



Green, Social and Sustainability Bonds Allocation and Impact Report

A relationship bank for a digital world

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NatWest
Group

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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.

1. Championing Potential – a relationship bank for a digital world

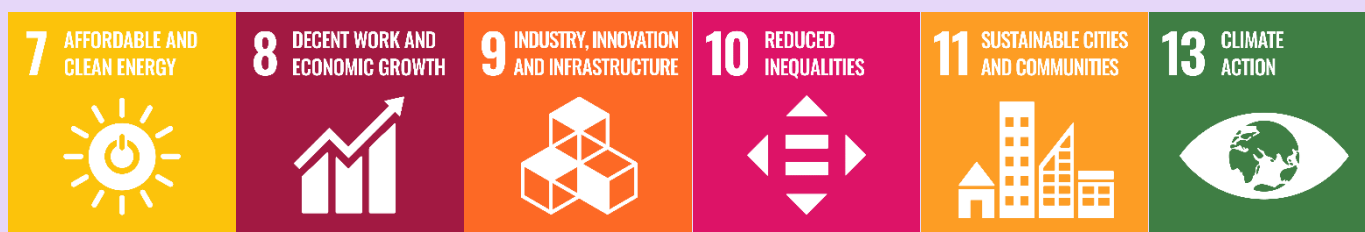
A strategy to deliver our purpose, driving sustainable returns

We are driven by our purpose and enabled by our strategy. We remove barriers to create strong enterprises. We turn ambition into action to help tackle climate change. And we build financial capability through learning. By supporting our customers at every stage of their lives, we can build long-term value, invest for growth, make a positive contribution to society and drive sustainable returns for shareholders.

As a relationship bank for a digital world, we champion our customers' potential by supporting them at every stage of their lives. With this approach, our purpose will create longer-term and deeper relationships with our customers, helping them, our communities and the economy to thrive. Embedded through all our activities is a commitment to understanding the key Environmental, Social and Governance issues for our business and where we can have the most meaningful impact – with a focus on three areas: Climate, Enterprise and Learning.

We have developed our [Green, Social and Sustainability Financing Framework](#) (the “Framework”) with the aim to attract dedicated funding for loans and investments that bring a positive environment or social impact. The Framework is intended to provide a clear and transparent set of definitions to enable investments that support the transition to a net zero economy or bring positive social benefits and create long-term value for our stakeholders. In this document we report the key outcomes for Green and Social bonds issued as at 31 December 2022 that support an ongoing process to align our strategy with the 2015 Paris Agreement and the UN Sustainable Development Goals (SDGs).

We are evolving to power our customers' financial lives of tomorrow and be there through the challenges of today, building diversification and resilience for the future. As we understand more about our customers' future financial lives, we see important opportunities to build and explore new forms of long-term value for our customers. These themes for further sustainable growth are led by, and reinforce, our purpose, creating new ways to empower our customers, enable enterprise, and build financial confidence to help our stakeholders make most of their money. We aim to do this by delivering personalised solutions throughout our customers' lifecycles; embedding our services in our customers' digital lives; and through supporting customers' sustainability transitions.



1. Championing Potential – a relationship bank for a digital world

Removing barriers to enterprise

In March 2023, NatWest Group became the first bank in Europe to issue a bond with the intention to use the net proceeds to lend to the following businesses 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.

The nominal amount of the bond is €500 million (£446 million) and the Eligible Social Assets⁽¹⁾ will comprise lending for general corporate purposes of such eligible businesses. To the extent that Eligible Social Assets in this category are unavailable, including where they unexpectedly mature or pending full allocation, NatWest Group intends to hold and/or invest any surplus proceeds at its discretion in cash or short-term liquid investments until additional Eligible Social Assets are available. The bond was ~85% allocated and includes estimated 14,000 loans with an average loan size of £27,000.⁽²⁾

A full allocation, impact assessment and case studies relating to this issuance will be included in future Green, Social and Sustainability Bonds Allocation and Impact Reports.



⁽¹⁾ In line with the Eligibility Criteria for Eligible Social Assets as described in [NatWest Group's Green, Social and Sustainability Financing Framework](#), based on management assessment of unaudited internal and public information.

⁽²⁾ The period for inclusion in the pool is 1 January 2020 to 30 September 2022.

Cautionary statement on inclusion of SDGs

The Sustainable Development Goals (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 the each “*Eligible Green Assets*” and “*Eligible Social Assets*” definition furthers the objective or achieves the purpose of the indicated SDG.

Presentation of information

The reporting period covered in this report is from 1 January 2022 to 31 December 2022. “We”, “our” or “NatWest Group” refers to NatWest Group plc and subsidiaries.

NatWest Group publishes its financial statements and this report in pounds sterling (£ or ‘sterling’). The abbreviations ‘£m’ and ‘£bn’ represent millions and thousands of millions of pounds sterling, respectively, and the abbreviations ‘m’ or ‘bn’ represent millions and thousands of millions respectively.

Use of defined terms

Unless otherwise defined in this report, defined terms shall have such meanings when used in the NatWest Group's Green, Social and Sustainability Financing Framework.

2. NatWest Group Green, Social and Sustainability Bonds highlights

2.1 Green and Social Bond summary

Up to 31 December 2022, NatWest Group had issued three Green Bonds and two Social Bonds with a pool balance of £3.7 billion as at 31 December 2022, and a combined notional value at issuance of £3.5 billion⁽¹⁾.

A summary of these bonds is included within the table below.

				Bond notional in issued currency (million)	Bond notional at issuance (£million)	Pool balance as at 31 Dec 2022 (£million) ⁽²⁾	Allocation of bond (%) ⁽³⁾	
Asset Class	Issue date	Maturity date	Currency					ISIN
Green Bonds								
Renewable energy	25 May 2020	22 May 2024	USD	600	493	504	100	US780097BN03
Green Mortgage	09 Nov 2021	9 Nov 2028	GBP	600	600	708	100	XS2405139432
Renewable energy & Green Mortgage	30 Aug 2022	06 Sep 2028	EUR	1,000	860	510 ⁽¹⁾	60	XS2528858033
Total Green Bonds					1,953	1,722		
Social Bonds								
SME Lending	15 Nov 2019	15 Dec 2025	EUR	750	642	642	100	XS2080205367
Affordable Housing	23 Feb 2021	26 Feb 2030	EUR	1,000	867	1,344	100	XS2307853098
Total Social Bonds					1,509	1,986		

⁽¹⁾ Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement).

⁽²⁾ 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 2022. The pool balance is dynamic, meaning 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 to ensure that the pool balance is greater than the bond issuance amount after the bond has been issued for one year, up until the bond is called or matures.

⁽³⁾ Allocation of bond is the pool balance (£ million) as at 31 December 2022 divided by the notional balance (£ million). This is limited to 100% and represents the % allocation.

(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

2.2 Green and Social Bond summary metrics

Metrics, as outlined in the Framework, are provided within this report as an indication of estimated impacts resulting from the allocation of Bond proceeds towards eligible assets. As the pool balance for all but the Green Bond issued in August 2022 is now greater than, or equal to, the issuance amount the estimated impact metrics have been adjusted to only consider the impact for the element funded by the bond proceeds. The table provides summary metrics related to NatWest Group Green and Social Bonds.

NatWest Group Green Bond metrics ⁽¹⁾	
Number of Green Mortgages allocated	4,336
Estimated carbon emissions avoided through green buildings	9.4m kgCO ₂ e ⁽²⁾
Number of renewable energy lending loans	24
Renewable energy generation (NatWest Group share) ^(*)	1,274 GWh ⁽³⁾
Estimated carbon emissions avoided ^(*) through renewable energy	0.246 MtCO ₂ e ⁽⁴⁾
NatWest Group Social Bond metrics	
Number of housing associations supported	25
Estimated new housing units developed/acquired ^{(*)(5)}	568
Total Units Partially Supported ^{(*)(5)}	322,985
Number of SMEs supported since issuance	11,600
Estimated jobs created/enabled since issuance ^(*)	11,300

Refer to sections 3.4, 3.6, 4.4, 4.7 and 5.1 of this report for methodologies, 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)⁽⁶⁾ that is limited to project financings with restricted use of proceeds.

⁽¹⁾ All Green Bond metrics relate to the twelve-month period ended 31 December 2022. For bonds issued during 2022 the estimated impact has been calculated since issuance date.

⁽²⁾ kgCO₂e is kilograms of carbon dioxide equivalent.

⁽³⁾ GWh is gigawatt-hours of energy.

⁽⁴⁾ MtCO₂e is million tonnes of carbon dioxide equivalent.

⁽⁵⁾ Based on the twelve-month period ended 31 March 2022.

⁽⁶⁾ [PCAF – The Global GHG Accounting & Reporting standard](#).

^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3. NatWest Group Green Bonds







3.1 Green Bond issuances as at 31 December 2022

Up to 31 December 2022, NatWest Group had issued Green Bonds with a notional value at issuance of £1.9 billion⁽¹⁾ and a pool balance of £1.7 billion as at 31 December 2022.

Within this report, we have estimated the assumed impact for the three Green Bonds using metrics associated with green buildings and renewable energy as outlined in the Framework. When estimating the assumed impact these metrics have been presented on a consolidated basis, rather than by individual bond, in order to provide a holistic view of estimated impacts resulting from the allocation of bond proceeds towards eligible green assets.

NatWest Group green asset eligibility criteria is outlined in the Framework and as selected facilities are repaid, new eligible assets are selected in line with this criteria. As a result, the composition of the portfolios may change through the life of the bonds. Any changes are subject to review and approval by the Green, Social and Sustainability Financing Working Group, as described in the Framework.

The table below provides a summary of NatWest Group's approach to issuances which finance or refinance eligible green projects with positive environmental impacts ("Green Bonds") aligned with the key components of the International Capital Markets Association ("ICMA") guidelines⁽²⁾:

ICMA category	Renewable energy	Green buildings
SDG	  	  
Use of proceeds	Framework section 4.1: eligible green loans: renewable energy	Framework section 4.1: eligible green loans: green buildings
Evaluation and selection process	Framework section 5: Evaluation and Selection Process.	
Management of proceeds	The net proceeds of the Green Bonds are managed by Treasury on a portfolio basis. During the lifetime of the bond, we intend to exclusively allocate an amount equivalent to, or in excess of, the net proceeds of the Green Bonds to eligible green assets in line with the green asset definitions set out in the Framework.	
Reporting	A single allocation and impact report including all outstanding Green and Social Bonds as at the last financial reporting date will be published annually.	

⁽¹⁾ Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement).

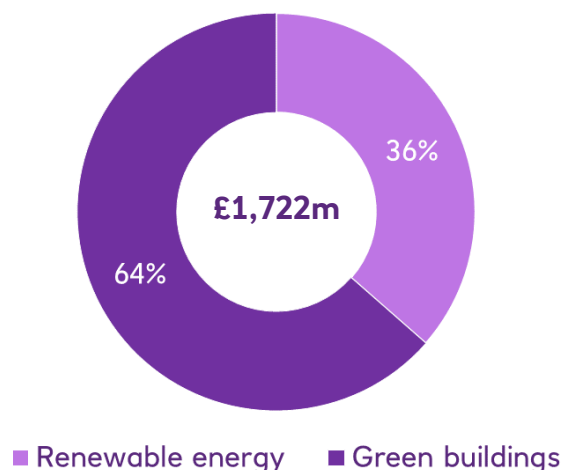
⁽²⁾ ICMA guidelines represent a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond: [ICMA - Green Bond Principles](#).

3.2 Green Bond allocation summary

The proceeds from issued Green Bonds have been used to finance or refinance renewable energy projects and Green Mortgage products⁽¹⁾. As at 31 December 2022 the Green Bonds issued in May 2020 and November 2021 are fully allocated while the Green Bond issued in August 2022 is 60% allocated and expected to be fully allocated by August 2023.

The chart and table below show the combined pool balance across the three Green Bonds as at 31 December 2022 by ICMA category.

NatWest Group's Green Bond portfolio



ICMA category	Pool Balance as at 31 December 2022 (£m)			
	Renewable energy	Green Mortgages	Renewable energy & Green Mortgages	Total
Renewable energy	504		124^(*)	628
Solar	198		105	303
Onshore Wind	127			127
Offshore Wind	160		19	179
Hydropower	19			19
Green buildings		708	386^(*)	1,094
EPC "A" Rated properties		20	9	29
EPC "B" Rated properties		688	377	1,065
Total	504	708	510^(*)	1,722

⁽¹⁾ 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 (<http://www.greenfinanceinstitute.co.uk/ghfp/>).

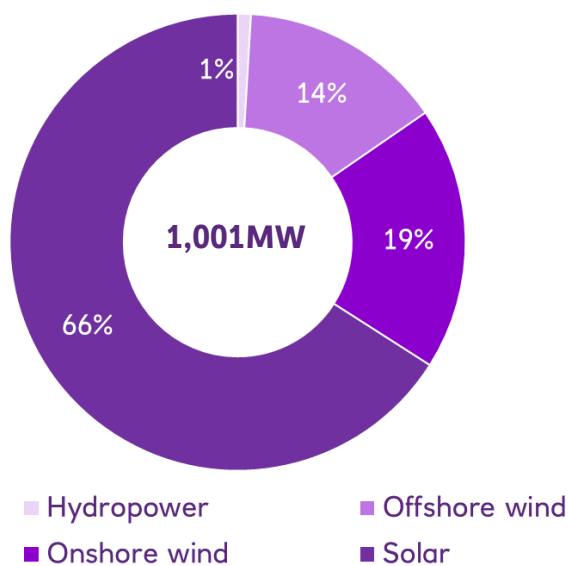
^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3.3 Green Bond allocations – renewable energy

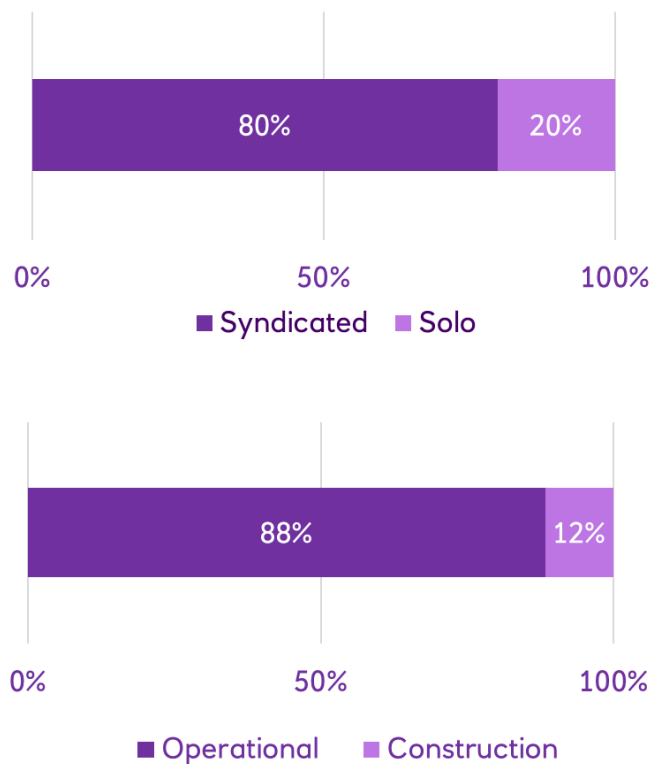
The Green Bonds issued in May 2020 and August 2022 allocate proceeds towards financing or refinancing renewable energy projects. Net proceeds of the Green Bond issued in May 2020 have been fully allocated since issuance to renewable energy projects across Scotland and England, the proceeds of which have refinanced a variety of renewable energy technologies, including onshore wind, offshore wind, solar and hydropower. As at 31 December 2022 the combined pool balance was £628 million across 24 renewable energy projects throughout the UK.

The charts below show the split of the pool balance by renewable energy technology, the breakdown of facility syndication, and the split of those that are operational and under construction as at 31 December 2022.

NatWest Group renewable energy portfolio by renewable technology (MW)⁽¹⁾



Facility syndication and operational status breakdown (MW)⁽²⁾



⁽¹⁾ Total portfolio capacity in Megawatts (MW) includes the operational project capacities attributed to NatWest Group determined according to the methodology shown on page 10 of this report.
⁽²⁾ Facility syndication and operational status breakdown is calculated according to total project capacities.

3.4 Green Bond methodology – renewable energy

This section details methodologies used to estimate carbon emissions avoided by the renewable energy portfolio and the related data limitations, assumptions and risks.

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

1. We base our calculation on the UK Government's Department of Business, Energy & Industrial Strategy ("BEIS") published⁽¹⁾ emissions factor, in unit of tonnes of carbon dioxide equivalent per gigawatt-hours (tCO₂e/GWh). This includes the carbon emissions produced by total electricity generation in the UK during 2022.
2. We apply the BEIS published emissions factor to the energy generation of the projects within the renewable energy portfolio.
3. We have opted to leverage publicly available⁽²⁾ 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 estimate for carbon emissions avoided (MtCO₂e) resulting from loans within the renewable energy portfolio. The methodology outlined above relates to operational projects only. Projects that are under construction are excluded from the estimated impact calculation.

Data limitations, assumptions and risks:

1. It is assumed that energy generated by the renewable energy projects would have otherwise 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.
2. Only the estimated energy generation attributed 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.
3. The calculation of project share attributed to NatWest Group reflects the project debt and facility amounts as at 31 December 2022 and considers projects to be wholly debt-funded.
4. For the purposes of calculating the project share attributed to NatWest Group it is assumed that syndicated facilities are paid down in whole at the same rate as the NatWest Group funding is repaid, per ordinary syndication arrangements for this type of lending.

3.5 Green Bond estimated impacts – renewable energy

The table below shows the estimated impact of loans included in the two Green Bonds within the renewable energy portfolio. For bonds issued prior to 1 January 2022 the estimated impact is calculated for the twelve-month period ended 31 December 2022 and presented on an annualised basis. For bonds issued during 2022, the estimated impact is calculated from the issuance date.

Renewable Technology	Lending Facilities	Notional (NWG) ⁽³⁾ £m	Installed Capacity (Total) MW	Installed Capacity (NWG) MW	Energy Generation (Total) GWh	Energy Generation (NWG) GWh	Estimated carbon emissions avoided (NWG) MtCO ₂ e
Onshore wind	4	127	946	187	1,926	380	0.073
Offshore wind	11	179	2,413	145	7,899	474	0.092
Solar	8	303	1,568	661	1,169	433	0.084
Hydropower	1	19	9	9	27	27	0.005
Total	24	628	4,936	1,001	11,021	1,314	0.254
Total Allocated⁽⁴⁾		597	4,773	945	10,746	1,274^(*)	0.246^(*)

⁽¹⁾ [Government conversion factors for company reporting of greenhouse gas emissions.](#)

⁽²⁾ [Table 6.1. Renewable electricity capacity and generation.](#)

⁽³⁾ Portfolio notional assessed at 31 December 2022. Allocation and impacts presented in this report reflect the portfolio as at that date.

⁽⁴⁾ 'Total Allocated' represents the portion of the pool funded by the bond proceeds.

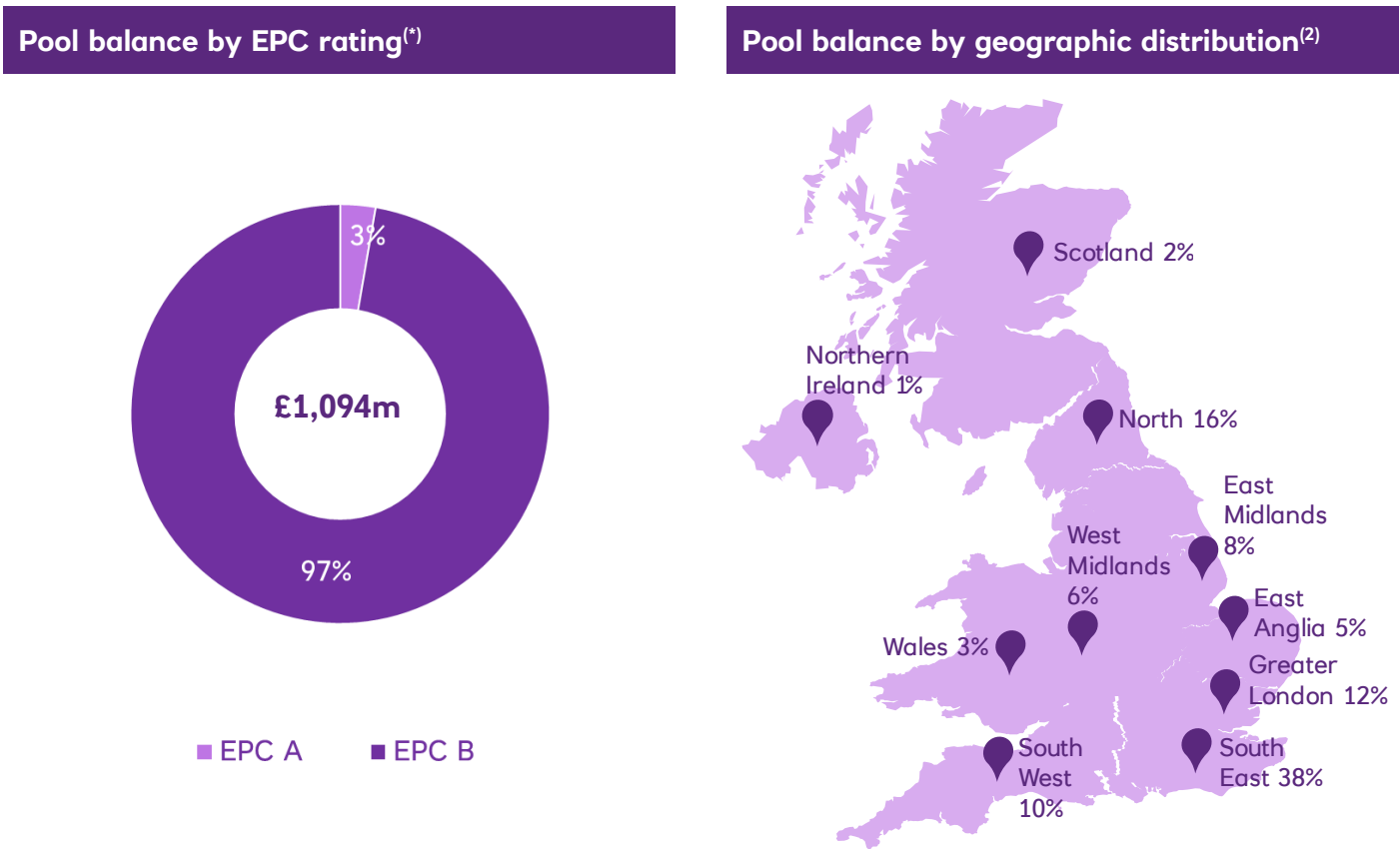
^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3.6 Green Bond allocation – green buildings

NatWest Group has a suite of Green Mortgage products, which offer lower interest rates to incentivise purchasing, porting or re-mortgaging 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.

The Green Bonds issued in November 2021 and August 2022 allocate proceeds towards financing or refinancing Green Mortgage products within the Retail Banking franchise. As at 31 December 2022, the combined pool balance was £1,094 million, based on the outstanding principal amount, and included 4,336 Green Mortgages.

The charts below show the split of the combined pool balance by EPC rating and geographic distribution as at 31 December 2022.



⁽¹⁾ For a summary of the limitations of carbon emissions calculated using EPC ratings, see section 5.2, 5.5 and 5.7 of the [2022 NatWest Group plc Climate-related Disclosures Report](#).

⁽²⁾ May not cast due to rounding.

^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3.7 Green Bond methodology – green buildings

This section details methodologies used to estimate carbon emissions avoided by the green buildings portfolio and the related data limitations, assumptions and risks. NatWest Group's total residential mortgage portfolio has an estimated physical emission intensity of 37.8 kgCO₂e/m²⁽¹⁾ as at 31 December 2021 (with an overall data quality score of 3.9). Of this, estimated physical emissions intensity related to its EPC A or B rated residential mortgage properties is 13.8 kgCO₂e/m². Therefore, properties in the Green Mortgage portfolio are approximately 60% less carbon intensive than the overall NatWest Group residential mortgage portfolio. This could be due to various factors including the building's age, improved levels of insulation in the building's fabric; more efficient performance or net-zero energy sources.

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

1. The physical emissions intensity estimates for NatWest Group total residential mortgages portfolio and for the subset of EPC A or B rated residential mortgage properties is sourced from the NatWest Group plc 2022 Climate-related Disclosures Report⁽²⁾
2. As the Green Mortgage portfolio only includes EPC A and B rated residential properties, the emissions intensity for these properties is applied to the average outstanding principal amount for the relevant Green Bonds as at 31 December 2022.
3. Estimated emissions avoided represent the difference between emissions intensity estimates of the NatWest Group UK mortgage portfolio and EPC A and B rated properties within the portfolio based on the total floor area⁽³⁾ of properties within the Green Mortgages portfolio.

Estimated emissions avoided calculation: physical emissions intensity estimate of EPC A or B rated residential mortgage properties (13.8 kgCO₂e/m²), deducted from the physical emissions intensity estimate of NatWest Group's total exposure to residential mortgage properties (37.8 kgCO₂e/m²) and multiplied by the total floor area of properties within the Green Mortgage portfolio (502,800 m²)⁽⁴⁾.

Data limitations, assumptions and risks:

1. 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 2021 data and applied to the bond portfolio allocation as at 31 December 2022.
2. The underlying calculations for physical emissions intensities are subject to significant uncertainties, assumptions, judgements and data limitations as disclosed in Sections 5.2, 5.5 and 5.7 of the NatWest Group plc 2022 Climate-related Disclosures Report. Therefore, there is a risk that the physical emissions intensity estimates and the avoided carbon emission intensity differ significantly.
3. We assume that NatWest Group's total residential mortgages portfolio physical emissions intensity is representative 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 guidance⁽⁴⁾.
4. Actual energy performance data for the properties within the Green Mortgage portfolio is largely unavailable. We therefore use EPC ratings as a proxy for 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 the 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.
5. Estimated carbon emissions avoided resulting from the 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.

⁽¹⁾kgCO₂/m² is kilograms of carbon dioxide equivalent per square metre of financed floor space.

⁽²⁾ For further detail on the methodology, assumptions and limitations of carbon emissions calculated using EPC ratings, see section 5.2, 5.5 and 5.7 and page 33 of the [NatWest Group plc 2022 Climate-related Disclosures Report](#)

⁽³⁾ 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.

⁽⁴⁾[Green Bonds – Working Towards a Harmonized Framework for Impact Reporting – December 2015.](#)

(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3.8 Green Bond estimated impact – green buildings

The table below shows the estimated impact of loans included in the two Green Bonds within the green buildings portfolio. For bonds issued prior to 1 January 2022 the estimated impact is calculated for the twelve-month period ended 31 December 2022 and presented on an annualised basis. For bonds issued during 2022, the estimated impact is calculated from the issuance date.

Estimated carbon emission reduction versus the NatWest Group residential mortgage portfolio	
Average estimated physical emissions intensity of the NatWest Group residential mortgage portfolio	37.8 kgCO ₂ e/m ²
Average estimated physical emissions intensity of the EPC A and B rated properties	13.8 kgCO ₂ e/m ²
Total floor area of the Green Mortgage portfolio ^(*)	502,800 m ²
Estimated carbon emissions avoided ⁽¹⁾	
Estimated carbon emissions avoided through green buildings	9.4m kgCO ₂ e

⁽¹⁾ Estimated carbon emissions avoided = (average estimated physical emissions Intensity of the NatWest Group Residential Mortgage portfolio minus the average estimated physical emissions intensity of the EPC A and B rated properties) multiplied by the total floor area of the Green Mortgage portfolio.

^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

3.9 Case studies – renewable energy

Lightsource bp

Financing the growth of sustainable energy

Lightsource bp is a global solar leader and 50:50 JV partner with bp, working with utilities, businesses, local communities, and governments to help meet the rising demand for affordable, reliable, and sustainable energy.

As a leading developer, financier, and operator of utility-scale solar, Lightsource bp has been building and growing meaningful partnerships across the energy transition for over a decade. Headquartered in London with activities across nineteen regions, Lightsource bp has developed 8.8GW of solar projects globally, supported by a team of over 1,000 specialists worldwide.

NatWest Group participated in a bilateral solar deal to finance the construction, acquisition and operation of a portfolio of both ground and roof-mounted solar photovoltaic assets located around the UK, including Northern Ireland – the vast majority developed, owned and operated by Lightsource bp directly.

Lightsource approached NatWest Group to support the expansion of one of its key solar platforms, financing the construction and operation of a strong pipeline of subsidy-free assets and consolidating operational roof-mounted installations into its portfolio.

This expansion was the fifth evolution of Lightsource bp's growth platform, which now stands at 145MW of capacity, enough to power approximately 50,000 UK homes with renewable electricity.

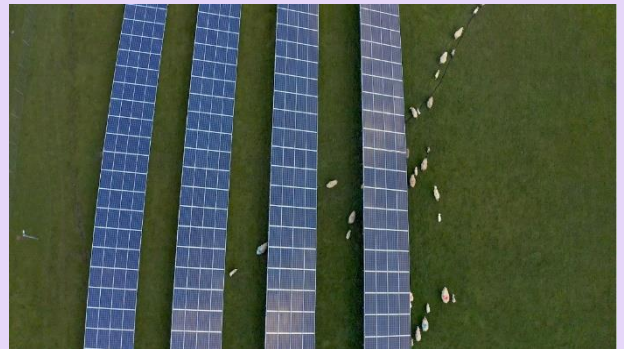
Hornsea 2 – Offshore wind project

Funding renewable energy at scale

In March 2022, NatWest Group participated in a syndicated loan deal to finance the construction of the Hornsea 2 project: at the time, the largest offshore windfarm under construction in the world. The deal involved global asset manager AXA IM Alts and French insurance group Crédit Agricole Assurances acquiring a 50% stake in the development from operator Ørsted.

Hornsea 2, which became fully operational on 31 August 2022, supports AXA IM Alt, Crédit Agricole Assurances and Ørsted's ambition to expand renewable energy production. Comprising 165 8MW turbines spanning 462km² (an area ~31 times the size of Lake Windermere) and producing more than 1.3GW of electricity – enough energy to supply more than 1.4 million homes. Each single revolution of each 204m high turbine can power an average family home for 24 hours.

Located approximately 89 km (55.3 miles) off the Yorkshire coast, the installation was constructed at the then reported lowest-ever contract price for offshore wind in the UK, in the unforgiving environment of the North Sea and amid the challenges of the COVID-19 pandemic.



4. NatWest Group Social Bonds

4.1 Social Bond issuances as at 31 December 2022

From 2019 to 2022, NatWest Group issued Social Bonds with a notional value at issuance of £1.5 billion.⁽¹⁾ The pool balance as at 31 December 2022 was £2.0 billion.

NatWest Group social asset eligibility criteria are outlined in the Framework and as selected facilities are repaid, new Eligible Assets are selected in line with these criteria. As a result, the composition of the portfolios may change. Any changes are subject to review and approval by the Green, Social and Sustainability Financing Working Group, as described in the Framework.

The below table provides a summary of NatWest Group's approach to issuances which finance or refinance loans with positive social impacts ("Social Bonds") aligned with the key components of the ICMA guidelines⁽²⁾.

ICMA Category		Employment generation: Sole traders, partnerships and SMEs	Affordable housing
SDG	<div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div><div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div></div> <div><div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div></div>		
Use of proceeds	Framework section 4.2 Eligible Social Loans: Eligible Assets to support sole traders, partnerships, and SMEs Lending		Framework section 4.2 Eligible Social Loans: Affordable Housing
Evaluation and selection process	Framework section 5 Evaluation and Selection Process		
Management of proceeds	The net proceeds of the Social Bonds are managed by the Treasury function on a portfolio basis. During the lifetime of the bond, we intend to exclusively allocate an amount equivalent to, or in excess of, the net proceeds of the Social Bonds to Eligible Social assets in line with the Social Asset definitions set out in the Framework.		
Reporting	A single allocation and impact report including all outstanding Green and Social Bonds as at the last financial reporting date will be published annually.		

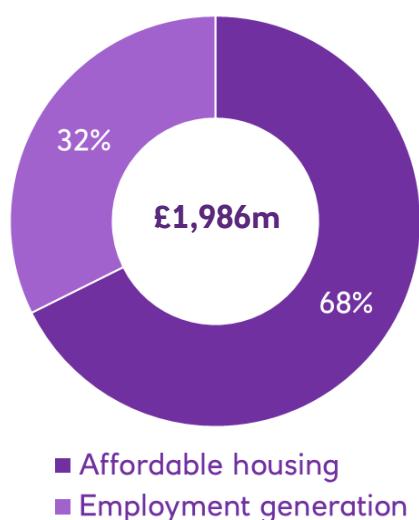
⁽¹⁾ Sterling equivalent based on the FX rate at issuance (closing rate on the date of settlement).

⁽²⁾ The ICMA Social Bond Principles ('SBP') 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 – [ICMA - Social Bond Principles](#).

4.2 Social Bond allocations summary as at 31 December 2022

The amounts equivalent to the Social Bonds proceeds have been used to fund lending to not-for-profit registered housing associations throughout the UK and to sole traders, partnerships and SMEs operating in the areas of the UK with high unemployment and low income. As at 31 December 2022, the Social Bonds issued in November 2019 and February 2021 are fully allocated.

NatWest Group's Social Bond portfolio



ICMA Category	Balance as at 31 December 2022 (£m)
Employment generation⁽¹⁾	642
England	531
Wales	61
Scotland	34
Northern Ireland	16
Affordable housing	1,344
England	1,002
Scotland	342
Total	1,986

⁽¹⁾ Based on allocation of funds to each region since issuance.

4.3 Social Bond allocation – employment generation

The net proceeds of the Social Bond for employment generation (“Employment Generation Social Bond”) have been used to finance or refinance general corporate purposes loans issued to UK SMEs located⁽¹⁾ in the 30% most economically-deprived Local Authority Units (LAU) (“SME Portfolio”). This is based on an analysis of Unemployment Claimant Percentage (UCP)⁽²⁾ and Gross Value Added⁽³⁾ per head (GVA) data published by the Office for National Statistics (“ONS”).

Since issuance in November 2019, the proceeds have been fully allocated to a pool of general corporate purposes loans supporting a total of 11,600 SMEs across the UK.

As at 31 December 2022:		Overview of selection criteria for pool allocation	
Proceeds allocated from issuance	£642 million	1	The SME loan book is filtered by loan age, borrower sector ⁽⁴⁾ , loan performance and loan encumbrance.
Number of SMEs supported since issuance	11,600	2	Postcodes are used at loan level to assign LAU codes to each, which enables mapping to ONS data.
Industry sectors supported	72	3	The residual loans are ranked into deciles based on a bespoke methodology which uses GVA and UCP data published by the ONS. Loans in the bottom 3 deciles (i.e. bottom ~30%), which correspond to some of the most deprived parts of the UK, are included in the pool.
LAUs covered across UK	152		

⁽¹⁾ Location is based on the SME’s address registered with the bank.

⁽²⁾ [Dataset Selection - Query - Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](#) (see ‘Claimant count’).

⁽³⁾ [Regional gross value added \(balanced\) by industry: local authorities by NUTS1 region - Office for National Statistics \(ons.gov.uk\)](#) (latest issued version).

⁽⁴⁾ Excluded sectors are outlined in Appendix 1 of the Framework.

4.4 Social Bond methodology – employment generation

Estimation of job creation or enablement

The impact calculation estimates the number of full-time equivalent (FTE) jobs created or enabled from the issuance of the bond up to 31 December 2022. This is based on the loans to SMEs included in the SME Portfolio.

The methodology is based on the analytical industry-by-industry UK-wide Input-Output (IO) tables, published by the ONS. The IO tables provide a complete picture of the flows of goods and services in a country's economy. They detail the relationship between producers and consumers and the interdependencies of industries.

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.

Methodology to estimate the impact of the funds provided by NatWest Group⁽¹⁾:

1. For our calculation we used the following data:

A - Investment – the value of our SME Portfolio loans by industry

B - Industry-specific employment effects from the UK IO tables (ONS)⁽²⁾

C - Capital stock by industry (ONS)⁽³⁾

D - Output by industry from the UK IO tables (ONS)⁽⁴⁾

2. To calculate the change in employment by industry, we multiply each industry's employment effects (B) by change in output. Change in output is calculated by multiplying capital intensity (capital stock (C) divided by output (D)) by the value of additional investment (i.e. value of our loans (A)).

3. The jobs created or enabled by region are estimated based on the location of the businesses with loans which have been financed or refinanced by the proceeds of the Employment Generation Social Bond.

Data limitations, assumptions and risks:

1. The loans which are financed or refinanced by the proceeds of the Employment Generation 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 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 SME Portfolio. 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 assumed impact of the Employment Generation Social Bond's proceeds based on the metrics and data set out in section 4 of this report which in turn rely on several assumptions, expectations and estimates.

⁽¹⁾ The actual use of proceeds and actual impact of the Employment Generation Social Bond could differ materially from what is presented as the assumed impact in this report. Therefore, the report must not be read or assumed to be a report on the actual use of proceeds of the Employment Generation Social Bond 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 SMEs of all or some of the use of proceeds of the Employment Generation Social Bond or any loans that the Employment Generation Social Bond finance or refinance; and (ii) on the impact of any loans refinanced or financed with the proceeds from the issue of the Employment Generation Social Bond.

⁽²⁾ [FTE multipliers and effects, reference year 2018 – Office for National Statistics \(ons.gov.uk\)](#) (version released 9 May 2022).

⁽³⁾ [Gross and net capital stocks for total UK economy, by industry and asset – Office for National Statistics \(ons.gov.uk\)](#) (version released 23 Jan 2023).

⁽⁴⁾ [UK input-output analytical tables, industry by industry – Office for National Statistics \(ons.gov.uk\)](#) (version released 5 April 2022).

4.4 Social Bond methodology – employment generation

Data limitations, assumptions and risks:

3. 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 2018. For consistency, the other data used relates to the same time period.
4. In line with 5.2 Evaluation and Selection Process of the Framework, non-performing loans and encumbered assets are ineligible for allocation. Subsequent to the allocation a job created or enabled by the Employment Generation Social Bond or the SME to which a loan was provided may cease to exist for various reasons which are out of NatWest Group's control. The risk of customers, counterparties or issuers failing to meet their contractual obligation to settle outstanding amounts is managed within the risk appetite and enterprise-wide risk management framework operated by NatWest Group.⁽¹⁾

To calculate the assumed impact of the Employment Generation Social Bond, we do not remove from our calculation the impact of lending

- (i) subsequent to a loan being repaid; or
- (ii) provided to SMEs which may have been dissolved.

As such, it is possible that some jobs estimated to have been created or enabled by the Employment Generation Social Bond may not be in existence as at 31 December 2022.

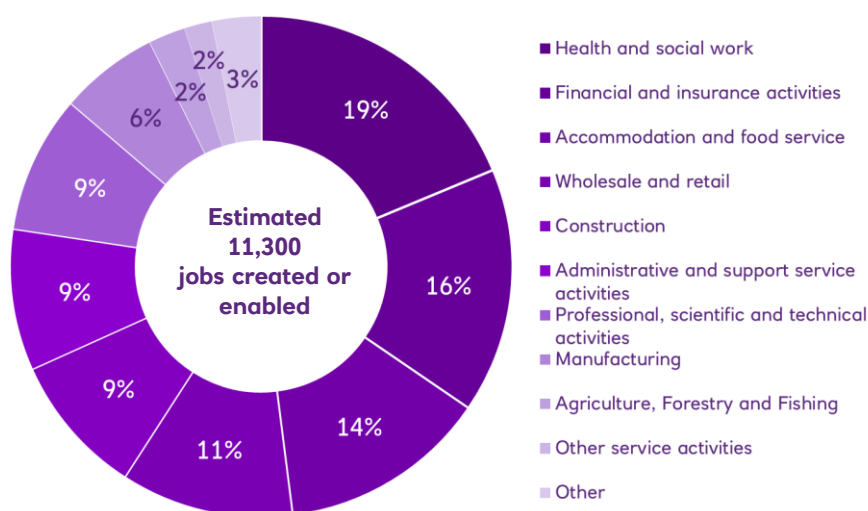
⁽¹⁾ Read more in the Risk and Capital Management section on pages 176 to 283 of the [2022 NatWest Group Annual Report and Accounts](#).

4.5 Social Bond estimated impact – employment generation

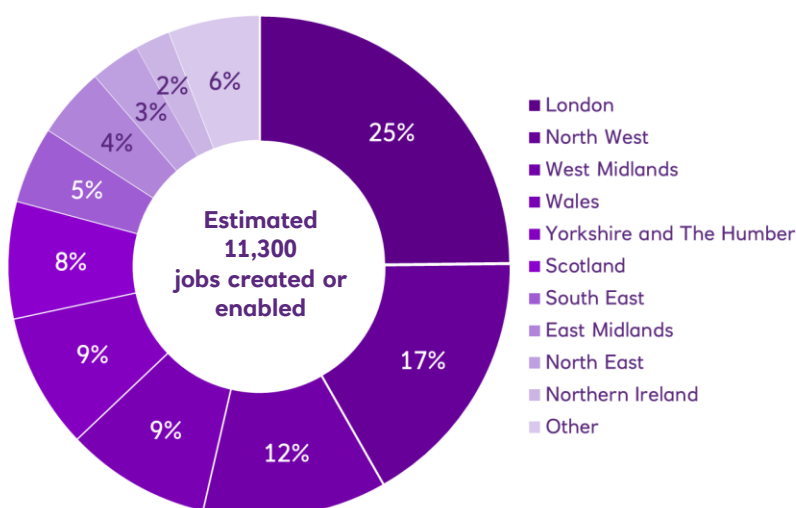
Using the methodology described above⁽¹⁾ we estimate that **11,300^(*) FTE jobs** have been created or enabled in the UK as a result of the loans included in the SME Portfolio, over the life of the issuance.

The three sectors which contributed the highest number of jobs created or enabled are health & social work (2,100), financial and insurance activities (1,800) and accommodation and food services (1,500).⁽²⁾ The three regions in which SMEs stimulated the creation or enablement of the highest number of jobs are London (including Greater London) (2,800), North-West of England (1,900) and West Midlands (1,300).

Jobs by industry since issuance



Jobs by region since issuance



⁽¹⁾ All results are rounded to the nearest hundred.

⁽²⁾ We have improved accuracy of the internal sector mapping of the loans in the SME Portfolio. This has influenced the total estimated number of jobs created/enabled and their sectoral distribution.

^(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

4.6 Social Bond allocation – affordable housing

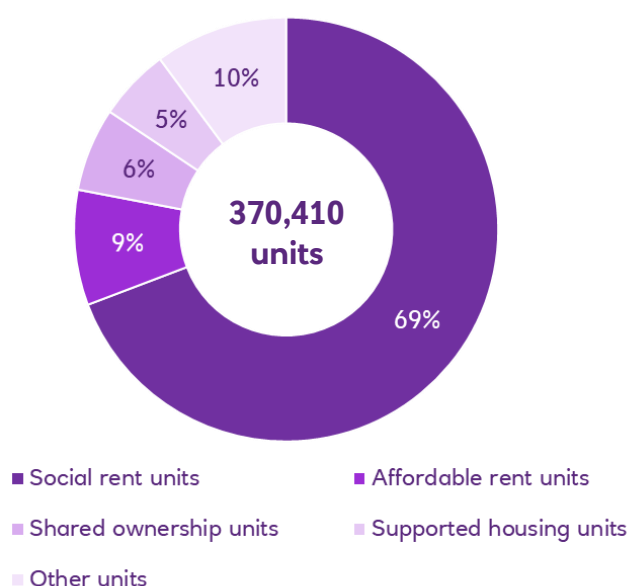
The net proceeds of the Social Bond for affordable housing (“Affordable Housing Social Bond”) have been used towards providing loans⁽¹⁾ to not-for-profit, registered housing associations operating in the UK.

The provision of these loans intends to support positive social impacts, including reducing inequalities through assisting housing associations to provide affordable housing. To identify the “Affordable Housing Portfolio”, we allocated 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.

No. of housing associations (as at 31 December 2022)	25
Bond notional at issuance (£ million)	£867 million
Affordable Housing Portfolio (as at 31 December 2022)	£1,344 million
Of which term loans (%)	93%
Of which revolving credit facilities (%)	7%
Average lent to each housing association (as at 31 December 2022)	£53.8 million

The Affordable Housing Portfolio is spread across 25 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.

Rent Structures



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.

4.7 Social Bond methodology – affordable housing

To estimate the impact of the funds provided by NatWest Group to the housing associations in the Affordable Housing Portfolio, we use the amount of lending provided by NatWest Group to these Housing associations, along with the financial data provided by the Regulator of Social Housing⁽¹⁾ for English Housing Associations and the Scottish Housing Regulator⁽²⁾ for Scottish Housing Associations (“the Regulators”).

For the impact calculation, the allocation pool is back dated to align to the most recently available data published by the Regulators, which is for the twelve-month period ended 31 March 2022. NatWest Group’s estimated impact is therefore in relation to this period.

Methodology to estimate the impact of the funds provided by NatWest Group⁽³⁾:

1. The portfolio assessed for impact purposes is based on housing association loan balances as at 31 March 2022. The pool balance as of 31 March 2022 is scaled down proportionally to reflect the bond proceeds of £867 million as at the date of issuance.
2. “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 2022. For each Housing Association, the amount NatWest Group contributed to the Total Investment Funds is equal to the loan balance funded as at 31 March 2022.
3. NatWest Group’s assumed impact on the development or acquisition of new housing units is calculated by multiplying the number of new units developed by each housing association, by NatWest Group’s percentage contribution to their Total Investment Funds.
4. In line with step 3, NatWest Group’s assumed impact on spending on maintenance & repairs, capitalised repairs and other social housing activities is calculated by multiplying housing association spending on these items by NatWest Group’s percentage contribution to their Total Investment Funds.
5. Any of the funds not attributed in steps 3 and 4 above are assessed as used to partially support the financing or refinancing of units owned⁽⁴⁾ by the housing associations (“Total Units Partially Supported”).

Data limitations, assumptions and risks:

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 4 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

⁽¹⁾ [2022 Global Accounts of private registered providers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/2022-global-accounts-of-private-registered-providers).

⁽²⁾ [Statistical information | Scottish Housing Regulator](https://www.shr.scot.nhs.uk/statistical-information/).

⁽³⁾ The actual use of proceeds and actual impact of the Affordable Housing Social Bond could differ materially from what is presented as the assumed impact in this report. Therefore, the report must not be read or assumed to be a report on the actual use of proceeds of the Affordable Housing Social Bond which it relates to or a report on the actual impact of the Affordable Housing Social Bond’s 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 housing associations of all or some of the use of proceeds of the Affordable Housing Social Bond or any loans that the Affordable Housing Social Bond finance or refinance; and (ii) on the impact of any loans financed or refinanced with the proceeds from the issue of the Affordable Housing Social Bond.

⁽⁴⁾ In England, the calculation is based on Social Units owned by the Housing Associations. In Scotland, calculation is based on general needs social housing units which are both owned and managed by the Housing Associations.

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 risk 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.

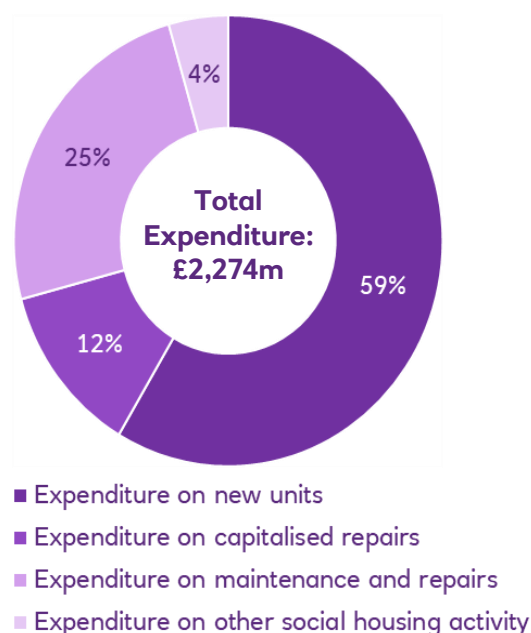
4.8 Social Bond estimated impact – affordable housing

The table below shows the figures reported to the Regulators by the 25 housing associations included within the Affordable Housing Portfolio as at 31 March 2022. The figures are for the twelve-month period ended 31 March 2022.

The chart shows the split of investment and expenditure categories for the 25 housing associations - over 40% of the spend from the 25 housing associations went to maintenance and repairs, capitalised repairs, and other social housing activities.

Spend on new and existing properties for the 25 housing associations for the twelve-month period ended 31 March 2022:

Total new units developed/acquired	9,276
Expenditure on new units	£1,331 million
Expenditure on capitalised repairs	£280 million
Expenditure on maintenance and repairs	£561 million
Expenditure on other social housing activity	£102 million
Total units owned	322,985



4.8 Social Bond estimated impact – affordable housing

Total Investment Funds reported by housing associations for the twelve-month period ended 31 March 2022:

Operating surplus	Debt	Capital grants	Total Investment Funds
£0.6 billion	£10.9 billion	£5.0 billion	£16.5 billion

NatWest Group contribution to Total Investment Funds as at 31 March 2022

The affordable housing portfolio allocated as at 31 December 2022 was £1.3 billion. However, due to the timing of reports from the Regulators, the allocation of £1.2 billion as at 31 March 2022 is the basis of the impact calculation.⁽¹⁾ The impact calculation is then scaled to the bond proceeds of £867 million.

Funds provided by NatWest Group	Bond proceeds	Bond proceeds % of Total Investment Funds (Scaled down to issuance proceeds)	Bond proceeds % of Total Investment Funds (England) (Scaled down to issuance proceeds)	Bond proceeds % of Total Investment Funds (Scotland) (Scaled down to issuance proceeds)
£1.2 billion	£867 million	5.3%	4.5%	9.8%

Estimated impact - investment and expenditure attributed to NatWest Group for the twelve-month period ended 31 March 2022:

Of the £867 million in bond proceeds, it is estimated that £153 million is attributed to the investment and expenditure items below. This includes £84 million of expenditure to support the development or acquisition of 568 new units^(*). For the remaining £714 million, it is estimated that these funds have been drawn to partially finance or refinance the 322,985 units owned (“Total Units Partially Supported”)^(*).

New units developed/acquired ^(*) 568	Expenditure on new units £84 million	Capitalised repairs £19 million
Maintenance and repairs £44 million	Other social housing activity £6 million	Total Units Partially Supported ^(*) 322,985

(*) Within scope of EY Assurance. Refer to page 2 and to section 5.2 of this report for more information.

4.9 Case studies – employment generation



Benjamin Lee Artisan Bakery

Championing local business

Benjamin Lee Artisan Bakery is an award-winning business located in the heart of Llandudno, a seaside town in North Wales, owned and managed by entrepreneur baker and master chocolatier, Benjamin Lee.

In April 2022, NatWest Group's £168,000 loan supported the opening of the business, which continues to go from strength to strength. Offering seating for approximately 25 customers, the bakery and café offers a delicious selection of artisan coffee, cakes, sandwiches and savouries, all made in-house harnessing Ben's 30 years of trade experience. The business also offers on-site holiday let accommodation through Airbnb.

Ben's focus on creating high-quality, handmade bread and pastries using locally sourced ingredients, with an onus on sourdough-based produce reflecting the Welsh heritage of the business, has earned Benjamin Lee Artisan Bakery a reputation for excellence and a loyal customer base.

The thriving business, which sits at the heart of the local community, currently employs ten staff and has collected numerous awards, often for Ben's renowned handmade birthday and wedding cake commissions.

Guided by Ben's unwavering dedication to his art, the bakery is a true testament to the power of passion, hard work and a commitment to excellence.

4.10 Case studies – affordable housing



Broadacres Housing Association

Affordable homes and net-zero ambition

NatWest Group's funding support to North Yorkshire-based not-for-profit housing association, Broadacres Housing Association has enabled the business to progress its growth plans.

£80 million financing has helped Broadacres to fulfil a range of long-term objectives including the delivery of 800 affordable new homes across the region, as well as supporting plans to become a net-zero carbon business by 2050.

Established in 1993, Broadacres has grown to become a £40 million-a-year turnover business with more than 380 employees, supporting social housing needs predominantly across North Yorkshire. The business currently owns 6,500 homes split across rented, supported and shared ownership.

In addition to supporting Broadacres' expansion plans, the financing also helped the business reduce fuels costs and carbon emissions through a programme to replace old storage heaters with modern energy efficient heating systems.

David Smith, Executive Director at Broadacres Housing Association, said, "Primarily, the aim of Broadacres is to help local communities and the people within it to have a better quality of life, through the provision of better homes at affordable rates.

"The support that NatWest Group has provided Broadacres over a number of years has allowed us to serve the local community and create genuine value within the North Yorkshire region."

4.10 Case studies – affordable housing



Hebridean Housing Partnership

New homes and retrofit improvements

Hebridean Housing Partnership is a charitable, not-for-profit housing association managing more than 2,300 rentable properties across the Outer Hebrides, off the west coast of Scotland.

The housing association, which has been operating since 2006, approached Royal Bank of Scotland in 2021, securing a £25 million in financing facility to support investment in its current and future operations. As part of a total investment programme expected to deliver more than 300 new homes across the Outer Hebrides, the funding enabled the construction of more than 120 new properties in 2021 with a further 137 currently on site including 60 new homes expected to be completed in spring 2023.

The loan has also supported retrofit improvements to the Hebridean Housing Partnership's existing property portfolio, with a focus on improving the energy efficiency of homes and helping to reduce fuel poverty across the islands.

Investments included the replacement of solid fuel heating systems and storage heaters with air source heat pumps, as well as the repair and replacement of roofs, the installation of new windows and upgrades to kitchens and bathrooms.

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 (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 14 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 2022 Annual Report and Accounts, with special regard to the 'Climate and sustainability-related risks' on pages 414 - 419; and (iii) Section 5.7 of the 2022 NatWest Group Climate-related Disclosures Report ('Cautions about climate-related metrics, data and methodology challenges').

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.

In general, the quality of the data relied upon for the purposes of climate-related / social impact reporting is often not yet of the same standard as more traditional financial reporting and climate-related / social reporting in our industry is not yet subject to the same globally accepted accounting principles and rules as traditional financial planning and reporting.

Preparation of some of the information in this report as well as reporting on the indicated / estimated 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 impacts reflect estimates, assumptions and judgements at the given point in time. There is a risk that these judgements, estimates or assumptions may subsequently prove to be incorrect. In addition, the maturity of underlying data, systems and controls that support such reporting is generally considerably less sophisticated than the systems and internal controls for financial reporting and it also includes manual processes.

Caution about lack of definitions or standards. 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 having equivalent-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 such other equivalent label; or
- (iii) as to climate and sustainable funding and financing activities and their classification and reporting.

Therefore, there is little certainty, and no assurance or representation is given that such activities and / or reporting of those activities will meet any present or future expectations or requirements for describing or classifying funding and financing activities as 'green', 'social' or 'sustainable' or attributing similar labels. We expect policies, regulatory requirements, standards, and definitions to be developed and continuously evolve over time.

5.1 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 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 3.9, 4.9 and 4.10 or any of the opinions or conclusions expressed in these sections.

Cautionary Note About Forward-looking Statements in this report. Certain sections in this report contain 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.

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 404 to 427 of the NatWest Group 2022 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.

Accordingly, undue reliance should not be placed on these statements.

No duty to update. This report, any information contained or otherwise accessible through the websites mentioned in this report and the forward-looking statements contained in this document 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 forward-looking 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.

5.2 Limited 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 2022

This report is produced in accordance with the terms of our engagement letter dated 22 March 2023, 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 2022 (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 or refinance renewable energy projects	1a	Estimated carbon emissions avoided through renewable energy generation (MtCO ₂ e) for the year-ended 31 December 2022	Sections 3.3 and 3.4
	1b	Renewable energy generated (GWh) for the year-ended 31 December 2022	
	1c	Value of allocation of the Green Bonds proceeds (£m) as of 31 December 2022	
Green Bonds proceeds used to finance or refinance green mortgages	2a	Alignment of the EPC rating (A & B) for properties funded as of 31 December 2022	Sections 3.6 and 3.7
	2b	Total floor area of the portfolio of green mortgage properties (m ²) as of 31 December 2022	
	2c	Value of allocation of the Green Bonds proceeds (£m) as of 31 December 2022	
Social Bond proceeds used to finance 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 over the life of the Bond	Sections 4.3 and 4.4
Social Bond proceeds used to finance 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 as of 31 December 2022	Sections 4.6 and 4.7
	4b	Number of existing housing units partially supported through the proceeds of the Social Bond as of 31 December 2022	

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 22 March 2023. 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.

5.2 Limited Assurance Report

Respective responsibilities

The Group's responsibilities

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

EY's responsibilities

It is our responsibility to provide a conclusion on the Subject Matter identified above, 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.

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 Control (ISQC) 1 and the independence and other ethical requirements of the Institute of Chartered Accountants of England and Wales (ICAEW) Code of Ethics (which includes the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)).

Description of procedures performed

We have performed the procedures agreed with you and set out in our engagement letter dated 22 March 2023.

- 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.

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 2022.

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
28 April 2023



NatWest
Group