



Climate, Purpose and ESG measures supplement H1 2021

Climate, Purpose and ESG measures supplement – H1 2021

This document provides an overview of NatWest Group’s performance and measurement for a selection of our Climate, Purpose and ESG metrics. The data includes our performance against our Purpose-led strategy. The information provided supplements the business review sections of the NatWest Group Interim Results 2021.

These Climate, Purpose and ESG measures are not measures within the scope of International Financial Reporting Standards (IFRS) and are not a substitute for our financial statements prepared in accordance with IFRS. This document should be read in conjunction with the 2020 NatWest Group plc Annual Report and Accounts (including the section entitled “Risk factors” with special regard to the risk factors in relation to “Climate and sustainability related risks”), the 2020 Climate-related Disclosure Report (including the section 5.7 entitled “Caution about climate metrics”), the 2020 ESG Supplement (including the section entitled “Important information”) and other information available on natwestgroup.com.

The measures included in this document are:

Category	Number	Ambition	Measurement
Climate	1.a	Championing climate solutions	Climate and Sustainable Funding and Financing
	1.b	Embedding climate into our culture and decision making	Heightened climate-related risk sectors Helping to end the most harmful activity
	1.c	Accelerating the speed of transition	Residential energy efficiency Retail Banking Green Mortgages
Enterprise	2.a	The biggest supporter of enterprise in the UK and Ireland	Individuals and businesses supported through enterprise programmes and customer interactions
	2.b	Entrepreneur accelerator hubs	Entrepreneurs in the accelerator hubs, number of events, investments and turnover generated
Learning	3.a	Enhancing the financial capability of the UK and Ireland	Financial capability interactions
	3.b	Helping people make better financial decisions	Customers helped to start saving
Customer	4.a	Improving digital capability	Digital activity

Important information related to this document

There are currently no globally consistent, comparable, recognised or accepted industry standards or practices for measuring ESG performance and defining ESG metrics. We anticipate that standards and definitions will develop and consolidate over time and we continue to review, enhance and align our methodologies and framework for reporting our Climate, Purpose and ESG measures in line with these developments. Therefore, data and measurements of this nature are subject to variations in definitions, collection and reporting methodology, often with no comparable standards across our industry. This may result in non-comparable information between organisations and between reporting periods within organisations as methodologies develop. To support transparency about our process for reporting this data and measures, NatWest Group developed a Basis of Reporting document for 2020, which details our approach, scope, and controls for selected ESG measures. It should be read together with this document and is available on natwestgroup.com. This document has been prepared by NatWest Group for information and reference purposes only and it is intended to provide non-exhaustive, indicative and general information only and does not purport to be comprehensive. For cautionary and forward-looking statements refer to page 9 of this document.

Climate, Purpose and ESG measures supplement – H1 2021

1.a Championing climate solutions

NatWest Group has an ambition to play a leading role in championing climate solutions by supporting its customers transition towards a low carbon, climate-resilient and sustainable economy through Climate and Sustainable Funding and Financing.

During the first half of 2021 NatWest Group exceeded its 2020-2021 target of £20 billion. The £9.5 billion Climate and Sustainable Funding and Financing completed during the first half of 2021 comprised £6.3 billion in NatWest Markets, £2.5 billion in Commercial Banking and £0.6 billion in RBS International.

The table below summarises the Climate and Sustainable Funding and Financing activity over 2020 and H1 2021.

	Total		Half year ended 30 June 2021		Full year ended 31 December 2020	
	Number of deals	£m	Number of deals	£m	Number of deals	£m
Climate and Sustainable Funding and Financing (1)						
Green Wholesale lending (2)	146	3,446	45	918	101	2,528
Green bond public issuances and green private placements (3)	70	10,633	34	5,603	36	5,030
Sustainability Linked Loans (4)	46	4,339	18	1,706	28	2,633
Other wholesale general purpose lending or wider financing within the CSFI criteria (5)	34	3,063	13	1,240	21	1,823
Total	296	21,481	110	9,467	186	12,014

Notes:

- (1) NatWest Group used its 2020 Climate and Sustainable Finance Inclusion Criteria (CSFI criteria) published in 2020 to determine the assets, activities and companies that are eligible to be counted towards this target. During 2020, the CSFI criteria excluded personal lending and NatWest Group own Green, Social and Sustainability (GSS) bond issuances. As a result, amounts related to these are not included in the table above. In early 2021, the CSFI criteria has been amended to provide additional clarity on existing criteria, and also to include lending to personal customers for properties with Energy Performance Certificate (EPC) A and B ratings. The inclusion of personal customers in the CSFI criteria does not affect the scope of the £20 billion Climate and Sustainable Funding and Financing commitment, as set in 2020.
- (2) Specific purpose lending to wholesale customers within the scope of the CSFI criteria. Lending amounts represent total commitment and include any undrawn portion of committed credit limits.
- (3) Underwriting of specific use of proceeds debt capital market issuances for projects and clients that meet the CSFI criteria. Green bond public issuances and green bond private placements represent the NWM Group share of the notional (total underwriting amount lead managed by NWM Group), based on the number of underwriters within a specific deal. During the first half of 2021 32 Green bonds and private placements totalling a notional amount of £24.3 billion (36 deals, £22.7 billion during 2020), account for c.16% of the total lead managed transactions by NWM Group during the period (c.4% for full year 2020). During the half year to 30 June 2021, two eligible loan underwriting deals lead managed by NWM Group were included in this category (NWM Group share £153 million).
- (4) Sustainability Linked Loans made to customers in line with Loan Market Association (LMA) Sustainability Linked Loan principles where loan targets include green performance indicators, aligned to CSFI criteria.
- (5) In addition to transactions that directly meet CSFI criteria based on use of proceeds for green purposes, the CSFI criteria also includes certain general purpose loans and wider financing (including bonds and private placements) to a customer who can evidence (to NatWest Group's satisfaction through review of the customers' profit and loss statement) 50% or more of revenues from the categories and sectors outlined in the criteria. As at 30 June 2021, £3,063 million included above comprises loans of £1,238 million and bonds and private placements of £1,825 million.

- The increase in green bond public issuances and green private placements during the first half of 2021 follows the notable increase in both the supply of, and the demand for, such instruments.
- Sustainability Linked Loan growth in the first half of 2021 follows the increased volume of borrowers seeking to reflect sustainability objectives and targets in their loans financing.

Climate, Purpose and ESG measures – H1 2021

1.b Embedding climate into our culture and decision making

Heightened climate-related risk sectors

As part of its risk management activity, NatWest Group identified 13 sectors within the wholesale portfolio as exposed to heightened climate-related risk impacts⁽¹⁾. The residential mortgage portfolio has also been identified as exposed to heightened climate-related risk impacts⁽¹⁾ based on analysis conducted at a property level. The table below summarises loan exposures^(2,3,4) to these sectors, the amounts reported include all lending to customers including climate and sustainable lending.

	As at 30 June 2021				As at 31 December 2020			
	Loans (2) £m	Off-balance sheet (3) £m	Total Sector Exposure £m	Total Sector Exposure as a % of NatWest Group %	Loans (2) £m	Off-balance sheet (3) £m	Total Sector Exposure £m	Total Sector Exposure as a % of NatWest Group %
Residential Mortgages (5)	196,708	12,825	209,533	41.6	190,516	14,557	205,073	40.5
Commercial Real Estate	21,274	7,873	29,147	5.8	23,414	7,831	31,245	6.2
Housing Associations	8,088	6,175	14,263	2.8	7,927	5,749	13,676	2.7
Automotive	6,032	3,995	10,027	2.0	6,303	4,307	10,610	2.1
Power Utilities	3,664	6,011	9,675	1.9	3,469	6,355	9,824	1.9
Land Transport and Logistics	4,762	3,231	7,993	1.6	4,802	3,979	8,781	1.7
Agriculture	5,317	1,097	6,414	1.3	5,337	1,252	6,589	1.3
Construction	5,115	1,920	7,035	1.4	5,024	2,089	7,113	1.4
Oil and Gas	1,480	2,002	3,482	0.7	1,561	2,571	4,132	0.8
Airlines and Aerospace	1,712	2,014	3,726	0.7	2,007	2,103	4,110	0.8
Building Materials	1,464	1,622	3,086	0.6	1,710	1,728	3,438	0.7
Shipping	978	106	1,084	0.2	1,042	211	1,253	0.2
Chemicals	408	768	1,176	0.2	539	825	1,364	0.3
Mining and Metals	448	693	1,141	0.2	450	755	1,205	0.2
Total heightened climate-related risk sectors	257,450	50,332	307,782	61.2	254,101	54,312	308,413	60.9
Total NatWest Group	375,592	127,618	503,210	100.0	372,399	133,635	506,034	100.0

Notes:

- (1) Refer to pages 75 and 76 of the NatWest Group plc 2020 Annual Report & Accounts for further detail.
- (2) Gross loans and advances to customers and banks at amortised cost and fair value through other comprehensive income.
- (3) Off-balance sheet includes loan commitments and contingent liabilities.
- (4) Gross loans only and excludes amounts that are outside the scope of the Expected Credit Loss (ECL) framework.
- (5) Includes a portion of secured lending in Private Banking, in line with the ECL calculation methodology.

Total exposure to heightened climate-related risk sectors has decreased by £0.6 billion during the first half of 2021, primarily reflecting:

- Residential Mortgages total sector exposure increased by £4.5 billion compared with 31 December 2020. New mortgage lending in H1 2021 reflected strong demand, particularly in property purchases, following the easing of COVID-19 restrictions and the extension of the stamp duty holiday. Gross new mortgage lending, excluding additional lending to existing customers, with an EPC rating of A or B was £1.3 billion during H1 2021. This amounted to 12% of Retail Banking new mortgage lending in the period, where EPC information is available (refer to section 1.c for EPC data availability and limitations).
- Wholesale sectors reduced by £5.1 billion compared with 31 December 2020 reflecting net repayments and foreign exchange rate movements. The Housing Associations sector increased by £0.6 billion primarily reflecting support for the development of affordable homes.

Helping to end the most harmful activity

NatWest Group has committed to stop lending and underwriting to companies with more than 15% of activities related to thermal and lignite coal, unless they have a credible transition plan in line with the 2015 Paris Agreement in place by the end of 2021. A full phase-out from coal is planned by 2030. Additionally, NatWest Group has committed to stop lending and underwriting to major Oil and Gas producers unless they have a credible transition plan aligned with the 2015 Paris Agreement in place by the end of 2021.

Total exposure to the Oil and Gas sector decreased by £0.7 billion during H1 2021 to £3.5 billion due to net repayments and the tighter lending criteria now in place for this sector. At 30 June 2021, exposure to Oil and Gas majors amounted to £1.1 billion (31 December 2020 - £1.3 billion), representing 31% of the total exposure to the Oil and Gas sector.

Total exposure of £0.6 billion to customers engaged in thermal and lignite coal related mining, power generation and trading activities as at 30 June 2021 (31 December 2020 - £0.6 billion) is included in the table above.

Climate, Purpose and ESG measures supplement – H1 2021

1.c Accelerating the speed of transition

NatWest Group is committed to supporting its UK and Ireland mortgage customers to become more energy efficient, with an ambition for 50%⁽¹⁾ of its mortgage book to be at or above EPC C or equivalent rating by 2030.

Residential energy efficiency

The table below summarises the energy efficiency of the Retail Banking residential mortgage portfolio in England and Wales by EPC rating, with A indicating the best and G the worst in terms of energy efficiency.

At 30 June 2021, EPC data⁽²⁾ is available for mortgages amounting to £97.2 billion (31 December 2020 - £92.9 billion), which accounts for 63% of the Retail Banking mortgage portfolio in England and Wales (31 December 2020 – 66%). The Retail Banking mortgage portfolio in England and Wales covers £154.7 billion, or 79%, of the total Residential Mortgage portfolio of NatWest Group and 91% of the total Retail Banking mortgage portfolio.

EPC Rating	As at 30 June 2021	As at 31 December 2020
	% of portfolio with EPC data available	% of portfolio with EPC data available
A and B	15	14
C	22	22
D	42	43
E	17	17
F and G	4	4
Total	100	100

Retail Banking Green Mortgages

The Green Mortgage product⁽³⁾ was launched in October 2020 and offers lower interest rates for customers purchasing homes with an EPC rating of A or B, rewarding them for playing their part in helping to drive the UK transition to a low carbon economy. Retail Banking completed Green Mortgages with a value of £431 million during H1 2021.

Notes:

- (1) Percentage of aggregate UK and Ireland mortgage exposure.
- (2) Data source and limitations: EPC data has been sourced from the Energy Performance of Buildings Open Data for England and Wales published by the Ministry of Housing, Communities and Local Government's open data source. The data is drawn from EPCs issued for domestic and non-domestic buildings constructed, sold or let since 2008. It provides information on the energy efficiency ratings of domestic and non-domestic buildings during the energy assessment process. The registers do not hold data for every domestic and non-domestic building, or every building occupied by public authorities in England and Wales. NatWest Group continues to engage with the Government and Regulators to enhance EPC rating data availability, and disclosure, including through the 'Improving home energy performance through lenders' consultation issued by the Department for Business, Energy and Industrial Strategy. An EPC is required when a building is constructed, sold or let, and is valid for 10 years. As a result, the EPC analysis on this page is based on EPC data at the time it was last available.
- (3) 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.

2.a The biggest supporter of enterprise in the UK and Ireland

NatWest Group aims to remove barriers to UK and Ireland enterprise growth and has set the following targets to support this aim. In 2021, we aim to support 35,000 individuals or businesses through enterprise programmes with 200,000 interventions or interactions to start, run and grow a business. Between 2020 and 2023, we aim to have reached 500,000 interactions and interventions and supported the creation of 50,000 incremental new businesses.

The target distribution for the individuals or businesses supported is 75% to UK regions outside of London and the South East, 60% to females, 20% to Black, Asian and Minority Ethnic, 10% to people intending to create purpose-led businesses.

The table below summarises activity in the period to support our aim to remove barriers to UK and Ireland enterprise growth through provision of learning, networking and funding interventions.

	Half year ended 30 June 2021			Full year ended 31-Dec-20	
	Interventions ⁽¹⁾	Individuals & Businesses supported ⁽²⁾	New Businesses ⁽³⁾	Individuals & Businesses supported ⁽²⁾	New Businesses ⁽³⁾
Total	87,584	35,079	247	60,788	1,926
Of which:					
<i>Business Builder</i>	14,643	8,001		16,076	
<i>Back her Business</i>	21,882	2,659	247	21,812	1,033
<i>Dream Bigger</i>	20,343	20,343		15,336	
<i>Other⁽⁴⁾</i>	30,716	4,076		7,564	893
Of which: ⁽⁵⁾					
<i>Female; %</i>		53%		80%	
<i>Black, Asian and Minority Ethnic individuals; (%)</i>		32%		26%	
<i>UK regions outside of London and South East; (%)</i>		76%		72%	
<i>People intending to create purpose-led businesses. (%)</i>		49%		52%	

Notes:

- (1) Represents total number of interventions or interactions submitted by enterprise programmes and partners, measured for 2021 only. The target for the year ending 31 December 2021 is 200,000.
- (2) Represents total number of interventions or interactions submitted by enterprise programmes and partners where a unique email address is provided to identify the individuals. Duplications are removed where relevant. The target for 2021 is 35,000.
- (3) Represents number of businesses started with unique email addresses submitted by our enterprise programme and partners. Duplications are removed where relevant. The target by year end 2023 is 50,000.
- (4) Year ended 31 December 2020 includes the Skills and Opportunities fund that closed in Q4 2020. Half year ended 30 June 2021 includes a number of new programmes to support new and established businesses along with young enterprise learning.
- (5) Based on proportion of population that disclosed information.

- Entrepreneur interventions in the period were 87,584 against a target for the full year of 200,000. Interventions included support for: 40,689 established businesses; 24,655 start-ups; and 22,240 for young enterprise. The number of entrepreneur interventions for the period reflects the launch of a number of new programmes in Q2 2021 that are expected to contribute further in H2 2021.
- Individuals supported in the period were 35,079 meeting the target for the full year of 35,000. The target was met early due to the expansion of the Dream Bigger programme, including a nationwide collaboration with The National Enterprise challenge. The reduction in the proportion of female entrepreneurs supported in the period reflects further initiatives being launched to support minority ethnic, regional, and purpose-led entrepreneurs.
- New businesses created in the period were 247, with a total to date of 2,173 against a target of 50,000 by 2023. The decrease in the period was driven by two of the programmes contributing to the 2020 activity, the Back Her Business programme and the Skills and Opportunities Fund, closing as planned in late 2020. The tracking of new businesses created is currently limited to one programme, however, an enhanced tracking solution to retrospectively capture wider NatWest Group activity is anticipated to be available in H2 2021. In addition, a new programme of activity is due to be launched in H2 2021.

Climate, Purpose and ESG measures supplement – H1 2021

2.b Entrepreneur accelerator hubs

Entrepreneur Accelerator is NatWest Group's fully-funded flagship entrepreneur programme. The programme aims to support high-growth potential businesses with ambitions to scale across the UK. The following table summarises activity in the period.

	Half year ended 30 June 2021	Full year ended 31 December 2020 ⁽¹⁾
Total number of entrepreneurs in the current cohort	725	1,230
<i>Of which:</i>		
<i>Female (%)</i>	42%	43%
<i>Black, Asian and Minority Ethnic (%)</i>	20%	18%
<i>Outside of London and the South East (%)</i>	74%	81%
<i>Of which:</i>		
<i>Number onboarded to current cohort in period with a core offering supporting sustainable activities</i>	187	268
Investment raised (£m)	25	56
Turnover generated (£m)	71	128

Note:

(1) Individuals onboarded to an Accelerator programme in one of our 12 hubs across the UK. This includes the October 2019 intake (Jan - Mar) as well as the extended April 2020 intake (increased from six months to approximately ten months).

- In 2021 the entrepreneur programme continues to be offered fully virtually. The total number of entrepreneurs onboarded of 725 represents the new cohort that started in March 2020.
- In the half year to 30 June 2021 the Entrepreneur Accelerator programme ran c400 events with more than 11,000 attendees.

3.a Enhancing the financial capability of the UK and Ireland

NatWest Group has a strategic target of at least 2.5 million financial capability interactions per year and in 2021 set a more stretching target of 3.2 million.

The table below summarises financial capability interactions in the period by programme.

	Half year ended 30 June 2021	Full year ended 31 December 2020
Financial capability interactions	'000	'000
MoneySense	786	1,433
Financial health checks	519	992
Savings goals set	141	210
Friends against scams	66	238
Total	1,512	2,873

- In H1 2021 1.5 million interactions were completed against the target for the full year of 3.2 million, with an increased uptake in the period of the saving goal feature in the mobile app and in friends against scams.

Climate, Purpose and ESG measures supplement – H1 2021

3.b Helping people make better financial decisions

NatWest Group has a target to support 2 million customers to start saving between 2020 and 2023.

The table below provides details of customers helped to start saving in the period.

	Half year ended 30 June 2021	Full year ended 31 December 2020 ⁽¹⁾
	'000	'000
Number of customers helped to start saving	273	600

Note:

(1) Includes instances where customers had existing savings with other banks and transferred them into their NatWest Group account.

- In H1 2021 273,000 customers were supported to start saving with a cumulative of 873,000 to date against the strategic target of 2 million by 2023. Activity in the period was supported by strong campaign work including the successful March prize draw for customers opening a Digital Regular Saver, as well as continued uptake and use of the Savings Goal tool.

4.a Improving digital capability

The table below summarises digital activity and digital adoption in the period.

	H1 2021	Q2 2021	Q1 2021	H1 2020	Q2 2020
Digitally active customers (millions) ⁽¹⁾	9.6	9.6	9.5	9.2	9.2
<i>Of which:</i>					
<i>Mobile users</i>	8.0	8.0	7.9	7.3	7.3
<i>Online users</i>	4.4	4.4	4.7	4.7	4.7
Retail Banking customers exclusively using digital channels (%) ⁽²⁾	60%	60%	61%	61%	61%
Video banking appointments held per week ('000) ⁽³⁾	11.7	10.3	13.0	0.8	1.6
Artificial intelligence – Cora interactions (millions) ⁽⁴⁾	5.7	2.7	3.0	4.2	2.5
<i>Of which:</i>					
<i>Retail Banking</i>	5.4	2.6	2.8	4.0	2.3
<i>Commercial Banking</i>	0.3	0.1	0.2	0.2	0.2
<i>Interactions that required no human input (%) ⁽⁵⁾</i>	44%	47%	42%	31%	32%

Notes:

- (1) Retail Banking and Business Banking as at the end of the period.
(2) Retail Banking based on the average for the last month of the period.
(3) Retail Banking based on the average number of appointments per week in the period.
(4) Total interactions in the period.
(5) Retail Banking only.

Climate, Purpose and ESG measures supplement – H1 2021

Caution about the information in this document

The reader should be aware that the preparation of the information in this document requires the application of a number of key judgements, assumptions and estimates, including with respect to the classification of climate and sustainable funding and financing activities. The reported measures in this document reflect best 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. ESG reporting in our industry is not yet subject to the same globally recognised or accepted reporting or accounting principles and rules as traditional financial reporting. Accordingly, there is a lack of commonly accepted reporting practices for NatWest Group to follow or align to and ESG measures between organisations in our industry may be non-comparable. In addition, the maturity of underlying data, systems and controls that support non-financial reporting is generally considerably less sophisticated than the systems and internal controls for financial reporting. NatWest Group plans to continue to review available data sources and enhance its methodology and processes to improve the robustness of its ESG reporting over time aligned with recognised industry developments. The further development of accounting and/or reporting standards could materially impact the performance metrics, data points and targets contained in this document and the reader may therefore not be able to compare performance metrics, data points or targets from one reporting period to another, on a direct like-for-like basis. This document and any information contained or otherwise accessible through natwestgroup.com are historical and only speak as of their respective date. Reference to websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document. NatWest Group is under no obligation to update these materials, absent a legal duty to do so. The information, statements and opinions contained in this appendix 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.

Forward looking statements

Certain sections in this document contain 'forward-looking statements', such as Climate and Sustainable Funding and Financing targets, UK and Ireland enterprise growth targets, and financial capability interaction targets. Words or phrases such as 'expect', 'goal', 'guidance', 'intend', 'outlook', 'plan', 'potential', 'seek', 'target', 'would' or similar expressions that convey the prospective nature of events or outcomes generally indicate forward-looking statements. These statements are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to NatWest Group's strategy or operations, which may result in NatWest Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. By their nature, certain of these disclosures are only estimates and, as a result, actual future results could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. The forward-looking statements contained in this document speak only as of the date we make them. Except to the extent legally required, we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements in this document, whether to reflect any change in our expectations regarding those forward-looking statements, any change in events, conditions or circumstances on which any such statement is based, or otherwise.

This cautionary note should not be regarded as complete and comprehensive and should be read together with:

- The 'Risk Factors' included on pages 345 to 362 of the NatWest Group plc 2020 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 included on page 113 of NatWest Group Interim Results 2021;
- The 'Cautionary statement regarding forward-looking statements' on page 367 of the NatWest Group plc 2020 Annual Report and Accounts and on page 115 of NatWest Group Interim Results 2021; and
- Section 5.7 (Caution about climate metrics) and the 'Climate-related and other forward-looking statements and metrics' (page 65) of the NatWest Group's Climate-related disclosure report 2020.
- The 'important information' section on page 114 of the NatWest Group 2020 ESG Supplement.