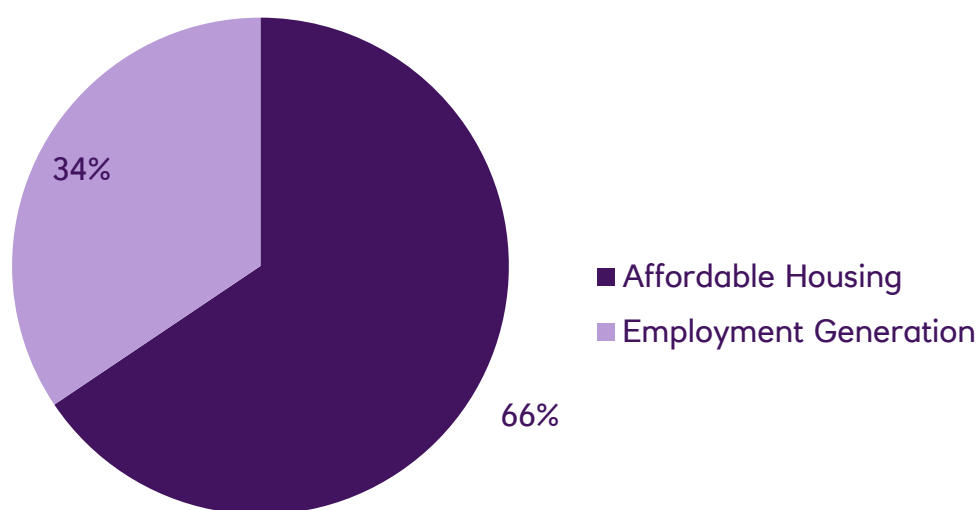
²⁶ Share of Total Financing (%) = Amount Allocated (GBP m)/Notional (GBP m)

4. NatWest Group Social Bonds (cont'd)

4.3 Social Bond Allocations Summary

The amounts equivalent to the Social Bonds have been used to finance and/or refinance loans to not-for-profit registered housing associations throughout the UK and to SMEs operating in the most deprived parts of the UK. The Social Bond Portfolios are fully allocated 12 months after issuance at which point the pool balance will remain higher than the bond proceeds.

NatWest Group's Social Bond Portfolios



Category	Balance at 31 December 2021 (£m)
Affordable Housing	1,160
England	875
Scotland	285
Employment Generation	630
England	554
Wales	44
Scotland	32
Total	1,790

4. NatWest Group Social Bonds (cont'd)

4.3 Social Bond Allocation – Affordable Housing

The net proceeds of the Social Bonds have financed and/or refinanced loans to not-for-profit, registered housing associations operating in the UK (“Housing Association(s)”). At the time of issuance, we selected a pool of loans^{27,28} provided to Housing Associations, which represented approximately 57% of the February 2021 Social Bond issuance proceeds. We have since selected additional eligible loans now totalling £1.2 billion as at 31 December 2021 (the “Affordable Housing Portfolio”), which is over the targeted £0.87 billion (£1 billion)²⁹. The size of the Affordable Housing Portfolio exceeds the targeted £0.87 billion amount, which reflects NatWest Group lending activities in the social housing sector and also maximises allocation over the life of the bond.

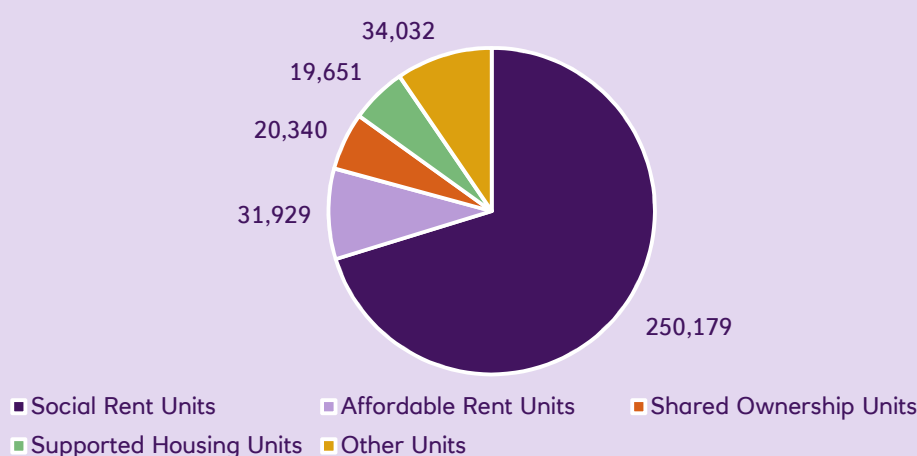
We believe that the provision of these loans enable positive social impacts and reduced inequalities by assisting Housing Associations with the provision of affordable housing. As part of the identification process of the Affordable Housing Portfolio, we allocated loans that were originated (or first drawn down in case of revolving credit facilities) less than or equal to 18 months prior to the date of allocation.

Housing Association Portfolio	£1.2 billion
No. of Housing Associations	28
Average Size of Loan	£19 million
Percentage of Net Bond Proceeds Allocated (Sterling Equivalent)	100%
Term Loan/Revolving Credit Facilities Split	94%/6%
Financed/Refinance Loan Split	43%/57%

The Affordable Housing Portfolio is spread across 28 Housing Associations, providing a mixture of revolving credit facilities and term loan facilities.

Revolving credit facilities are typically used by customers to finance developments or maintenance programmes where flexible cashflow is required. Whereas term loans are usually used to secure longer term liquidity, refinance existing debt or finance larger one off expenditures.

Rent Structures



The majority of the Housing Association’s housing provision is weighted towards **social rent**. These are homes where rent levels are about 50% of market rate and rent increases are limited by the government. This provides a **more secure, long term tenancy** than private renting.

²⁷ We provide loans to Housing Associations in order that they may undertake activities set out in Section 5.2 of the Framework. As such, loan terms may not stipulate specific use of proceeds.

²⁸ Primarily interest only loans with repayment of the principal amount borrowed at the end of the loan term.

²⁹ 1 EUR = 0.8666 GBP as of 26/2/2021 (Issuance date)

4. NatWest Group Social Bonds (cont'd)

4.3 Social Bond Allocation – Employment Generation

The net proceeds of the Social Bond has refinanced loans issued to the UK SMEs located in the bottom ~30% of Local Authority Units (LAU), according to analysis of unemployment claimant rates (UCP) and gross value added per head (GVA) (“SME Portfolio”). The relevant areas correspond to some of the most deprived parts of the UK.

Asset eligibility has been maintained on a regular basis, utilising our in-house selection methodology. Full details are set out in the Framework. The composition of the SME Portfolio is monitored and recorded on a regular basis, to facilitate accurate impact reporting. Any changes are subject to review and approval by our GSS Bond Working Group as described in the Framework.

Since issuance, the proceeds have been fully allocated to a pool of loans including, on average, more than ~1,904 SMEs across Scotland, England, Wales and Northern Ireland. The number of borrowers fluctuates as the SME Portfolio is refreshed.

As at 31st December 2021:	
Proceeds allocated from issuance	£642m
Average number of SMEs supported	1,904
Average loan size to SMEs	~£308k
Industry sectors supported	44
LAUs covered across UK	151

Recap: Selection Criteria

1

Our SME loan book is filtered by loan age, borrower sector, loan performance and loan encumbrance.

2

Postcodes are used at loan level to assign LAU codes to each, which enables mapping to Office for National Statistics data.

3

The residual loans are ranked by GVA and UCP, to identify the bottom ~30% of our loan book, corresponding to some of the most deprived parts of the UK.

4. NatWest Group Social Bonds (cont'd)

4.4 Social Bond Methodology – Affordable Housing

NatWest Group Approach to Estimating Impact on Affordable Housing

To estimate the impact of the funds provided by NatWest Group to the Housing Associations in the Affordable Housing Portfolio, we look at the amount of lending provided by NatWest Group to these Housing Associations, along with the financial data provided by the Regulator of Social Housing³⁰ for English Housing Associations and Scottish Housing Regulator³¹ for Scottish Housing Associations (“Regulators”), on the following basis:

1. The total aggregate outstanding principal amount of loans or facilities in the Affordable Housing Portfolio as of 31 December 2021. The Affordable Housing Portfolio comprises of £1.2 billion of general corporate purposes loans provided by NatWest Group to 28 Housing Associations. These funds are not provided to fund a specific project but can be used to fund a variety of social expenditure i.e. new property acquisition and development, expenditure on repairs and maintenance on their existing housing stock, and also their expenditure on other social activities for their latest accounting period.
2. To estimate impact of the Affordable Housing Portfolio, we use publicly available data provided by the Regulators. This data is broken down by Housing Association, allowing us to filter the data by the 28 Housing Associations which have received funding as part of the Affordable Housing Portfolio. For the purposes of this calculation we have removed any loans where no data from the Regulators is available to estimate impact.
3. Latest data^{10,11} provided by Regulators is for the financial year ending 31 March 2021. The portfolio assessed for impact purposes has been aligned to those Housing Associations included in the Affordable Housing Portfolio with a loan outstanding with NatWest Group as at 31 March 2021. For the purposes of this calculation, this results in a pool balance of £543 million provided to 13 Housing Associations.
4. Based on the reports from the Regulators mentioned Step 3 above, the 13 Housing Associations developed a total of ~2,300 new units and owned and managed a total housing stock of ~127,000 units as at 31 March 2021.
5. We calculated the Total Investment Funds for these 13 Housing Associations as the sum of the Operating Surplus, Debt and Capital Grants. For each Housing Association, the amount NatWest Group contributed to the Total Investment Funds is the loan balance funded to 31 March 2021 divided by the Total Investment Funds.
6. NatWest Group’s assumed impact is measured by the number of new housing units attributed to funds provided by NatWest Group to the 13 Housing Associations up to 31 March 2021. This is calculated on a per Housing Association basis by multiplying the number of new units developed by the percentage NatWest Group contribution to the Total Investment Funds. For the 13 Housing Associations funded to 31 March 2021, the total number of new housing units attributed to NatWest Group is 285*. Loans to Housing Associations are provided for general corporate purposes and the loan’s precise utilisation is not specified, therefore the assumed impact may significantly differ the actual impact.
7. The same calculation as per Step 6 above, but Maintenance & Repairs, Capitalised Repairs and Other Social Housing Activities is multiplied by the percentage NatWest Group contribution to the Total Investment Funds. This assumes all money received was used in the same proportion to the Spending Allocation Mix as per Section 4.5.
8. Any of the £543 million funds not attributed in steps 6 and 7 above, we would assume were used to partially support the (re)financing of the existing ~127,000 stock*.

³⁰ '2021 Global accounts Aggregate financial statements and data' <https://www.gov.uk/government/publications/2021-global-accounts-of-private-registered-providers>

³¹ 'AFS Data All Social Landlords Complete Dataset All Available Years' <https://www.housingregulator.gov.scot/landlord-performance/statistical-information>

* Covered by EY Assurance. See page 2 for more information.

4. NatWest Group Social Bonds (cont'd)

4.4 Social Bond Methodology – Employment Generation

Estimation of Job Creation/Enablement

We have developed a methodology to calculate the number of FTE jobs created/enabled throughout the whole duration of the Social Bond as a result of the loans to SMEs included in the SME Portfolio. The methodology is based on the new analytical industry-by-industry UK-wide Input-Output (IO) tables, published by the ONS.

We opted to leverage Office for National Statistics (ONS) data to determine the relative deprivation of our filtered loan book, utilising a bespoke ranking based on the Gross Value Added per head (GVA) and Unemployment Claimant rates (UCP) relevant to each loan. This method was deemed superior to the use of the extant 'Deprivation Index' which is lagging, and typically published in 5-year cycles.

Lending can have two types of effect on employment. For term loans, we assume that the funds are intended for investment purposes and therefore assist in creating/enabling new jobs. For revolving credit facilities, we assume that the funds are intended for working capital purposes to provide necessary cashflow to support company operations and therefore assisting to retain existing jobs. Currently only term loans are included in the SME Portfolio and thus here we concentrate on estimation of jobs created/enabled. The IO tables provide a complete picture of the flows of goods and services in a country's economy for a given year. They detail the relationship between producers and consumers and the interdependencies of industries. IO modelling is a well-established methodology routinely applied at estimating impacts of investments.

The economic impact of COVID-19 prompted a very substantial increase in Universal Credit claimants, the geographic pattern of which reflecting the early phase of lockdown. We took the decision to temporarily freeze UCP data as at March 2020 to avoid introducing volatility in the overall deprivation ranking. We reintroduced up-to-date UCP data in March 2021 considering the prolonged impact of the pandemic, and our desire for the loan selection to remain representative. The full set of criteria used to select eligible loans is described in the Framework³².

From the IO tables it is possible to calculate how many FTE jobs are created/enabled as a result of additional investment, which generates additional output. By FTE jobs created/enabled we mean that these roles have either been generated or maintained due to the investment financed by the bank's loan.

There are two effects that we capture in our analysis:

- Direct effect shows increase in FTE jobs enabled by investment financed through the loans to SMEs.
- Indirect effect shows increase in FTE jobs throughout the supply chain.

For our calculation we used the following data:

- Investment – the value of our SME Portfolio loans by industry;
- Industry-specific employment effects from the UK IO tables (ONS);
- Capital stock by industry (ONS);
- Output by industry from the UK IO tables (ONS).

The complete description of the methodology can be found in the Methodological note³³.

³² <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/green-social-and-sustainability-bonds/gss-bond-framework-oct-2020.pdf>

³³ <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/green-social-and-sustainability-bonds/natwest-group-social-bond-impact-report-methodological-note-may-2021.pdf>

4. NatWest Group Social Bonds (cont'd)

4.5 Social Bond Estimated Impact – Affordable Housing

Purpose of loans: The loans contained within the Affordable Housing Portfolio are provided under general corporate purposes, which are used to support their activities in the affordable rent, social rent, shared ownership and supported housing sectors. The loans are not used to fund a specific project.

For the purposes of this section, we have extracted relevant information for each of 13 individual Housing Association's total investment in new property acquisition and development, expenditure on repairs and maintenance on their existing and new housing stock, capitalised repairs and also their expenditure on other social activities for their latest accounting period as per Section 4.4, Step 5.

The aggregate outstanding principal amount of eligible loans provided by NatWest Group to the 13 Housing Associations is £543 million. This represents a reduction from the Affordable Housing Portfolio of £1.2 billion at 31 December 2021 to account for timing difference between reports from the Regulators, which are as at 31 March 2021³⁴.

To the year ending 31 March 2021, the 13 Housing Associations reported the following:

Total New Units Developed/ Acquired	~2,300	Expenditure on New Units	£509m	Capitalised Repairs	£62m
Total Units Owned & Managed	~127,000	Maintenance & Repairs	£170m	Other Social Housing Activity	£36m

We assume each Housing Association first uses its pool of Total Investment Funds towards new property acquisition and development, expenditure on repairs and maintenance on their existing housing stock, and also their expenditure on other social activities. With any remaining funds towards (re)financing their existing housing stock. Total Investment Funds are the sum of Operating Surplus, Debt and Capital Grants.

Total Investment Funds

Operating Surplus: £219 million

Debt: £4.26 billion

Capital Grants: £1.59 billion

Total Investment Funds: **£6.07 billion**

Funds Provided by NatWest Group up to 31 March 2021: **£543 million**

NatWest Group Contribution to Total Investment Funds

9%

34 The latest available Housing Association Data provided by the Regulators is for the financial year ending 31 March 2021 and the current metrics set out in this section 4.3 of the Housing Associations may be significantly different. Furthermore, the portfolio of loans provided by NatWest Group to Housing Associations which is assessed for impact purposes has been also aligned and reflect a position of such portfolio as at 31 March 2021 only.

4. NatWest Group Social Bonds (cont'd)

4.5 Social Bond Estimated Impact – Affordable Housing

When weighting by the size of the loan received, NatWest Group's contribution to the Total Investment Funds of Housing Associations is increased when calculated on a weighted average basis³⁵.

NatWest Group weighted average³⁶ to total investment funds on a portfolio basis based on funds allocated by 31 March 2021:

17.4%
England

11.1%
Scotland

Housing Associations are able to invest in new housing through Operating Surplus, Debt and Capital Grants.

The number of new housing units attributable to NatWest Group is based on the funds provided by NatWest Group as a percentage of the Total Investment Funds multiplied by the number of new housing units developed by the respective Housing Association. We have applied the same percentage to amount of expenditure and investment reported by the 13 Housing Associations on new unit acquisition or development, maintenance and repairs, capitalised repairs and other social housing activities to estimate the respective amounts attributable to NatWest Group. Furthermore, for any remaining unallocated funds, we assume that they are used for purposes of (re)financing the existing housing stock.

This calculation assumes that the £543m funds provided by NatWest Group to the 13 Housing Associations have been dispersed by the respective Housing Association in proportion to its Total Investment Funds, and have also been dispersed in the same proportion to their own reported investment and expenditure allocation (see chart on next page) with any remaining funds used to (re)finance the existing housing stock. Therefore, there is a risk that the £543m funds lent by NatWest Group to the 13 Housing Associations have dispersed in a different manner or for another purpose not disclosed in this report. Or, as the 13 Housing Associations may have more than one lender providing loan facilities, the assumed impact outlined below may have been facilitated by more than one lender.

Investment and Expenditure Attributed to NatWest Group:

New Units Developed/Acquired*	285	Expenditure on New Units	£42m	Capitalised Repairs	£6m
Maintenance & Repairs	£24m	Other Social Housing Activity	£3m	Total Units Partially Supported*	~127,000

Of the £543 million lent by NatWest Group to the 13 Housing Associations during the reporting period up to 31 March 2021 all of which is funded by the Social Bond issuance in February 2021, we have assumed that £74 million is attributed to the investment and expenditure items above. For the remaining £469 million, we also assume that these funds have been drawn to partially (re)finance the existing ~127,000 housing stock (disclosed as "Total Units Partially Supported" above). As disclosed above, the Total Investment Funds of the 13 Housing Associations was ~£6.1 billion, of which ~£0.8 billion was spent during the reporting period up to 31 March 2021 as investment in new units developed and also on expenditure on maintenance, repairs and other social housing expenditure. We assume the remaining ~£5.3 billion on Total Investment Funds available to the Housing Associations was used for the purposes of (re)financing their existing housing stock of ~127,000 units, of which we assume £469 million is attributed to NatWest Group³⁷.

^{35, 36.} Calculation disclosed in Section 4.4, Step 5. Aggregated and weighted by the amount provided to the respective Housing Association (£868m in total)

³⁷ **Caution about the assumed impact on Affordable Housing presented in this report.** The loans which are financed/refinanced by the proceeds of the Social Bonds are provided for general corporate purposes (i.e., not provided to fund a specific project but can be used to fund any activity that a Housing Association may engage in or any expenditure that a Housing Association may incur). Accordingly, the report must not be read or assumed to be a report on the actual use of proceeds of the Social Bonds which it relates to or a report on the actual impact of the Social Bonds' proceeds. This report provides only an estimate of the assumed impact of the Social Bonds' proceeds based on Housing Association Data and the metrics and data set out in section 4.4 of this report which in turn relies on several assumptions, expectations and estimates. Accordingly, the actual use of proceeds and actual impact of the Social Bond could differ materially from what is presented as the assumed impact in this report. Accordingly, undue reliance should not be placed on the assumed impact section of this report.

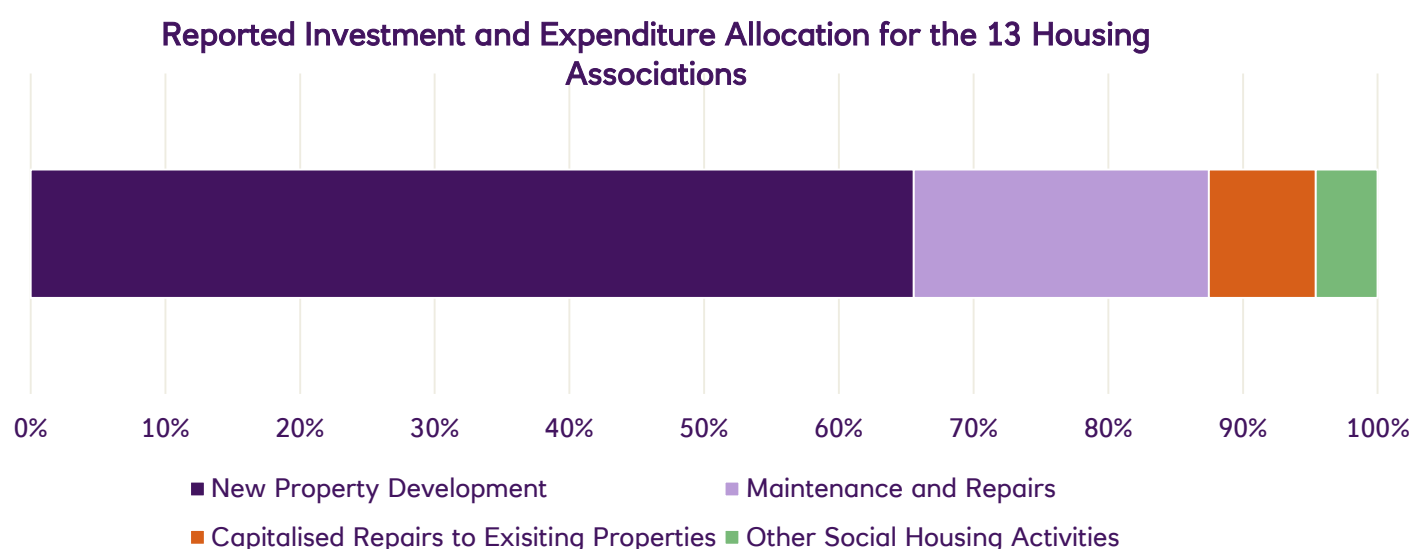
NatWest Group gives no assurance (i) on the actual or intended direct or indirect use by the Housing Associations of all or some of the use of proceeds of the Social Bonds or any loans that the Social Bond finance or refinance; and (ii) on the impact of any loans financed/re-financed with the proceeds from the issue of the Social Bonds.

* Covered by EY Assurance. See page 2 for more information.

4. NatWest Group Social Bonds (cont'd)

4.5 Social Bond Estimated Impact – Affordable Housing

Developing new units is only one aspect of spending by Housing Associations. The table below sets out the split of investment and expenditure categories for the 13 Housing Associations used in our assumed impact calculation. Over 30% of the spend from 13 Housing Associations funded to 31 March 2021 went to maintenance and repairs, capitalised repairs, and other social housing activities. The amount of spend was calculated based on the data provided to the Regulators for these 13 Housing Associations. Non-new development spending can be allocated towards improvements such as improving the energy efficiency of the housing stock which reduces energy costs for the residents.



NatWest Group Support to the Social Housing Sector

Broader Support to the Housing Association Sector: NatWest Group has over £14.3 billion total sector exposure to approximately 250 Housing Associations as at 31 December 2021. We also assist them to access financing in the capital markets supporting over £7 billion of capital markets issuance over the past 2 ½ years and we are consistently a leading bank for UK Housing Associations and Real Estate Companies accessing both public and private markets³⁸. Often GSS and sustainable finance tools are incorporated, as well as providing risk management.

In addition, we partner with the Housing Associations to collaborate on white papers, such as the Sustainability Reporting Standard for Social Housing³⁹ report published in November 2020, which enhances the broader ecosystem and benefits the fundamental impact to create more affordable housing in the UK.

³⁸ Source: Dealogic. Ranked #1 bookrunner to UK Housing Associations and Real Estate Companies for Investment Grade capital markets financing transactions over the last 5, as at 28th February 2022.

³⁹ https://esgsocialhousing.co.uk/wp-content/uploads/2020/11/SRS_final-report-2.pdf

4. NatWest Group Social Bonds (cont'd)

4.5 Social Bond Estimated Impact – Jobs Created/Enabled

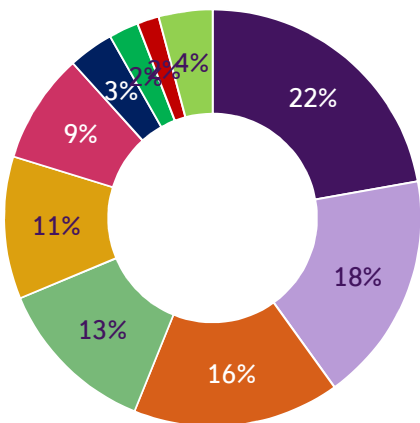
We have developed a methodology to calculate the number of full-time equivalent jobs created/enabled, based on the UK-wide input-output tables, published by the ONS. The jobs created/enabled calculation considers the result of investments made by the SMEs in economically deprived parts of the UK and is refined at each reporting point by utilising the latest average pool composition.

The premise of the methodology is that the loans included in the Social Bond allow the SMEs to make investments which, as a result, lead to higher activity and higher employment. We take into account direct (higher economic activity) and indirect (higher demand through the supply chain) effects. For a more detailed description of the methodology and how we applied it, please refer to the Methodological Note.

Using the methodology and UK Input-Output tables, we calculate creation/enablement of ~8,592* FTE jobs in the UK as a result of the loans included in the SME Portfolio, over the life of the issuance.

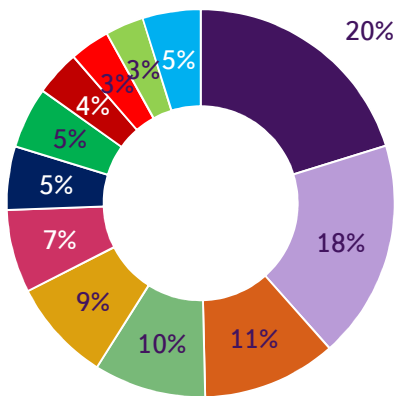
- Three sectors⁴⁰ which stimulated the highest number of jobs created/enabled are Health & Social Work (~1,900), Accommodation and food services (~1,500) and Wholesale and Retail (~1,400).
- SMEs in three regions stimulated the highest number of jobs created/enabled are London (including Greater London) (~1,700), North West of England (~1600) and West Midlands (~1,000).

Cumulative Jobs by Sector



- Health and social work
- Accommodation and food service
- Wholesale and retail
- Construction
- Professional, scientific and technical activities
- Manufacturing
- Agriculture, Forestry and Fishing
- Other service activities
- Real estate
- Other

Cumulative Jobs by Region



- London
- North West
- West Midlands
- Yorkshire and The Humber
- South East
- West Wales and The Valleys
- Southern Scotland
- East Midlands
- North East
- East of England
- Northern Ireland
- Other

⁴⁰ We have updated the data on Capital stock for our calculations to be in line with the newly released Input-Output tables. The Office for National Statistics (ONS) methodology of estimating capital stock by sector has changed (please read about it [here](#)) and had "a considerable impact on capital stock estimates". This has significantly influenced the total estimated number of jobs created/enabled and their sectoral distribution.

* Covered by EY Assurance. See page 2 for more information.

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Affordable Housing⁴¹

Link Group

Link Group is a housing association based in Edinburgh, they have ~550 properties available to let each year for social rent. They house more than 10,000 people.

Link Group has been awarded the Ritterwald Sustainable Housing label in 2020 with the highest scores (frontrunner status) in Environmental and Social and a medium score (ambassador status) in governance. Link group issued a Sustainability Plan to better their governance score⁴².

Ferrymuir⁴³ will provide 32 homes with affordable rent and is anticipated to be available between August to December 2022.

Clarion

Clarion offers its services all over the UK with its head office in London.

They own and manage 125,000 units and will have 9,283 developed over the next ten years. They provide housing to 350,000 people.

Clarion offers various community services through its charitable foundation “Clarion Futures” they will invest £150 million over ten years into this foundation. This helps residents with training and employment alongside improving neighbourhoods and helping young people fulfil their potential.

The original Sherwood Development was built in the 1970s, it was identified by Ealing council that major works were needed to bring the estate up to the government’s Decent Homes Standard. Redevelopment work began in August 2016, now 71 new homes for social rent have been built, with a further 139 homes on track.



Ferrymuir



Merlin Crescent



Sherwood Development

⁴¹ Source of information provided directly from the relevant housing association and/or from the relevant housing association’s website (www.linkgroup.com, www.myclarionhousing.com/, and www.onemanchester.co.uk/)

⁴² <https://linkhousing.org.uk/media/6015/link-group-business-sustainability-plan-202122.pdf>

⁴³ Source: Link Group - <https://linkhousing.org.uk/about-us/our-services/development/ferrymuir-gate-south-queensferry/>

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Affordable Housing

One Manchester

One Manchester own and manage 12,000 homes and plan to develop 2,000 over the next ten years. One Manchester is letting 25% of their homes to customers from temporary and supported accommodation. They work with homeless charities and delivery partners to provide intensive wrap-around support for customers through the GM Homes Partnership rough sleeper program and have pledged further accommodation and support to ensure the success of the GM Housing First Initiative. In partnership with Manchester City Council “MCC”, One Manchester are purchasing a number of large properties within their communities to help rehouse over one hundred large families in temporary accommodation. Additionally they have ambitious plans for more property acquisitions over the next five years to positively boost Private Rented Sector supply.



Clockworks, Moss Side

In 2015 the Oasis Centre Charity and MCC started a partnership with One Manchester to create a new Oasis Centre so that the Charity can continue to do the great work with the local people of Gorton.

The land owned by MCC was transferred to the Oasis Centre and part of the land was transferred to One Manchester to allow the development of 26 brand new homes for Rent to Buy. One Manchester made a payment for the land that helped fund the construction of the Oasis Centre.

The Oasis Centre Charity has been doing great work in Gorton with providing different kinds of support for vulnerable people.



New Bank Street

The Clockworks facility contains 105 2 bedroom apartments, at least 75% of these are already allocated. All of the homes in this development are available with Rent to Buy which gives the individual rent at 80% of market rent for up to five years. This is beneficial for some first time buyers who would like to get onto the property ladder with a bit of help.

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Employment Generation

Shoreham Port Authority⁴⁴

Shoreham Port's heritage can be traced back to 1760. Since the Port's inception it has been a major economic driver for Sussex and the southeast region. As a Trust Port operating at the heart of the local community, their purpose to this day remains to shape and maintain the Port for the benefit of all stakeholders. The surpluses they make are reinvested in the Port to benefit everyone, creating jobs and opportunities.

Over the past 260 years cargoes, vessel types and land uses have all changed considerably, with the Port continually reinventing itself. Today the Port is an economic hub, directly employing around 150 people with thousands more working across the 250-acre site. The Port handles approximately 2m tonnes of cargo per year, with commercial cargoes arriving daily from the UK and Europe, namely timber, steel, aggregates, oil and grain. Perfectly located close to eastern fishing channels, Shoreham Port is a thriving centre for fishing vessels. They also offer vibrant and secure marinas which are ideal for leisure craft.

The Port's commercial property spaces contain diverse community of over 170 businesses and entrepreneurs, many of whom have been able to grow within the sought-after estate. Businesses based at the Port range from artists, personal trainers, IT specialists, fishmongers, and a music studio, just to name a few. One of their latest tenant offerings, Lady Bee Enterprise Centre, achieved 'Best Commercial Building' at the Sussex Heritage Awards and 'Best Small Commercial Building' in the Local Authority Building Control awards in the South East.



Shoreham Port is amongst the most sustainable in the UK and has been certified as an EcoPort for the last 8 years. Existing initiatives include a wide array of 10,000 solar panels across the Port, 2 onshore wind turbines, fleets of electric vehicles, and the installation of litter-sucking Seabins in their marinas.

In 2022 the vision for the Port remains consistent, to play their part in leading the regional economy to a sustainable future, leaving things better than they found them for future generations. Working with their partners to develop the Green Energy Hub is the next giant leap in Shoreham Port's ambitious sustainability commitment, as they plan build a hub that can produce, store, and distribute green hydrogen fuel for locally based heavy transport fleets.



⁴⁴ Source of information provided directly from the relevant business and/or from the relevant business' website (<https://www.shoreham-port.co.uk/>, <http://brittohealthcare.co.uk/>, and <https://fruityfresh.com/>)

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Employment Generation

Shoreham Port Authority⁴⁵

As a Trust Port and community focused organisation, the Port have several ongoing charity partnerships with a variety of organisations, who they work with to create meaningful change. These include a local school provision that supports vulnerable young people, and a marine conservation charity, Sussex Dolphin Project, who the Port collaborate with to launch innovative nature and sustainability projects.

Shoreham Port are led by their Masterplan and Values. Created by their team through a series of ‘values conversations’, the Port’s 8 award-winning values are embedded in everything they do, the decisions they make and how they behave. Their values-based transformation was recognised by the CIPD as the best SME people management initiative of the year.



⁴⁵ Source of information provided directly from the relevant business and/or from the relevant business' website (<https://www.shoreham-port.co.uk/>, <http://brittohealthcare.co.uk/>, and <https://fruityfresh.com/>)

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Employment Generation

Ward Green Lodge Ltd⁴⁶

Ward Green Lodge Care Home is a modern purpose built home for older people, providing residential and specialist dementia care. They aim to deliver the highest quality of care with access to a variety of services and facilities to meet client's needs. They are committed to creating a culture of transparency and a positive environment for residents, staff, families and friends. Ward Green Lodge Care Home is located in Ward Green close to Worsbrough and Worsbrough Mill Country Park. The home has an attractive contemporary design, with special attention given to the comfort and security of the residents who live with them.

Dr Darryl Britto is the Managing Director of Britto healthcare. He entered the care sector having had a long career within healthcare and uses his experience to deliver high quality social care within a state of the art facility. Britto Healthcare aims to deliver care, tailored to the needs of the individuals within a stimulating environment. Wendy Waddington, the home manager, has worked in the care industry for over 24 years, she was a National Finalist at the 2011 Great British Care Awards. Wendy is passionate about providing personalised care and has recruited a high quality team to deliver this at Ward Green Lodge.

Ward Green Lodge Care Home has demonstrated its success by winning the Regional Care Home of the North 2018 as part of the UK Caring Awards.



⁴⁶ Source of information provided directly from the relevant business and/or from the relevant business' website (<https://www.shoreham-port.co.uk/>, <http://brittohealthcare.co.uk/>, and <https://fruityfresh.com/>)

4. NatWest Group Social Bonds (cont'd)

4.6 Case Studies – Employment Generation

Fruity Fresh (Western) Ltd⁴⁷

What started off purely as a favour for a friend has developed into a flourishing business employing over 50 people. Fruity Fresh aims to provide high quality fresh produce at excellent value to local communities. In particular, the company's focus began with supplying communities who were struggling to find familiar ingredients locally. That focus has remained whilst expanding to serve all communities where it operates. Alongside serving the public, providing employment for local staff has been a key priority for the business.



The company consists of a warehouse for wholesale buying at the Western International Market in Hayes and 2 retail outlets – one in Wembley and the other in Northwood. Despite the huge competition, the business has flourished by constantly changing with the times and catering to different demands. This has meant keeping a much larger variety of produce than most of its competitors and obtaining keener prices from its own suppliers. Utilising 40 years of experience in the fruit and vegetable industry, the company is able to procure the highest quality products, in the best condition and at the best prices, in order to deliver outstanding value to customers and to meet all their requirements. The brand has grown to a very strong position in the market today, known for bringing premium quality. The company supplies stand holders in Manchester, Birmingham and Glasgow Markets, who have regional exclusivity, which has enabled Fruity Fresh to build a strong national identity.

During the lockdown from March to June 2020, Fruity Fresh set up an online box delivery service to help the local community to continue to have access to high quality fruit and veg, from the comfort of their own homes.

Fruity Fresh was listed as one of the best London greengrocers in the Financial Times “In the heart of Wembley’s Gujarati community, this store (the retail outlet for an importer), supplies a wide range of fresh Indian produce. The scale of stock is impressive: eight varieties of aubergines; drumsticks; tindori; patra leaves and methi, to name but a few items. A popular seasonal highlight of late-spring and summer is the Indian and Pakistani mangoes – including Alphonso, Kesar, Sindhri – sold in boxes of 6 or 12 at competitive prices.”



⁴⁷ Source of information provided directly from the relevant business and/or from the relevant business' website (<https://www.shoreham-port.co.uk/>, <http://brittohealthcare.co.uk/>, and <https://fruityfresh.com/>)

5. Appendix

5.1 Important Information

This report:

- Has been prepared by NatWest Group plc (together with its subsidiaries the 'NatWest Group') for information and reference purposes only;
- Is intended to provide non-exhaustive, indicative and general information only;
- Does not purport to be comprehensive;
- Does not provide any form of legal, tax, investment, accounting, financial or other advice; and
- Must be read together with the section on '*Notes issued with a specific use of proceeds, such as Green, Social or Sustainability Bonds may not meet investor expectations or requirements*' on page 15 of the NatWest Group plc £40,000,000,000 Euro Medium Term Note Programme (the 'EMTN Programme') under which the Green Bonds and Social Bonds that this report relates to were issued and the following risk factors included in the NatWest Group's 2021 Annual Report and Accounts '*A failure to adapt NatWest Group's business strategy, governance, procedures, systems and controls to manage emerging sustainability-related risks and opportunities may have a material adverse effect on NatWest Group, its reputation, business, results of operations and outlook*' and '*NatWest Group may be subject to potential climate, environmental and other sustainability-related litigation, enforcement proceedings, investigations and conduct risk*'.

Caution about the information this report is based on. This report is prepared based on reviews and analysis of (i) our data derived from management systems that are not necessarily part of the internal controls and procedures over financial reporting that generate our audited financial statements; and (ii) financial, statistical and other information and data published by third parties.

This report and any information contained or otherwise accessible through the websites mentioned in this report are historical and only speak as of their respective date. NatWest Group is under no obligation to update these materials, absent a legal duty to do so.

Any information contained on any websites linked or referenced to in this report is for information only and is not incorporated by reference in this report. To the extent permitted by law, NatWest Group makes no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to the fairness, accuracy, reliability, reasonableness, correctness or completeness of third parties' data, the information provided in sections 3.5 and 4.5 of this report (Case Studies) or any of the opinions or conclusions expressed in these sections.

Caution about the assumed impact of Green Bonds and Social Bonds presented in this report. The assumed impact sections of this report and the presentations described therein are only informed by Harmonized Framework for Impact Reporting (the 'Harmonized Framework') as set out by the International Capital Markets Association (ICMA) and they do not intend to be fully consistent with the guidance of the Harmonized Framework.

Recipient Agreements. By receiving this document, each recipient of this report is deemed (that is, without any need to provide a confirmation, approval or signature of this document) to acknowledge and agree that:

- The recipient has read, understood, agreed and accepted to be bound by the statements below including the sections under '*No offer of securities or investments*', '*Restrictions on distribution*' and '*Limitations of liability*';
- The recipient will not disclose it, or permit disclosure of it, to third parties, in whole or in part, without attributing the source and without the prior written consent of the NatWest Group;
- NatWest Group gives no assurance that all or some of the use of proceeds of the Social Bonds or Green Bonds or any loans that these finance or refinance (i) actually have the impact as presented in the assumed impact section of this report; or (ii) will meet the requirements set out in the Framework (as defined in this report); or (iii) will meet any present or future investor expectations or requirements as regards any investment criteria or guidelines with which that investor or its investments are required to comply; (iv) will meet any present or future applicable law or regulation, its own articles of association or other governing rules or investment mandates that apply to the recipient.

No offer of securities or investments. The information, statements and opinions contained in this report do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments.

Restrictions on distribution. The distribution of this document and of the information it contains may be subject of legal restrictions in some countries. Persons in possession of it must inquire as to the existence of such restrictions and comply with them.

Limitations of liability. NatWest Group or any of its affiliates shall not be liable for any loss, damage, liability or expense incurred or suffered which is claimed to have resulted from use of this report by the recipient, including without limitation any direct, indirect, special or consequential damages, even if NatWest Group has been advised of the possibility of such damages.

Cautionary Note About Forward-looking Statements in this report

This report contains forward-looking statements (within the meaning of the United States Private Securities Litigation Reform Act of 1995), such as statements that include, without limitation, the words 'assumed', 'estimated', 'aim', 'will', 'should', 'intend', 'plan', 'risk' and similar expressions or variations on these expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements. These statements concern or may affect future matters, such as NatWest Group's allocation or deployment of the net proceeds of its offering of Green Bonds and Social Bonds and their assumed impact and reporting thereon.

Forward-looking statements are subject to a number of risks and uncertainties that might cause the actual deployment of the net proceeds of Green Bonds or Social Bonds, their actual impact and NatWest Group's reporting on such matters to differ materially from expected deployment of the net proceeds of Green Bonds and Social Bonds and their assumed impact and NatWest Group's reporting on such matters expressed or implied by the forward-looking statements.

5. Appendix (cont'd)

5.1 Important Information

Factors that could cause or contribute to differences in current expectations and the actual allocation or deployment of the net proceeds of offerings of Green Bonds and Social Bonds, their assumed and actual impact and NatWest Group's reporting on such matters include, but are not limited to the impact of the COVID-19 pandemic, the macroeconomic environment, the outcome and effectiveness of legal, regulatory and governmental actions and investigations, legislative, political, fiscal and regulatory developments, competitive conditions, technological developments, changes in customer behaviour general economic and political conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group's actual allocation or deployment of the net proceeds of offerings of Green Bonds and Social Bonds, their actual impact and NatWest Group's reporting on such matters are discussed in 2021 NatWest Group's Annual Report and Accounts (ARA), as well as the Base Prospectus and its supplements for the EMTN Programme.

The forward-looking statements contained in this document speak only as of the date of this document and NatWest Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

5. Appendix (cont'd)

5.2 Limited Assurance Report



Independent assurance report to the directors of NatWest Group plc on certain metrics within the Green and Social Bonds Impact Report as of 31 December 2021

This report is produced in accordance with the terms of our engagement letter dated 20 April 2022 and addendum to the engagement letter dated 31 May 2022, for the purpose of reporting to the directors of NatWest Group plc (the 'Company' or 'Group') in connection with certain metrics (the 'Subject Matter') prepared by the Group and presented in the Group's Green, Social and Sustainable Bonds Impact Report as of 31 December 2021 (the 'GSS Report'), and whether anything has come to our attention that causes us to believe that the Subject Matter is not fairly stated, in all material respects, based on the Group's Green, Social and Sustainability ('GSS') Bond Framework and the methodology within that framework (together the 'Criteria').

The Criteria is defined in the 'GSS Framework' document published in October 2020 and available in the 'Investor' section on natwestgroup.com under 'Fixed Income Investor' 'Green, Social and Sustainability Bonds'

The specific metrics covered by our report are marked with an (*) within the GSS Report and are detailed below.

Specific metrics ('the Subject Matter') subject to limited assurance

Subject Matter Information subject to limited assurance		
Green Bond proceeds used to finance and / or refinance renewable energy projects	1a	Estimated carbon emissions avoided per annum through renewable energy generation (tCO ₂ e)
	1b	Renewable energy generated (MWh)
Green Bond proceeds used to finance and / or refinance green mortgages	2a	Value of allocation of the proceeds (£m)
	2b	Alignment of the EPC rating (A & B) for properties funded
	2c	Total floor area of the portfolio of green mortgage properties (m ²)
Social Bond proceeds used to finance and / or refinance loans to Small and medium-sized enterprises ("SMEs") operating in the most deprived parts of the UK	3a	Number of jobs created / enabled through the proceeds of the Social Bond
Social Bond proceeds used to finance and / or refinance loans to not-for-profit registered housing associations in the UK	4a	Number of new housing units developed / acquired through proceeds of the Social Bond
	4b	Number of existing housing units partially supported through the proceeds of the Social Bond

Other than as described in the preceding paragraph, which specifies the metrics we have performed our procedures over, we did not perform assurance procedures on any other metrics or any other information included in the GSS Report, and accordingly, we do not express a conclusion on these other metrics or other information.

This report is made solely to the Company's directors, as a body, in accordance with our engagement letter dated 20 April 2022. 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 opinions 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

5. Appendix (cont'd)

5.2 Limited Assurance Report

circumstances, without our express prior written permission. This engagement is separate to, and distinct from, our appointment as the auditors to the Company.

Respective responsibilities of the Company and Ernst & Young LLP

As directors of the Company, you are responsible for the Green and Social Bonds Impact Report which is attached as Appendix A to this report. The directors of the company remain solely responsible for the Green and Social Bonds Impact Report. It is our responsibility to provide a conclusion on specific metrics of the Green and Social Bonds Impact Report based on our examination.

Our approach

We conducted our engagement in accordance with 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). For the purpose of the engagement we have been provided by the directors with the Green and Social Bonds Impact Report.

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)).

We have performed the procedures agreed with you and set out in our engagement letter dated 20 April 2022 and addendum to the engagement letter dated 31 May 2022:

- Interviewed responsible individuals on the policies and processes established for the issuance of Green and Social Bonds in accordance with the Group's Green, Social and Sustainability Bond framework including eligibility, evaluation and selection processes, and management of proceeds thereof;
- Interviewed management and relevant staff responsible for the key processes, for carrying out internal control procedures and for consolidating the data in the Green and Social Bonds Impact Report;
- Obtained an understanding of the systems and processes for collecting, reporting and consolidating the selected information, including obtaining an understanding of internal controls relevant to the engagement, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Obtained a selection of management's documentation of the processes and governance over the Subject Matter, including meeting minutes of relevant governance committees.
- Obtained an understanding through inquiries of relevant personnel, the model and calculations underlying the Subject Matter including the process for collecting and reporting the key data elements used in the model, and for a selected sample, obtaining relevant documentation to verify key input data for the calculation of the Subject Matter;
- Checked that the Subject Matter is calculated and reported in accordance with the Criteria, including testing on a sample basis the accuracy of the data; and
- For a sample of loans, inspected documentation to check the eligibility criteria followed was in accordance with the 'Use of Proceeds' section in the Green, Social and Sustainability Bond framework.

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 on the Subject Matter within the Green and Social Bonds Impact Report. 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.

5. Appendix (cont'd)

5.2 Limited Assurance Report

Inherent limitations

Our conclusion is 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 all 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.

Conclusion

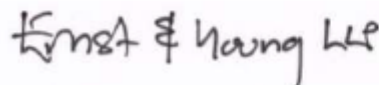
Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not fairly stated, in all material respects, based on the applicable Criteria.

Restricted use

This report is produced in accordance with the terms of our engagement letter and for the purpose of reporting to the directors of the Group in connection with the Subject Matter for the year ended 31 December 2021.

We have not considered the interest that any other party may have in the Subject Matter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors of the Company for our work, for this assurance report or for the opinions 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 Company.



Ernst & Young LLP
London, United Kingdom
31 May 2022