Serving our customers every day

NatWest Group

NatWest Group plc

2023 Green, Social and Sustainability Bonds Allocation and Impact Report

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NatWest Group's Green, Social and Sustainability Financing Framework

Our 2023 reporting suite - available at natwestgroup.com

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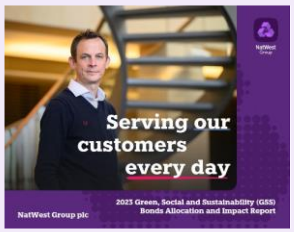


On the cover:
Thom Kenrick,
Head of Social Strategy and Impact, Sustainable Banking at NatWest Group.

As a founding signatory of the UN Principles for Responsible Banking, our ambition is to align our strategy with the 2015 Paris Agreement and the **UN Sustainable Development Goals (SDGs)**. NatWest Group's GSS financing strives to make a positive impact on:

Assurance Approach
NatWest Group plc appointed Ernst & Young LLP (EY) to provide independent assurance over certain sustainability metrics, indicated with an (*) 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. 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.

Cautionary statement on inclusion
The SDGs are a collection of 17 non-legally binding, interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for: (i) NatWest Group's ambition to align to its strategy to the UN Sustainable Development Goal and; (ii) the proposed aim of each 'Eligible Green Assets' and 'Eligible Social Assets' definition. NatWest Group makes no representation, warranty, or assurance of any kind, express or implied, or takes no responsibility or liability as to whether NatWest Group's strategy or the proposed aim of each 'Eligible Green Asset' and 'Eligible Social Asset' definition furthers the objective or achieves the purpose of the indicated SDG.

Serving our customers and communities every day

We're dedicated to serving our customers. By being there throughout their lives, we can build long-term value, invest for growth and drive attractive returns for shareholders. Our focus is to continue building a great bank, powered by great people and delivering fantastic service to our 19 million customers.

Creating sustainable value

1.1 Welcome and key highlights

"As a leading UK bank with 19 million customers, we are well placed to support them to make sustainable choices. We do this through driving value and growth from the commercial opportunities of the transition to a fairer and more inclusive net-zero economy. Serving our customers in this way is good for our communities and environment, as well as our business."

In recent years GSS financing has become a core element of global indices. This reflects the global demand from corporates and governments to fund their regulatory or stakeholder-driven sustainability commitments. It also indicates a continued appetite from investors to place their assets where they can potentially generate wider societal benefits.

We developed our GSS Financing Framework with the aim of attracting dedicated and diversified funding for loans and investments that we believe are likely to deliver a positive environmental or social impact, as well as helping to create long-term value for our shareholders.

The highlight of 2023 was the issuance of our Women-led Business Bond, the first of its kind from a European financial institution. The €500 million issuance is supporting women-led enterprise by funding 14,545(*) loans to women-led businesses as at 31 December 2023.

More broadly, we believe that contributing to a strong GSS capital market is another way in which the bank supports UK economic growth. As this report shows, we believe that our GSS financing is generating impacts across the UK. This is through both the primary funding benefits to recipient businesses and the indirect effects of our lending on local economies.

The progress made in 2023 means we have now issued £3.9 billion of GSS bonds since 2019, which has supported our funding strategy. Such levels of funding ensure NatWest Group can continue to fulfil its role in helping people, families and businesses to thrive. I'm excited about the potential for new issuances and look forward to seeing the continued impact of our portfolios in the coming years.

Donal Quaid
Group Treasurer

Green bonds key metrics as at 31 December 2023

5,473 Green Mortgages(1) allocated to the Green Buildings Bond	**633,800m^2(*)** total floor area of the Green Buildings Bonds portfolio	**0.015 $MtCO_2e$** estimated carbon emissions avoided through the Green Buildings Bonds
17 renewable energy loans allocated to the Renewable Energy Bond	**510 GWh(2)(*)** renewable energy generated through the Renewable Energy Bonds	**0.106 $MtCO_2e$(3)(*)** estimated carbon emissions avoided through the Renewable Energy Bonds

Social bonds key metrics as at 31 December 2023

490(*) estimated new housing units developed/acquired(4)	**4,079** loans to SMEs through the Employment Generation Bond	**14,545(*)** loans to women-led businesses through the Women-led Business Bond
268,600(*) estimated affordable housing units partially supported(4)	**9,700(*)** estimated jobs created/enabled through the Employment Generation Bond(5)	

Metrics, as outlined in the GSS Financing Framework, are provided within this report as an indication of estimated impacts resulting from the allocation of bond proceeds towards eligible assets. Where pool balance is greater than the issuance amount the estimated impact metrics have been adjusted to only consider the impact of the element funded by the bond proceeds. For the Renewable Energy Green Bond that matured in May 2023, impact data is time apportioned.

Refer to section 4.1 of this report for key data limitations, assumptions and risks in relation to Green and Social Bond allocation and impact reporting, noting that 'estimated carbon emissions avoided' as shown in this report does not align with the definition of, and approach of calculating, 'avoided emissions' provided by the Partnership for Carbon Accounting Financials (PCAF) that is limited to project financings with restricted use of proceeds. Refer to section 2.2 and 2.3 for estimated emissions avoided calculation methodology.

(1) NatWest Group Green Mortgages are available to all intermediaries for all residential and buy-to-let properties with an energy performance rating of A or B and specific new build developer properties. Available for purchase, porting and re-mortgage applications.
(2) GWh is gigawatt-hours of energy.
(3) $MtCO_2e$ is million tonnes of carbon dioxide equivalent.
(4) Based on the data available for the twelve-month period ended 31 March 2023.
(5) The Office for National Statistics (ONS) data used in the calculation of this metric is published with time lags. All ONS data used relates to 2019. Refer to sections 3.2 and 4.1 for more information.
(*) Within scope of EY Assurance. Refer to section 4.3.

1.2 Our GSS bonds timeline

NatWest Group's strategy is to grow our business by anticipating and meeting our customers' needs, using data and technology to ensure we are simple to deal with, alongside a disciplined approach to cost, investment and capital allocation. Together, these actions aim to deliver sustainable long-term value for our shareholders. Aligned to this, three iterations of the GSS Financing Framework have been issued since 2019 and, as at 31 December 2023, NatWest Group had issued three green bonds and three social bonds.

For definitions of eligible assets under each bond, refer to section 1.3.

2019

Jul

Our first **GSS Financing Framework** published.

Nov

€750m **Employment Generation Bond** issued, 6NC5[1].

Financing or refinancing sole traders, partnerships and SMEs in areas with high unemployment or low income.

Refer to section 3.2.

2020

May

$600m **Renewable Energy Bond**[2] issued, 4NC3.

Financing or refinancing renewable energy projects, such as, wind and solar farms.

Refer to section 2.2.

Oct

Our second **GSS Financing Framework** published.

2021

Feb

€1b **Affordable Housing Bond** issued, 9NC8.

Financing or refinancing UK accredited or registered Housing Associations.

Refer to section 3.3.

Nov

£600m **Green Buildings Bond** issued, 7NC6.

Financing or refinancing Green Mortgage products within Retail Banking.

Refer to section 2.3.

2022

Aug

€1,000m **Renewable Energy** and **Green Buildings Bond** issued, 6NC5.

Financing or refinancing renewable energy projects and Green Mortgage products within Retail Banking.

Refer to sections 2.2 and 2.3.

Dec

Our third **GSS Financing Framework** published.

2023

Mar

€500m **Women-led Business Bond** issued, 5NC4.

Financing or refinancing women-led businesses.

Refer to section 3.4.

(1) 'N' is the final legal maturity date of the issued bond and 'C' is when the bond can be called. For example, 6NC5 means since issuance in November 2019, it is 6 years until the final maturity date and no call option for 5 years post issuance.
(2) The Renewable Energy Bond was redeemed on the call date of 22 May 2023, a year prior to the maturity date.

1.3

Our GSS Financing Framework

We developed the **GSS Financing Framework** with the aim of attracting dedicated funding for loans and investments that have the potential to bring a positive environmental or social impact. The asset categories of NatWest Group's issued bonds are outlined below, aligned with the key components of the International Capital Markets Association (ICMA) guidelines(1).

Asset categories of NatWest Group issued bonds

Green buildings

Eligible assets for the construction, acquisition or retrofitting of green buildings which meet the regionally, nationally, or internationally recognised standards or certifications.

Renewable energy

Eligible assets for the generation, equipment, development, manufacturing, construction, operation, storage, and maintenance of renewable energy generation sources.

Affordable housing

Eligible assets to UK-accredited or registered housing associations, which are not-for-profit organisations supporting the provision of affordable housing in the UK and contribute to enhanced access for low-income residents or marginalised communities.

Employment generation

Eligible assets to support sole traders, partnerships, and small- and medium-sized enterprises, with geo-scoring of areas with high unemployment and/or low income.

Women-led business

Eligible assets in support of; women sole traders; unincorporated partnerships where most partners are women; limited liability partnerships or incorporated small- and medium-sized enterprises where at least 51% of the ownership or economic distributions are to women.

For further detail on the use of proceeds for our green bonds and social bonds, refer to sections 4.1 and 4.2 of the GSS Financing Framework. For the evaluation and selection process, refer to section 5.

(1) The ICMA Green Bond Principles and ICMA Social Bond Principles represent a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the green and social bond markets by clarifying the approach for issuing a green or social bond.

1.4 Bond issuance and management process

An overview of the key steps in the issuance and ongoing management of our GSS bonds.

1 Review the NatWest Group loan book and identify loans that align with the GSS Financing Framework

Loans are provided to customers in line with NatWest Group's strategic priorities. We review the loan book to understand the composition of funding and to identify items aligned to categories outlined in the GSS Financing Framework, which may be suitable for a GSS issuance.

2 Assess bond issuance appetite

We issue bonds in line with our funding needs. When all criteria in terms of asset availability and market conditions are met, we can issue a GSS bond.

3 Issue bond

We issue bonds from NatWest Group with the help of bookrunners. Once launched, investors advise of their indications of interest, and we price the bond.

4 Fully allocate and manage the asset pool

We aim to have the bond allocated to an amount equivalent to, or in excess of, the net proceeds of the bonds to eligible assets in line with the asset definitions set out in the GSS Financing Framework.

The pool balance is dynamic, which means the balance can reduce as eligible assets decrease in asset value due to repayments. Assets are removed from the pool if they no longer meet the eligibility criteria. The pool balance increases when eligible assets are added to the pool, up until the bond is called or matures.

As selected loan facilities are repaid, new eligible assets are selected in line with the criteria. Any changes to the asset pools are subject to review and approval by the Green, Social and Sustainability Financing Working Group, as described in the GSS Financing Framework.

5 Report on allocation and impact

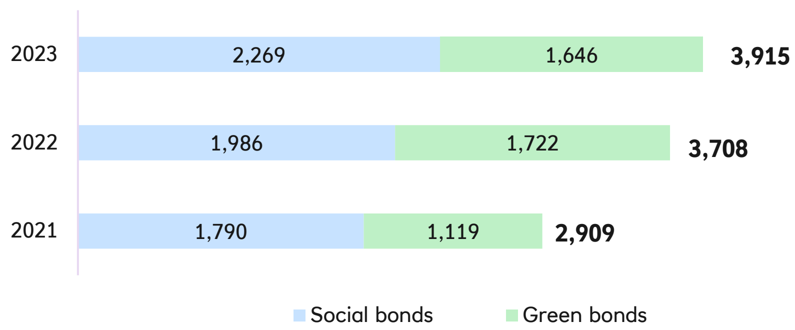
A consolidated allocation and impact report including all active GSS bonds is published annually using a reporting date of 31 December. Due to availability of data, a different reporting date may be used for specific metrics.

1.5

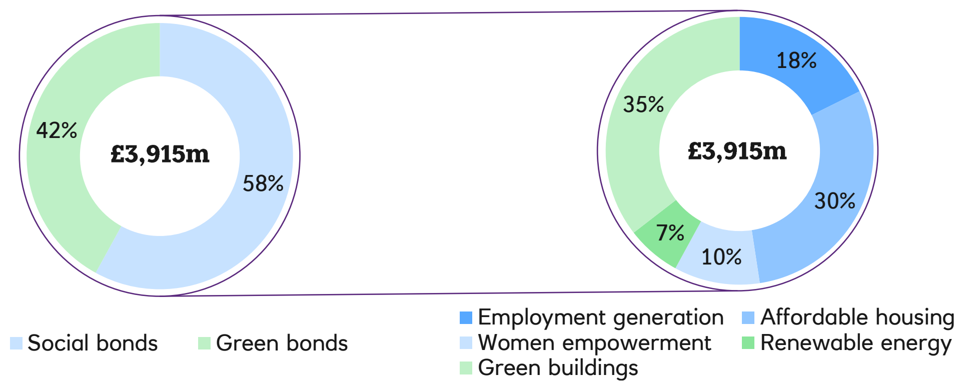
GSS bonds portfolio

Up to 31 December 2023, NatWest Group had issued three green and three social bonds, with a combined bond notional(1) at issuance of £3.9 billion(2). During 2023, one Renewable Energy Bond was redeemed. As at 31 December 2023, the combined pool balance for the five active bonds was £3.9 billion. A summary is included within the charts and table below.

Combined pool balance (£m)



Combined pool balance as at 31 December 2023 (£m)



ICMA Category	Issue date	Call date	Currency	Bond notional in issued currency (million)	Bond notional at issuance (£million)	Pool balance as at 31 Dec 2023 (£million)(3)	Allocation of bond (%)(4)	ISIN
Green buildings	09/11/2021	09/11/2027	GBP	600	600	679(*)	100	XS2405139432
Renewable energy and green buildings	30/08/2022	06/09/2027	EUR	1,000	860	967(*)	100	XS2528858033
Green bonds (active)					1,460	1,646		
Renewable energy (redeemed)	25/05/2020	22/05/2023	USD	600	493	-	N/A	US780097BN03
Total green bonds					1,953	1,646		
Employment generation	15/11/2019	15/11/2024	EUR	750	642	692	100	XS2080205367
Affordable housing	23/02/2021	26/02/2029	EUR	1,000	867	1,171	100	XS2307853098
Women empowerment(5)	07/03/2023	14/03/2027	EUR	500	446	406	91	XS2596599063
Total social bonds (active)					1,955	2,269		
Total green and social bonds					**3,908**	**3,915**		

(1) Notional is the principal amount of the bond issued at closing which the coupon payments are based on. This is the amount which will be repaid at maturity.
(2) Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement).
(3) Pool balance represents the eligible portfolio for each bond. This is the total drawn value of all encumbered eligible assets allocated to each bond as at 31 December 2023. Allocation of bond (%) is the pool balance (£ million) as at 31 December 2023 divided by the notional balance (£ million). This is limited to 100% and represents the % allocation.
(4) Allocation of bond is the pool balance (£ million) as at 31 December 2023 divided by the notional balance (£ million). This is limited to 100% and represents the % allocation.
(5) Refers to the Women-led Business Bond issued by NatWest Group in March 2023.
(*) Within scope of EY Assurance. Refer to section 4.3.

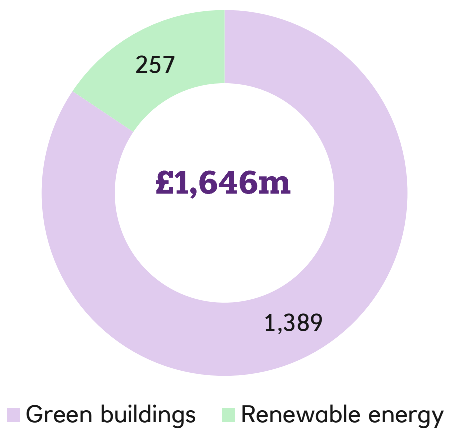
2.1 Green bonds portfolio summary

Up to 31 December 2023, NatWest Group issued green bonds with a notional value at issuance of £2.0 billion[(1)]. The pool balance as at 31 December 2023 was £1.6 billion.

Amounts equivalent to the green bonds proceeds have been used to fund lending to renewable energy projects and Green Mortgage products[(2)]. As at 31 December 2023, the active Renewable Energy and Green Buildings Bonds were fully allocated.

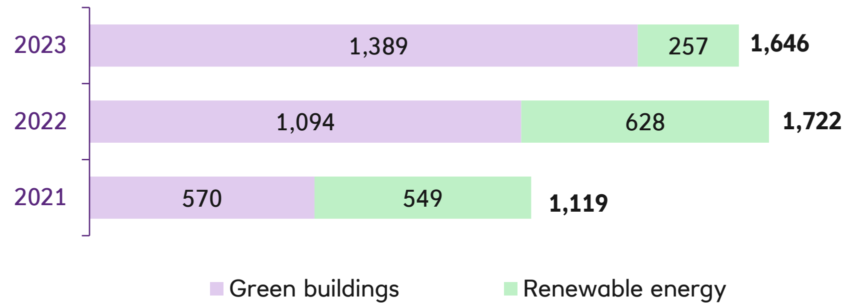
The Renewable Energy Bond issued in May 2020 was redeemed in May 2023. In this report, it is excluded from allocation summaries as at 31 December 2023 and included within impact calculations on a time-apportioned basis.

Pool balance as at 31 December 2023 (£m)



ICMA category	Green Buildings Bond (£m)	Renewable Energy and Green Buildings Bond (£m)	Total (£m)
Renewable energy		257[*]	257
Onshore wind		33	33
Offshore wind		142	142
Solar		72	72
Hydropower		10	10
Green buildings	679[*]	710[*]	1,389
EPC 'A' Rated properties	17	16	33
EPC 'B' Rated properties	662	694	1,356
Total	679[*]	967[*]	1,646

Change in pool balance and composition (£m)



Estimated impact summary[(3)]

We estimated the impact for green bonds using metrics associated with green buildings and renewable energy as outlined in the GSS Financing Framework, for the 12-month period ended 31 December 2023. The Renewable Energy Bond redeemed in May 2023 is included on a time-apportioned basis.

To provide a holistic view of the estimated impacts resulting from the allocation of the bond proceeds, we have presented the estimated carbon emissions avoided and renewable energy generated on a consolidated basis, rather than by individual bond.

ICMA category	Estimated carbon emissions avoided ($MtCO_2e$) – total allocated	Renewable energy generated (GWh) – total allocated
Renewable energy	0.106[*]	510[*]
Green buildings	0.015	n/a
Total	**0.121**	**510**

(1) Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement)
(2) Based on mortgages for energy efficient homes (Energy Performance Certificate (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.
(3) Further detail on impact calculation methodology and estimated impacts can be found in sections 2.2 and 2.3. For the associated data limitations, assumptions and risks, refer to section 4.1.
(*) Within scope of EY Assurance. Refer to section 4.3.

2.2 Renewable energy allocation summary

Loan selection

The green bond issued in August 2022 allocates proceeds towards financing or refinancing renewable energy projects across Scotland and England and was fully allocated as at 31 December 2023. Amounts equivalent to the bond's proceeds have been used to support a variety of renewable energy technologies, including onshore wind, offshore wind, solar and hydropower. To identify the renewable energy portfolio, we allocate loans that were originated no more than 36 months prior to the date of allocation.

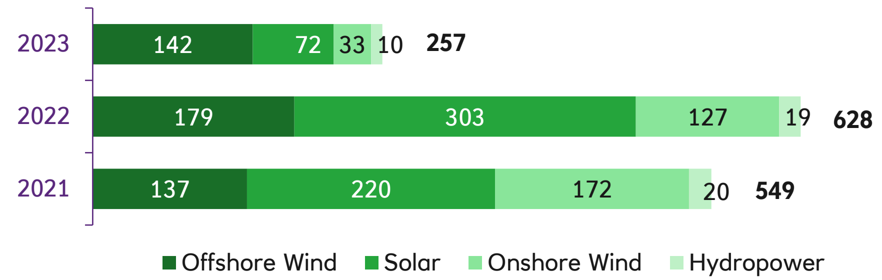
The charts below show the breakdown of facility syndication, and the split of those that are operational and under construction. As at 31 December 2023, 99% of renewable energy deals are syndicated and 55% of renewable energy projects are operational.

Allocation overview as at 31 December 2023

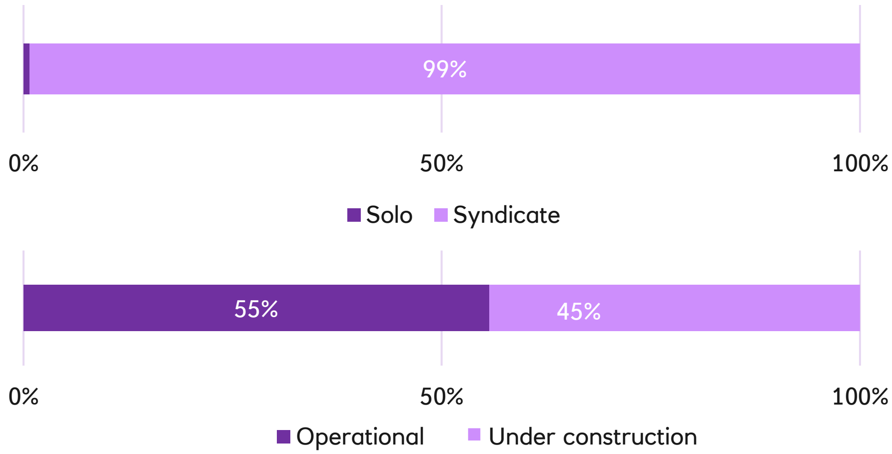
£257m
pool balance

17
renewable energy loans allocated to the Renewable Energy Bond

Pool balance (£m) by renewable energy technology type



Facility syndication and operational status breakdown (MW)(1)



(1) Facility syndication and operational status is calculated according to total project capacities (MW), rather than pool balance.

2.2 Renewable energy impact summary

Impact calculation methodology

To calculate 'emissions avoided' we use the following inputs:

A. Installed capacities of the projects, MW (of which NatWest Group share (%)).

B. Time period of operation, in hours, calculated from settlement date to reporting date.

C. Publicly available renewable load factors relevant to each renewable energy type to estimate operating capacities. These factors are applied to installed capacities, to account for environmental and meteorological variations which impact energy generation.

D. UK Government Department of Business, Energy & Industrial Strategy (BEIS) published emissions factors, in unit of tonnes of carbon dioxide equivalent per gigawatt-hours (tCO_2e/MWh). This includes the carbon emissions produced by total electricity generation in the UK during 2023[1].

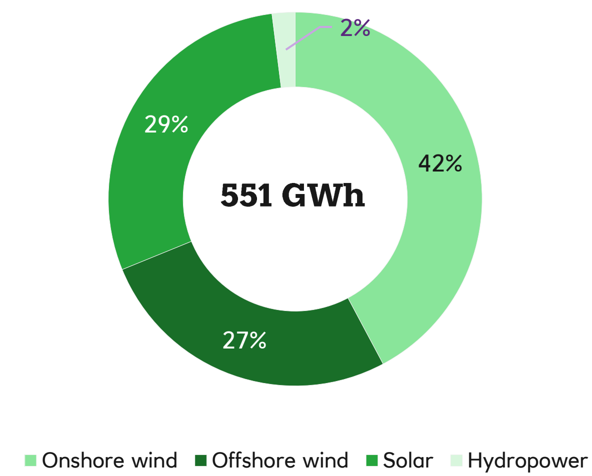
(A. Installed capacity by technology type (MW) (NWG share) × B. Time period in operation (hrs) × C. UK Government load factors (%)) × D. UK Government emissions factors (tCO_2e/GWh) = E. Estimated carbon emissions avoided through renewable energy projects ($MtCO_2e$)

Estimated Impact

This table shows the estimated impact of the green bond proceeds within the renewable energy portfolio, including time apportioned impact for the bond which was redeemed in May 2023.

				Estimated Impact		
Renewable energy technology	**NatWest Group Notional[3] (£m)**	**Total installed capacity (MW)**	**NatWest Group installed capacity (MW)**	**Total renewable energy generated (GWh)**	**NatWest Group renewable energy generated (GWh)**	**Estimated carbon emissions avoided ($MtCO_2e$)**
Onshore wind	159	1,168	186	1,436	233	0.048
Offshore wind	362	1,813	105	2,538	147	0.030
Solar	229	360	255	259	161	0.033
Hydropower	28	6	6	11	11	0.002
Total	**778**	**3,348**	**551**	**4,244**	**551**	0.114
Total allocated[4]	**722**	**3,143**	**513**	**3,973**	**510[*]**	**0.106[*]**

NatWest Group renewable energy generated by energy technology type (GWh)



(1) Calculation assumes there are zero emissions associated with generation from renewable sources.
(2) Table 6.1. Renewable electricity capacity and generation.
(3) Notional and installed capacity presented as at 31 December 2023.
(4) Total allocated represents the portion of the pool funded by the bond proceeds. Totals may not cast due to rounding.
(*) Within scope of EY Assurance. Refer to section 4.3.

2.2 Renewable energy case study

Harnessing our expertise in UK solar to deliver for our customers

Arjun Infrastructure Partners (Arjun) is an independent asset management firm dedicated to identifying, executing and managing mid-market infrastructure investments. Founded in 2015, Arjun now manages more than €5.7 billion of capital on behalf of prominent institutional investors.

Focused on the utilities, energy, renewables, digital, social and transportation infrastructure sectors, the firm sources bilateral investment opportunities for its clients. With a strong focus on ESG as part of its long-term, responsible asset management approach, Arjun approached NatWest Group in 2017 to facilitate an initial investment in the UK solar market, with the aim of rapidly growing its solar and wind portfolio. Arjun mandated NatWest Group to structure and provide a four-year debt package, on a bilateral basis, to support the acquisition of eight solar parks as well as to refinance equity investments in three previously acquired operational sites. The eight new solar parks added 35MW of renewable capacity to the three existing sites delivering approximately 20MW of installed capacity.

The deal further underlined NatWest Group's credentials as a market leader in UK solar funding. Between the start of 2019 and early 2024 we had arranged financing for more than £2.5 billion of solar projects, mostly through direct lending and underwriting. We are also active as an advisor and private placement agent. Our expertise in solar projects, particularly our deal team's appreciation of the operational track record of the assets, enabled the transaction to be completed within four weeks of being mandated. This paved the way for a long-term relationship with significant opportunities to support the growth of Arjun's renewables portfolio.

That growth has continued in recent years. Arjun now manages a portfolio of assets totalling more than 2GW of renewable capacity across the UK and Europe.

In September 2023, NatWest Group again supported Arjun as the sole debt coordinator and hedging bank for the refinancing and upsizing of the customer's fully operational UK solar portfolio consisting of 22 assets (totalling approximately 130MW of renewable capacity). The deal team was able to support the customer in meeting a three-week credit and closing timeframe, further strengthening our position in the domestic solar market. It is this ability to understand the market and move quickly to navigate and resolve asset-level issues prevalent for mature operational assets in the sector that allow us to deliver effectively for our customers.

Arjun's renewables portfolio includes solar parks, offshore wind, onshore wind and biomass-fired power plants.

NatWest Group's expertise in solar projects, particularly our deal team's appreciation of the operational track record of the assets, enabled the transaction to be completed within four weeks of being mandated.

2.3 Green buildings allocation summary

Loan selection

NatWest Group offers a suite of Green Mortgage products, which offer lower interest rates to incentivise purchasing, re-mortgaging and buying to let a property with an EPC rating[1] of A or B, rewarding customers for choosing an energy efficient home and for playing their part in supporting the UK's transition to a net-zero economy.

Amounts equivalent to the Green Buildings Bond proceeds have been used to fund financing or refinancing of Green Mortgage products within Retail Banking. As at 31 December 2023, the Green Buildings Bond was fully allocated.

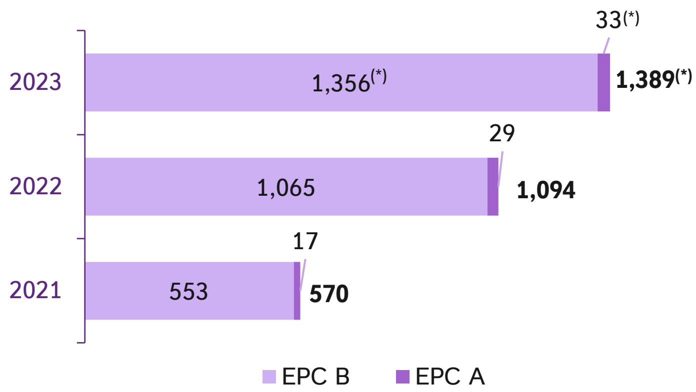
To identify the green buildings portfolio, we allocate loans that were originated no more than 36 months prior to the date of allocation.

Allocation overview as at 31 December 2023

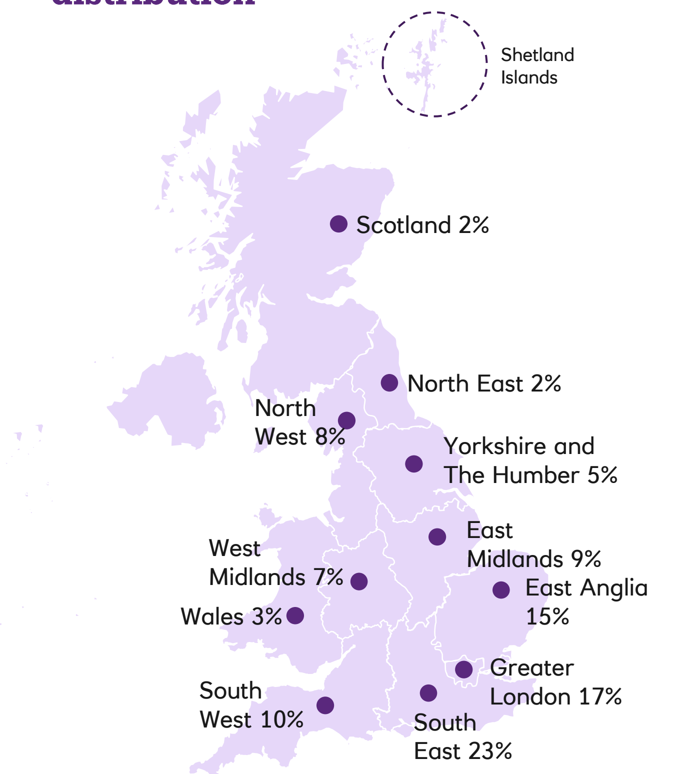
£1,389m[*]
pool balance

5,473
Green Mortgages allocated to the Green Buildings Bond

Pool composition (£m) by EPC rating



Pool balance by geographic distribution



(1) For a summary of the limitations of carbon emissions calculated using EPC ratings, refer to section 2.4 of the 2023 NatWest Group plc Climate-related Disclosures Report.
(*) Within scope of EY Assurance. Refer to section 4.3.

2.3 Green buildings impact summary

Impact calculation methodology

- NatWest Group's total residential mortgage portfolio has an estimated physical emission intensity of 38.4 $kgCO_2e/m^2$[1][2] as at 31 December 2022, with an overall PCAF[3] data quality score of 3.7.
- Of this, the estimated physical emissions intensity related to the Retail Banking Green Mortgage portfolio of EPC A or B rated residential mortgage properties is 14.1 $kgCO_2e/m^2$. Therefore, properties in the Green Mortgage portfolio are approximately 63% less carbon intensive than the overall NatWest Group residential mortgage portfolio. This could be due to various factors including the building ages, levels of insulation in the building fabrics; or net-zero energy sources.
- Estimated emissions avoided represent the difference between emissions intensity estimates of the NatWest Group UK mortgage portfolio and EPC A and B rated buildings, based on the total floor area[4] of Green Mortgages within the Green Buildings Bond portfolio of 633,800m^2[(*)] as at 31 December 2023.
- No adjustment is made for mortgage loan-to-value within the methodology calculation.
- For further details on the related data limitations, assumptions and risks, refer to section 4.1[4].

Reference

A. Estimated physical emissions intensity for total Natwest Group residential mortgages portfolio ($kgCO_2e$ / m^2) ✖ C. Green Buildings Bond portfolio floor area (m^2) = D. Emissions of bond portfolio based on estimated physical emissions intensity for total Natwest Group Residential Mortgages portfolio ($MtCO_2e$)

Bond

B. Estimated physical emissions intensity for EPC A and B rated properties within the Natwest Group residential mortgages portfolio ($kgCO_2e$ / m^2) ✖ C. Green Buildings Bond portfolio floor area (m^2) = E. Emissions of bond portfolio based on estimated physical emissions intensity for EPC A and B rated properties within the Natwest Group Residential Mortgages portfolio ($MtCO_2e$)

Difference equals

F. Estimated emissions avoided through the Green Buildings Bonds ($MtCO_2e$)

(1) The physical emissions intensity estimates for NatWest Group total residential mortgages portfolio is sourced from section 5 of the NatWest Group 2023 Climate-related Disclosures Report and the physical emissions intensity estimates for the subset of EPC A or B rated residential mortgage properties is derived from the same model.
(2) $kgCO_2/m^2$ is kilograms of carbon dioxide emissions equivalent per square metre of floor space.
(3) The PCAF Standard for financed emissions recommends applying a data quality scoring methodology to help assess data quality challenges and recognise areas for improvement. PCAF's ratings assign directly collected customer emissions data a better score while estimated or extrapolated data achieves lower scoring.
(4) For further detail on the methodology, assumptions and limitations of carbon emissions calculated using EPC ratings, refer to section 2.4 of the NatWest Group 2023 Climate-related Disclosures Report and page 8 of the NatWest Group 2023 Sustainability Basis of Reporting.
(5) The total floor area is an aggregate of the total floor area of each property in the Green Buildings Bond portfolio as disclosed in the relevant EPC certificate.
(*) Within scope of EY Assurance. Refer to section 4.3.

Estimated impact

The estimated impact of loans included within the green buildings bond portfolio.

The estimated impact is calculated for the twelve-month period ended 31 December 2023 and presented on an annualised basis.

0.015 $MtCO_2e$
estimated carbon emissions avoided through the Green Buildings Bonds

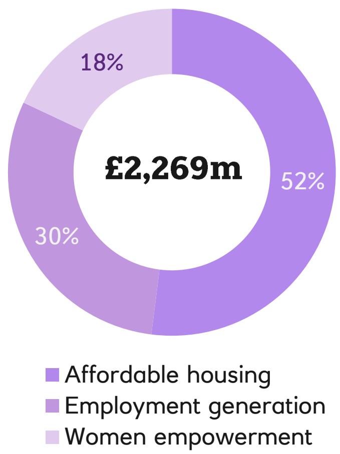
3.1 Social bonds portfolio summary

Up to 31 December 2023, NatWest Group issued social bonds with a notional value at issuance of £2.0 billion[1]. The total pool balance as at 31 December 2023 was £2.3 billion.

Amounts equivalent to the social bonds proceeds have been used to fund lending to: not-for-profit registered housing associations throughout the UK; to sole traders, partnerships and SMEs operating in the areas of the UK with high unemployment and low income; and to businesses defined as women-led. As at 31 December 2023, the Employment Generation and Affordable Housing Bonds were fully allocated and the Women-led Business Bond was 91% allocated[2].

Pool balance as at 31 December 2023 (£m)

ICMA Category	Region	Pool balance
Employment generation		**692**
	England	613
	Scotland	38
	Wales	37
	Northern Ireland	4
Affordable housing		**1,171**
	England	835
	Scotland	336
Women empowerment		**406**
	England	328
	Scotland	49
	Wales	18
	Northern Ireland	11
Total		**2,269**



Change in pool balance and composition (£m)

(1) Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement).
(2) During Q1 2024, the proceeds were fully allocated.

Image caption: NatWest Group was welcomed to the London Stock Exchange for an opening ceremony to mark the issuance of the Women-led Business Bond, March 2023.

3.2

Employment generation allocation summary

Loan selection

The net proceeds of the Employment Generation[(1)] Bond have been used to finance or refinance general corporate purposes loans issued to UK SMEs located[(2)] in the 30% most economically-deprived Local Authority Units (LAU).

Process for section of loans for inclusion in the asset pool:

1. The loan book is filtered for SME criteria, borrower sector[(3)], loan performance and loan encumbrance. We allocate loans that were originated no more than 36 months prior to the date of allocation.
2. Postcodes are used to assign LAU codes to each loan, which enables mapping to Office for National Statistics (ONS) data.
3. To determine which LAUs are the most economically-deprived, we use a bespoke methodology which uses Unemployment Claimant Data and Gross Value Added (GVA) per head data published by the ONS. LAUs are sorted into deciles, and loans in the bottom three deciles are included in the asset pool.

As at 31 December 2023, 70% of loans in the asset pool were Bounce-Back loans.[(4)]

Allocation overview as at 31 December 2023

£692m
pool balance

4,079
loans to SMEs

72
industry sectors Supported

87
Local Authority Units covered across the UK

(1) The term Employment Generation refers to the relevant ICMA category.
(2) Location is based on the business address registered with NatWest Group.
(3) Excluded sectors are outlined in Appendix 1 of the GSS Financing Framework.
(4) Measures were introduced during 2020 by the UK Government to support businesses affected by COVID-19.The Bounce Back loan scheme helped small- and medium-sized businesses to borrow between £2,000 and £50,000, guaranteed by the UK Government.

3.2 Employment generation impact summary

Impact calculation methodology

The methodology used to calculate the number of full-time equivalent (FTE) jobs created/ enabled by SMEs with loans in the asset pool has been changed for 2023. The methodology now makes estimations based only on loans included in the asset pool as at 31 December 2023. Previously, we based calculations on loans included in the asset pool since the inception of the bond, weighted by the time they were in the asset pool. The change in methodology has influenced the results and explains the variance to the number disclosed in the 2022 Green, Social and Sustainability Bonds Allocation and Impact Report.

The methodology is based on the analytical industry-by-industry UK Input-Output (IO) tables, published by the ONS. We capture two effects on employment in our analysis:

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

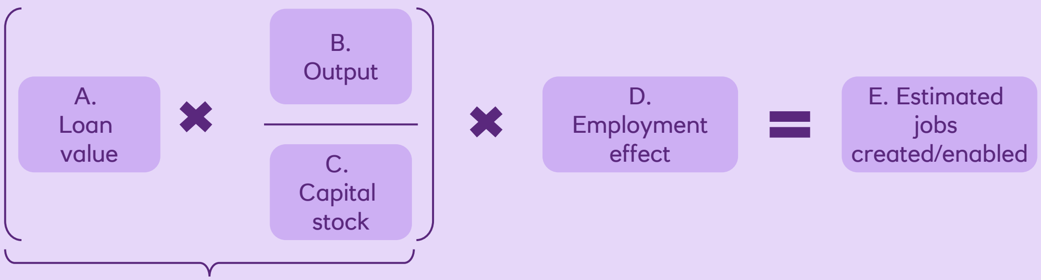
Jobs created/enabled refers to jobs which may be either brought about or maintained through the investment financed by loans provided.

Methodology to estimate the impact of the loans provided to SMEs by NatWest Group:

For our calculation we use the data outlined below, which includes ONS data. The ONS data is published with time lags. The longest lag is for the industry-specific employment effects data, for which the most recent publication relates to 2019. For consistency, the other ONS data used relates to the same period.

A. Loan value – the value of our loans to SMEs (scaled down to reflect the bond proceeds of £642 million).
B. Output by industry from the UK IO tables (ONS)
C. Capital stock by industry (ONS)
D. Employment effects by industry from the UK IO tables (ONS)

To calculate the change in employment by industry, we multiply each industry's change in output (calculated using A, B and C as shown below) by industry employment effects (D). The jobs created or enabled by region are calculated with reference to business location.



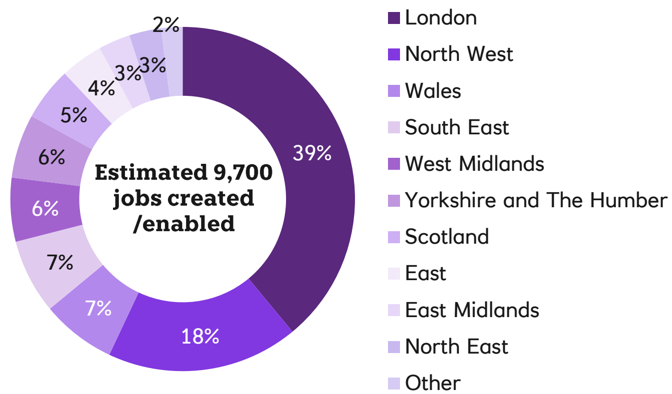
Refer to section 4.1 for further notes on data limitations, assumptions and risks associated with this methodology.

Estimated impact

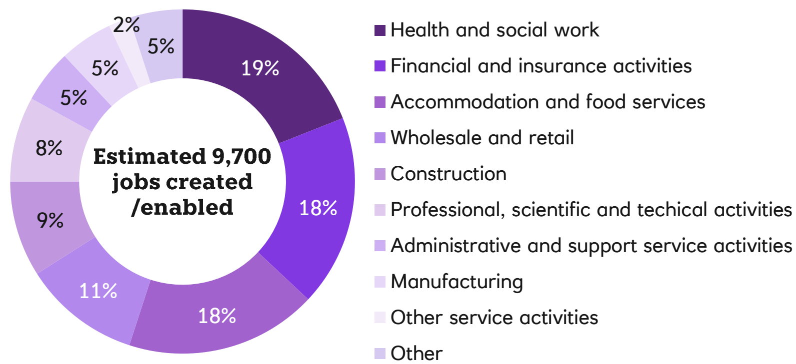
Using the methodology described opposite we estimate that 9,700(*) FTE jobs have been created or enabled in the UK based on a point-in-time view of the loans included in the asset pool as at 31 December 2023. The breakdown by region and industry is presented below.

9,700(*) estimated jobs created/enabled through the Employment Generation Bond

Jobs created/enabled by region(1)



Jobs created/enabled by industry



(1) Jobs created/enabled by region presented above is based on the business address registered with NatWest Group.
(*) Within scope of EY Assurance. Refer to section 4.3.

3.2 Employment generation case study

Supporting award-winning, sustainable sheep farming

David Cooper has come a long way since starting out as a young sheep farmer in 2004 with the purchase of 190 hectares of dilapidated opencast mining land at Tardoes Farm in East Ayrshire. Now farming more than 2,000 hectares of Scottish hillside from their base in Muirkirk, the Cooper family have expanded their sheep farming business over recent years by enlarging and investing in the land they farm, helping to improve stocking rates.

David has evolved the business, acquiring tranches of land the family previously farmed under tenancy to steadily increase the size of their farm. The result is a low-cost farming operation that has grown from just 350 ewes in 2004 to now managing approximately 5,000 Herdwick and Welsh Mountain sheep.

“Land remains an excellent investment, especially for a business like ours that can extract income from land,” explained David. “With NatWest Group’s support over the years, we’ve been able to leverage existing equity in the farm to support our growth. In 2019, we acquired 150 acres, which included a four-bedroom property we currently use for long-term lets. More recently, we purchased a further 550 acres of tenanted land in 2022. Owning the land means we can then invest in it.”

Central to the farm’s expansion has been cost efficiency. Against a backdrop of rising machinery, feed and fuel costs as well as insurance, David and his wife Cora have been able to craft one of the lowest-input sheep farming systems in the UK. “Our flock is entirely pasture fed. Most of our grazing lies between 1,000-2,000 feet and is often exposed, which is why we farm the hardy breeds we do. The sheep are free to graze all year round, which means we have no additional feed costs, and the ewes largely fend for themselves including during lambing. Our business model is set up to produce the finest quality product while being as efficient and future proof as possible.”

Income diversification has been boosted by the development of an agricultural fencing contracting business, which continues to go from strength to strength. The farm has also seen the benefits of investing in regenerative farming. Peat restoration conducted on approximately 1,000 hectares of land in 2019 – at the time, the largest restoration project of its kind in Scotland – has helped repair eroded drainage channels, which allows the hillsides to retain moisture, mitigating downstream flood risk while improving the drought resilience of grazing land. “We’re losing fewer sheep on open ground as a result, locking in more carbon by maintaining moisture levels in the peat, while improving ground coverage for nesting birds,” added David.

Named ‘Sheep Farmer of the Year’ in 2023 by Farmers Weekly, David and Cora have built a thriving business and aspire to grow the farm further. “NatWest has always been there for me. I’ve never heard the word ‘No’ when I’ve asked for support,” added David. “Like any good partnership, we’ve always been able to come up with a solution that works for all parties.”

David, Cora and their young family have built an award-winning business.

“Until three years ago, Cora and I managed our business, but with the arrival of our third child, we needed help. We took on a second employee in Spring last year, largely to help support our fencing business.”
David Cooper, Co-owner Cooper Farms

3.3 Affordable housing allocation summary

Loan selection

The net proceeds of the Affordable Housing Social Bond have been used towards financing or refinancing loans(1) to not-for-profit, registered housing associations operating in the UK. The loans are intended to support positive social impacts, including reducing inequalities through assisting housing associations to provide affordable housing. We allocate loans that were originated (or first drawn down in the case of revolving credit facilities) no more than 18 months prior to the date of allocation.

As at 31 December 2023, the asset pool comprises loans to 22 housing associations, providing a mixture of revolving credit facilities and term loan facilities. Revolving credit facilities are typically used by customers to fund developments or maintenance programmes where flexible cashflow is required. Term loans are usually used to secure longer-term liquidity, refinance existing debt or fund larger one-off expenditures.

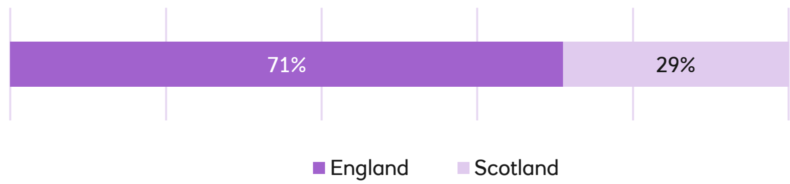
Allocation overview as at 31 December 2023

£1,171m pool balance with the average amount loaned to each housing association **£53.2m**

22 housing associations supported

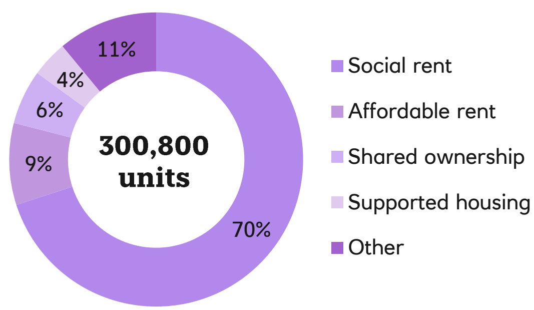
98% in term loans and **2%** revolving credit facilities

Pool balance by geographic distribution



Unit types provided by housing associations

The majority of the housing associations' 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 UK Government. This provides a more secure, long-term tenancy than private renting.



(1) Primarily interest-only loans with repayment of the principal amount borrowed at the end of the loan term.

3.3 Affordable housing impact summary

Impact calculation methodology

To estimate the impact of the funds provided by NatWest Group to housing associations, we use the amount of lending provided by NatWest Group to the housing associations, along with the financial data provided by the Regulator of Social Housing for English Housing Associations and the Scottish Housing Regulator for Scottish Housing Associations (the Regulators).

For the impact calculation, the allocation as at 31 March 2023 is used. This is to align to the most recently available data published by the Regulators, which is for the 12-month period ended 31 March 2023.

Methodology to estimate the impact of the funds provided by NatWest Group:

1. Total Investment Funds for the housing associations are calculated as the sum of their operating surplus, debt and capital grants as disclosed in regulatory filings for the year ended 31 March 2023. The amount we consider NatWest Group to have contributed to the Total Investment Funds is the loan balances as at 31 March 2023.
2. To calculate assumed impact on the development or acquisition of new housing units, we take the number of new units developed or acquired by each housing association and multiply it by the loan balances expressed as a percentage of Total Investment Funds.
3. We follow the same approach for expenditure on the items noted in the infographic below, taking housing association spending on these items and multiplying by the loan balance expressed as a percentage of Total Investment Funds.
4. Results are scaled down to reflect the bond proceeds of £867 million as at the date of issuance.

Balance of NatWest Group loan to housing association as a % of Total Investment Funds

✖ each of

Number of new units (#)
Expenditure on new units (£)
Expenditure on maintenance & repairs (£)
Expenditure on capitalised repairs (£)
Expenditure on other social housing activity (£)

=

NatWest Group estimated impact (scaled down to bond proceeds)

5. Any of the funds not apportioned in steps 2 and 3 above are assessed as used to partially support the financing or refinancing of units owned(1) by the housing associations (total units partially supported).

Refer to section 4.1 for data limitations, assumptions and risks associated with this methodology.

Estimated impact

Impacts are in relation to the 12-month period ending 31 March 2023. The allocation of £1.2 billion as at 31 March 2023 is the basis of the impact calculation.

Total Investment Funds reported by the Housing Associations for the twelve-month period ended 31 March 2023 were £14.5 billion.
The bond proceeds represent approximately 6% of Total Investment Funds.

Following the methodology presented opposite, of the £867 million in bond proceeds, it is estimated that £108 million is attributed to the investment and expenditure items below. This includes £81 million of expenditure to support the development or acquisition of 490(*) new units. For the remaining £759 million, it is estimated that these funds have been drawn to partially finance or refinance the estimated 268,600(*) units owned (units partially supported).

490(*) estimated new housing units developed/ acquired

£81m expenditure on new units

£14m expenditure on maintenance and repairs

£8m expenditure on capitalised repairs

£5m expenditure on other social housing activity

268,600(*) estimated units partially supported

(1) In England, the calculation is based on Social Units owned by the Housing Associations. In Scotland, the calculation is based on general needs social housing units which are both owned and managed by the Housing Associations.
(*) Within scope of EY Assurance. Refer to section 4.3.

3.3 Affordable housing case study

Easing affordable housing pressures in the south of Scotland

NatWest Group's funding to Scottish Borders Housing Association (SBHA) has supported the construction of new affordable housing across the Scottish Borders, helping address affordable housing shortages in the region. The association was formed in 2003 following a large-scale voluntary transfer of housing stock from Scottish Borders Council. Today, it is the largest registered social landlord in the Scottish Borders and owns approximately 5,600 homes largely concentrated in Hawick, Galashiels, Peebles, Kelso and Jedburgh.

The pressing need for affordable housing in the region was underscored when, in late 2023, SBHA completed 12 new homes in Kelso, which when advertised for rent attracted 445 bids from prospective tenants.

The £58 million funding facility has underpinned SBHA's expansion plans to develop 300 affordable homes in the south of Scotland by 2028. This included the addition of 35 new units between April 2022 and April 2023, with a further 50 units set to be completed by the end of 2024.

According to the association's own data, over 90% of SBHA homes met the Scottish Government's Energy Efficiency Standard for Social Housing in April 2023, compared to a Scottish average of 79%.

Financing continues to support investment in current tenants' properties by delivering energy efficiency improvements. As part of its continuing investment in the energy efficiency of its properties, SBHA is in the process of improving the EPC energy efficiency rating of properties, with a focus on any remaining homes below a band D, to help address fuel poverty in the least energy efficient properties by December 2025.

"The flexibility of our deal terms opens new doors for our business as we look to enhance our current offering for the future and contribute to the economic recovery of the Scottish Borders with more much-needed affordable homes," commented Julia Mulloy, SBHA Chief Executive.

Left to right: Robin Hill (Chair), Julia Mulloy (CEO), and Emma Garry (Director of Development) at Tweed Court in Kelso, completed in 2023.

NatWest Group funding has underpinned SBHA's expansion plans to develop 300 affordable homes in the south of Scotland by 2028.

3.4 Women-led business allocation summary

Loan selection

In March 2023 we issued the Women-led Business Bond, the net proceeds of which are used towards financing or refinancing loans to the following business types identified as women-led:

- Women sole traders,
- Unincorporated partnerships where the majority of partners are women, and
- Limited liability partnerships or companies that are small- and medium-sized enterprises (SMEs as defined in the Companies Act 2006) and where at least 51% of the ownership belongs to women or 51% of economic distributions are to women.

Only loans meeting these criteria are included in the asset pool. Gender is based on self-reporting by the customer to Companies House or to NatWest Group.

We allocate loans that were originated no more than 36 months prior to the date of allocation. All loans included in the asset pool for the Employment Generation Social Bond are not eligible for inclusion. As at 31 December 2023, 88% of loans in the asset pool were Bounce Back loans.(1)

Enterprise support

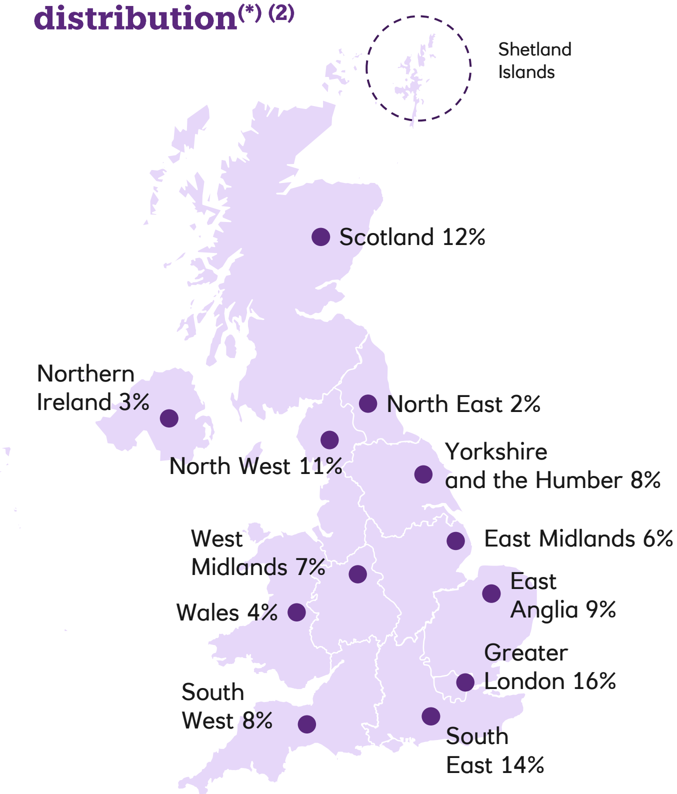
In addition to funding women-led businesses through the proceeds of the Women-led Business Bond, we offer non-financial support to women-led businesses through our Enterprise interventions. This includes supporting women-led businesses by building their awareness and knowledge of funding, investment and business growth. More information on our support for women-led business can be found on page 19 of our 2023 Environmental, Social and Governance Disclosures Report.

Allocation overview as at 31 December 2023

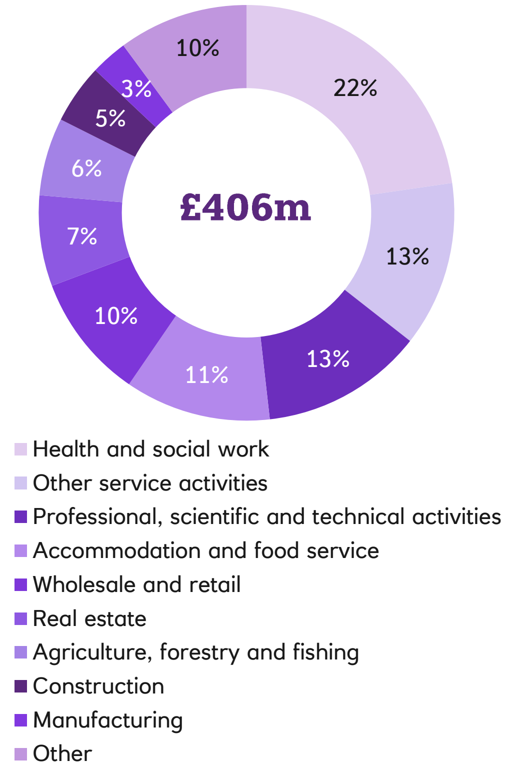
£406m
pool balance

14,545(*)
loans to women-led businesses

Pool balance by geographic distribution(*) (2)



Pool balance by industry(*) (3)



(1) Measures were introduced during 2020 by the UK Government to support businesses affected by COVID-19.The Bounce Back loan scheme helped small- and medium-sized businesses to borrow between £2,000 and £50,000, guaranteed by the UK Government.
(2) Pool balance by geographic distribution presented above is based on the business address registered with NatWest Group.
(3) "Other" represents distribution of loans to a number of different industry classifications, most notably comprising Arts, entertainment and recreation (3%), Transportation and storage (3%) and Information and communication (2%).
(*) Within scope of EY Assurance. Refer to section 4.3.

3.4

Women-led business case study

A passion for baking turns dreams into reality

Choose a job you, love and you'll never have to work a day in your life. The oft-quoted phrase significantly underplays the hard graft and dedication required to grow a business from scratch. That certainly proved to be true for Liverpool-based bakers Natalie and Samantha Stonehouse, who have seen their artisan bagel business grow from strength-to-strength in recent years, despite unexpected challenges.

What started out as a love of baking, particularly hand rolled, baked bagels, has developed into a respected and much-loved independent business. From humble beginnings working from her home kitchen, Nat juggled the demands of a full-time job with her passion for preparing small handmade batches of bagels for sale through local coffee shops and farmers markets. Delivery was often by hand, cycling in all weathers to meet a growing customer base. Demand grew and in 2015 the fledgling business opened its first coffee shop in Chinatown.

"Thanks to word of mouth, we grew a loyal and eclectic customer base with local residents, especially students," explained Nat. Then the pandemic struck. Forced to furlough most of their staff, Nat and Sam had to pivot their business model. "Covid allowed us to thrive. The café was closed, but by moving our kitchens into the front of the shop and adapting our menu, we were able to serve customers from the doorway," described Sam. "We set up on online ordering business, began delivering all over Liverpool, including over the water into the Wirral. We had people queuing up the street."

As lockdown restrictions eased, the need to scale was clear. In 2022, Nat and Sam turned to NatWest Group for support, to help set up a dedicated bakery unit capable of meeting business demand. The focus remained on delicious handmade bagels, but more room meant bigger ovens and more capacity. "We've since taken on more employees," said Nat, "growing the business from just five to an amazing team of 34 – 80% of whom are women."

"With NatWest's support we were able to use some of the funding to fit out a second café in Mossley Hill, which opened in August 2023," added Sam. "Having a supportive banking partner takes a lot of the stress out of running a business. A dedicated point of contact is invaluable. Our relationship manager often suggests ideas and helps us get a quick response to any questions."

As they look to the future, exploring opportunities to expand into events catering, Nat and Sam reflected on what they've achieved. "As a female entrepreneur it can sometimes feel like you must work twice as hard to get the recognition you deserve," said Nat. "We've received so much support from the Liverpool community and from our amazing team. We are hugely proud of how far we have come, and we're excited for what the future holds."

Sam (left) and Nat (right) have built a much-loved local business in Liverpool.

"With NatWest's support we were able to use some of the funding to fit out a second café in Mossley Hill, which opened in August 2023."

Sam Stonehouse, Co-owner, The Bagelry

3.4

Women-led business customer spotlight survey

In March 2024, we conducted a survey with business owners whose loans are funded by the proceeds of the Women-led Business Bond to understand more about customers' views on how their loan may have supported their business. The survey was sent by email to over 9,500 loan account holders (out of a total of approximately 14,000) with 270 (approximately 2.8% of those who received the survey) submitting a completed survey. More information on selection criteria and survey methodology can be found in section 4.1 of this report.

All survey responses reflect the views of the business owners that completed the survey and their subjective interpretation of the meanings of available responses. Responses are not independently verified or validated by NatWest Group or by any other person. The below presents a summary of views collected from the survey. Whilst the ICMA Harmonised Framework for Impact Reporting for Social Bonds 2023 (the "Harmonised Framework") supports the voluntary use of digital surveys to assess impact confirmation, the survey results published in this report should not be regarded as a confirmation of output, outcome or impact on target population of those who are intended to be impacted by the proceeds of the Women-led Business Bond, as set out in the Harmonised Framework.

Survey questions and results

Question: What were your priorities when taking out the loan?

Customers were able to select from the options shown in the pie-chart opposite. Those selecting 'Other' were able to complete a free-text field to give more details. Respondents were able to indicate more than one priority, which is why the number of recorded responses (347) is greater than the number of customers who completed the survey (270).

Response: According to our customers, the most common priorities when taking out loans were inventories and working capital and developing and launching new products or services. Amongst those answering 'Other', 51% of free-text comments related to supporting their business through the COVID-19 pandemic.

Respondents' views on their priorities when taking out their loan

Question: To what extent has your loan from NatWest supported you to meet your business's needs and goals?

Possible responses were 'Not at all' and to a 'Small', 'Moderate', 'Large' or 'Great' extent.

Response: 87% of respondents are of the view that their NatWest Group loan supported them to some extent to meet their business's needs and goals(1). 52% of respondents said this was to either a large or great extent.

Question: Given the support provided, to what extent do you feel more likely to expand your business or start another in the future knowing that there is a focus on funding for women entrepreneurs?

Possible responses were 'Not at all' and to a 'Small', 'Moderate', 'Large' or 'Great' extent.

Response: 73% of respondents are of the view that they feel more likely to expand their business or start another, knowing that there is a focus on funding for women entrepreneurs(1).

(1) The figure cited above represents those who responded to a 'Small', 'Moderate', 'Large', or 'Great' extent. All responses are based on the customer's subjective interpretation of the meanings of available responses.

4.1 Data limitations, assumptions and risks: green bonds

Renewable energy:

- To estimate the impact of renewable energy bonds, it is assumed that **energy generated by the renewable energy projects** would have been generated through other means (e.g. fossil-fuel generators) in line with the average composition of power generation facilities within the UK energy generation network.
- Only the estimated **energy generation** apportioned to the NatWest Group share of any syndicated facility is included. For the purpose of this estimation we only consider the debt financing of projects in operation.
- The calculation of **project share apportioned to NatWest Group** reflects the project debt and facility amounts as at 31 December 2023 and considers projects to be wholly debt-funded.

Green buildings:

- **Emissions intensity estimates** are published one year in arrears to allow time for appropriate data sourcing and review, therefore, the physical emissions intensities outlined above are based on 2022 data and applied to the bond portfolio allocation as at 31 December 2023.
- The underlying calculations for **physical emissions intensities** are subject to significant uncertainties, assumptions, judgements and data limitations as disclosed in section 5.3 of our NatWest Group plc 2023 Climate-related Disclosures Report.
- We assume that the **physical emissions intensity for NatWest Group's total residential mortgages portfolio** is representative of all properties in the United Kingdom and can be used as a proxy for the UK benchmark of physical emissions intensity as recommended in the ICMA guidance[(1)].
- Actual **energy performance data** for the properties within the Retail Banking Green Mortgage portfolio is largely unavailable. We therefore use EPC ratings as a proxy for the actual energy efficiency of the mortgaged properties. 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 mortgages on properties in Scotland we are sourcing EPC data from the Publicly Available Data Extracts site of the Energy Saving Trust, published by the Scottish Government.
- **Estimated carbon emissions avoided** resulting from Green Mortgages within the green buildings portfolio relate to residential properties with an existing EPC rating of A or B and does not include lending provided with the intended purpose of enhancing the existing EPC rating of a property.
- The calculation of **emissions avoided** for green buildings utilises NatWest Group financed emissions model outputs. For further detail on the methodology, assumptions and limitations of carbon emissions calculated using EPC ratings, refer to section 2.4 of the NatWest Group 2023 Climate-related Disclosures Report and page 8 of the NatWest Group 2023 Sustainability Basis of Reporting.

(1) Green Bonds – Working Towards a Harmonized Framework for Impact Reporting – December 2015.

4.1 Data limitations, assumptions and risks: social bonds

The actual use of proceeds and actual impact of the Social Bonds could differ materially from what is presented in this report. Therefore, 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. 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 customers of all or some of the use of proceeds of the Social Bonds or any loans that the Social Bonds finance or refinance; and (ii) on the impact of any loans financed or refinanced with the proceeds from the issue of the Social Bonds.

Industry splits presented in Sections 3.2 and 3.4 are presented consistently with the approach taken by NatWest Group.

Employment generation:

1. The loans which are financed or refinanced by the proceeds of the Employment Generation Social Bond are provided for general corporate purposes (not provided to fund a specific project but can be used to fund any activity that an SME may engage in).
2. The methodology assumes that the general corporate purposes loans financed or refinanced by the proceeds of the Employment Generation Social Bond allow the SMEs to make investments which lead to higher activity and higher levels of employment. Currently only term loans are included in the asset pool. We assume that the funds are intended for investment purposes and therefore assist in creating or enabling new jobs. This report provides only an estimate of the impact of the Employment Generation Social Bond's proceeds based on the metrics and data set out in section 3 of this report which in turn rely on several assumptions, expectations and estimates.
3. The employment generation impact is subject to a point-in-time view of the pool composition. There is no time-weighting to account for the length of time the loan has been included in the asset pool.
4. The ONS data used is published with time lags. The longest lag is for the industry-specific employment effects for which the most recent publication is for the year 2019. For consistency, the other data used relate to the same time period. Using data with these time lags means that the estimated impact noted in section 3.1 may not reflect all economic (or other) conditions present at 31 December 2023 (the reporting date). The time lag may materially influence the estimated impact.

Affordable housing:

1. This report provides only an estimate of the assumed impact of the Affordable Housing Social Bond's proceeds based on housing association data and the metrics and data set out in section 3 of this report, which in turn rely on several assumptions, expectations and estimates.
2. Loans to Housing Associations which are financed or refinanced by the proceeds of the Affordable Housing Social Bond 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). This calculation assumes that the lending provided by NatWest Group to the housing associations has been dispersed by the respective housing association in proportion to its Total Investment Funds and has also been dispersed in the same proportion to their own reported investment and expenditure allocation with any remaining funds used to finance or refinance the housing stock. There is a possibility that the funds provided by NatWest Group to the housing associations have been dispersed in a different manner or for another purpose not disclosed in this report. Or, as the 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.

Women-led business survey:

1. <u>Selection criteria for conducting survey:</u> The asset pool of the Women-led Business Bond as at 31 December 2023 comprised 14,545(*) loans to approximately 14,000 customers. Loan account details were matched with customer email addresses, with the survey sent to over 9,500 customers. Customers were excluded from the survey where at least one of the following applied: the customer had stated a preference to not be contacted for surveys; the customer had an active complaint with NatWest Group (this approach is in accordance with our standard practice); no or incorrect email address was held by NatWest Group. Customers not principally served through our Business Banking segment were not surveyed.
2. <u>Method:</u> The survey was conducted in March 2024 and was sent by NatWest Group to loan account holders' email addresses. The survey consisted of seven questions and was open for responses for seven business days. Results of three questions are presented in section 3.4. The collated responses to the other questions are not presented because they were deemed to be not sufficiently meaningful for publication. Responses received were collated and aggregated manually with no further manipulation by NatWest Group.
3. <u>Results:</u> Results presented in section 3.4 are based on customers' views and perceptions, with no further independent verification or validation performed by NatWest Group or any other person. All survey responses reflect the views of the business owners that completed the survey and their subjective interpretation of the meanings of available responses.

(*) Within scope of EY Assurance. Refer to section 4.3.

4.2 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 (i) 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 13 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; (ii) the risk factors included in the NatWest Group's 2023 Annual Report and Accounts, with special regard to the 'Climate and sustainability-related risks' on pages 420 - 444; and (iii) Section 7.1 of the 2023 NatWest Group Climate-related Disclosures Report ('Cautions about climate-related metrics and data required for climate reporting').

Caution about the limited availability of adequate data. In general, there is limited availability of adequate data required for the purposes of this report, particularly data relating to certain industries, industry sub-sectors and geographic sectors. The absence of widely available adequate data, and sub-sector-related information makes it challenging to accurately disclose or estimate the relevant metrics used for the purposes of this report. The availability of adequate data and industrial classification depends on a variety of public, private and civic sector sources. However, the challenge is finding the relevant sources if they exist, and then validating, cleaning, and standardising the data in an accessible form or format. Significant gaps in sectors, sub-sectors and across asset classes are impeding not only risk management, but also the development of mitigation and adaptation strategies, as well as aspects of operations and credit risk and investment analysis that depend on data-informed processes.

Caution about data quality. In general, the quality of the data relied upon for the purposes presented in this report is not of the same standard as more traditional financial reporting as the data relied upon in this report is derived from management systems that (a) are not necessarily part of the internal controls and procedures over financial reporting used for the preparation of IFRS financial reports and that may be subject to assurance procedures; (b) are generally considerably less sophisticated than the systems and controls for financial reporting and also include manual processes. This may result in the information presented in this report being less comparable, verifiable, timely, understandable and useful for the purposes of decision-making than information in our financial reports. Further to it, financial, statistical and other information and data published by third parties and included in this report have not been independently verified by NatWest Group.

Caution about metrics and methodologies and other data subject to significant measurement uncertainty. The information in this report includes non-financial metrics, estimates or other information that are subject to significant estimation and measurement uncertainties, which may include the methodology, collection and verification of data, various judgements, estimates and assumptions. The preparation of some of the information in this report as well as reporting on the indicated/estimated/assumed impacts resulting from the allocation of bond proceeds towards eligible assets require the application of a number of key judgements, assumptions and estimates. The reported indicated/estimated/assumed impacts, outputs or outcomes in this report reflect good faith estimates, assumptions and judgements at the given point in time. There is a risk that these estimates, assumptions and judgements, may subsequently prove to be incorrect and/or may need to be restated or changed.

Caution about the lack of definitions or standards. There are an increasing number of initiatives focused on developing standardised definitions and criteria for 'green', 'social' and 'sustainable' assets and liabilities, and labelling of 'green', 'social' and 'sustainable' financial products and services.

To date, there is currently no single globally recognised or accepted, consistent and comparable set of definitions or standards (legal, regulatory or otherwise) of, nor widespread cross-market consensus

(i) As to what constitutes, a 'green', 'social' or 'sustainable' or similarly-labelled activity, product or asset; or

(ii) As to what precise attributes are required for a particular activity, product or asset to be defined as 'green', 'social' or 'sustainable' or similarly-labelled activity, product or asset.

Therefore, there is little certainty, and no assurance or representation is given that users of this report must not assume that NatWest Group's reporting or description of activities, products or assets will meet their present or future expectations or requirements for describing or classifying activities, products or assets as 'green', 'social', or 'sustainable' or attributing similar labels (unless a definition or standard is specified in this report). We expect policies, regulatory requirements, standards, and definitions to be developed and continuously evolve over time.

Caution about allocation and deployment of net proceeds. There can be no assurance or representation that the use of an amount equal to the net proceeds of any Green or Social Bond will be totally or partially allocated for the financing and/or refinancing of an eligible asset (as defined in the NatWest Group GSS Financing Framework). There can also be no assurance or representation that the allocation of amounts to Eligible Assets will have the result or outcome (whether or not related to environmental, social or other objectives) as originally expected or anticipated by the Issuer. 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 are summarised in the 'Risk Factors' included on pages 420 to 444 of the NatWest Group 2023 Annual Report and Accounts (with special regard to the risk factors in relation to 'Climate and sustainability related risks' that describes several particular uncertainties, climate and sustainability related risks to which NatWest Group is exposed and which may be amended from time to time), as well as the Base Prospectus and its supplements for the EMTN Programme.

4.2 Important information

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.

Caution about the use of graphics and case studies. This report contains a number of graphics, infographics, text boxes and illustrative case studies and credentials which aim to give a high-level overview of certain elements of this report and improve accessibility for readers. These graphics, infographics, text boxes and indicative case studies are illustrative and should be read within the context of this report as a whole.

Caution about references to websites. Reference to websites and other reports is made for information purposes only, and information found at such websites or in such reports is not incorporated by reference into 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 with respect to (i) third parties' data and information found at any websites operated by third parties; or (ii) the information provided in sections 2.2, 3.2, 3.3 and 3.4 or any of the opinions or conclusions expressed in these sections.

No duty to update. This report, 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. Further to it, NatWest Group does not assume or undertake any obligation or responsibility to update any of the statements contained in this report, whether as a result of new information, future events or otherwise, except to the extent legally required.

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. This report, the information, statements and disclosure included in this report are not formally part of any offering documents and are not contractually binding. The report is not intended to form part of any communication of any offering issued under this report and it is not intended to be an advertisement for the purposes of the UK Prospectus Regulation and investors should not make any investment decisions based on the information included in this report.

4.3 Assurance Report

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Independent assurance report to the directors of NatWest Group plc on certain metrics within the Green, Social and Sustainability Bonds Allocation and Impact Report for the year-ended 31 December 2023

This report is produced in accordance with the terms of our engagement letter dated 22 April 2024, 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 Sustainability Bonds Allocation and Impact Report as of 31 December 2023 (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 Financing Framework and the methodology as described within that framework and within the GSS Report (together the 'Criteria').

The Group's Green, Social and Sustainability Financing Framework (the 'Framework') was published on 5 December 2022 and is 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			Criteria within the GSS Report
Green Bonds proceeds used to finance and/or refinance renewable energy projects	1a	Estimated Carbon Emissions avoided through renewable energy generation ($MtCO_2e$) for the year ended 31 December 2023	GSS Report section 2.2
	1b	Renewable Energy generated for the year ended 31 December 2023 through the proceeds of the bonds (GWh)	
	1c	Value of allocation of the proceeds of Green Bonds (£m) as of 31 December 2023	
Green Bonds proceeds used to finance and/or refinance green mortgages	2a	EPC rating (A & B) of Green Mortgage properties within the Green Bonds portfolio as of 31 December 2023	GSS Report section 2.3
	2b	Total Floor area of Green Mortgage properties within the Green Bonds portfolio as of 31 December 2023 (m^2)	
	2c	Value of allocation of the proceeds of Green Bonds (£m) as of 31 December 2023	
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	Estimated number of jobs created / enabled through the proceeds of the Social Bond as of 31 December 2023	GSS Report section 3.2
Social Bond proceeds used to finance and/or refinance loans to not-for-profit registered housing associations in the UK	4a	Estimated number of new housing units developed/ acquired for the year ended 31 March 2023 through the proceeds of the Social Bond	GSS Report section 3.3
	4b	Estimated number of existing housing units partially supported for the year ended 31 March 2023 through the proceeds of the Social Bond	
Social Bond proceeds used to finance and/or refinance loans to women-led businesses	5a	Number of Loans to women-led businesses as of 31 December 2023	GSS Report section 3.4
	5b	Regional split of loans to women-led businesses as of 31 December 2023	
	5c	Industry split of loans to women-led businesses as of 31 December 2023	

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.

Criteria applied by the Company

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

The Subject Matter and other sustainability information in the GSS Report were prepared by the Company. The definitions and methods used to prepare the Subject Matters are included in the Group's Green, Social and Sustainability Financing Framework and the methodology as described within that framework and within the GSS Report (together the 'Criteria').

The Criteria were specifically designed for the preparation of the Report. 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 Criteria, and for presenting the Subject Matter, identified above, in accordance with that 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

It is our responsibility to provide a conclusion on the Subject Matter identified above, based on our examination. The Criteria has been used as the basis on which to evaluate the measurement and presentation of the Subject Matter.

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).

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 GSS 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.

Our Independence and Quality Control

In performing this engagement, we have applied International Standard on Quality Management (ISQM) 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)).

4.3

Assurance Report

Description of procedures performed

We have performed the procedures agreed with you and set out in our engagement letter dated 22 April 2024.

- Interviewed management and relevant staff to gain an understanding of how the Criteria is applied, including the eligibility, evaluation, selection process and management of proceeds. We also inquired how relevant information and data is gathered in order to measure and report the Subject Matter;
- Obtained the underlying calculations of the Subject Matter, to check whether the measurement is aligned to the Criteria. On a sample basis, to check completeness and accuracy, we obtained relevant documentation to verify key input data and reperformed the calculation of the Subject Matter;
- For a sample of loans, inspected documentation to check whether the eligibility criteria followed was in accordance with the Criteria;
- Obtained management's documentation of the processes and governance over the Subject Matter, including meeting minutes of relevant governance committees to identify any matters that may impact the reporting of the Subject Matter;
- Performed analytical review procedures to understand the movements between periods and followed up with management to understand and obtain explanations in respect of any outliers or anomalies.

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 2023.

This report is made solely to the company's Directors, as a body, in accordance with our engagement letter. Those terms permit disclosure on the Group's website, solely for the purpose of Group showing that it has obtained an independent assurance report in connection with the Subject Matter. 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.

Ernst & Young LLP
London, United Kingdom
25 April 2024

NatWest Group plc

2023 Green, Social and Sustainability Bond Allocation and Impact Report

April 2024