

Social Bond Interim Impact Report

Building a purpose-led bank.



July 2020

natwestgroup.com

Building a purpose-led bank

We are NatWest Group, a financial services company, providing a wide range of products and services to personal, business, commercial, corporate and institutional customers.

Our purpose is to champion potential, helping people, families and businesses to thrive.

This will create longer-term, deeper relationships with our customers – when our customers succeed, our communities succeed, our economy thrives – and we succeed as a result.

We are putting purpose at the core of everything we do – doing so will create a sustainable and resilient long-term future. We won't get everything right straight away – this is the start of a longer journey and we're committed to moving the whole organisation forward in this way.

We have identified three areas of focus where we can make a substantial impact in addressing challenges that threaten to hold people, families and businesses back:

- Enterprise, and the barriers that too many face to starting a business;
- Learning, and what we can do to improve financial capability and confidence for our customers, as well as establishing a dynamic learning culture for our employees; and
- Climate, and the role we can play in accelerating the transition to a low carbon economy.

We will be a safe, simple and smart bank with purpose at its heart. We will create lasting value when we champion the potential of those we serve. That is our purpose and our strategy.

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

“NatWest Group is the largest supporter of UK businesses. This Social Bond demonstrates the positive impact we can have in helping to address regional inequality by championing the potential of the customers and communities we serve so they can recover, rebuild and, ultimately, thrive.”

Alison Rose
CEO
NatWest Group

Social Bond Highlights

In November 2019 we were proud to issue the first exclusively Social Bond under ICMA's Social Bond Principles by any UK financial institution.

We recognise the impact that the COVID-19 pandemic has had on businesses and their employees across the UK. We remain the largest supporter of UK business, and we continue to work with customers across the UK to help them transition out of this difficult time. In addition to the Government lending schemes, we've also announced £5bn of Working Capital Support for those businesses that will see disruption as a result of the pandemic.

- We calculate ~6,900 FTE jobs have been created in some of the most deprived parts of the UK, as determined using a standardised input-output methodology and based on the allocation of the bond proceeds to our lending to small and medium enterprises (SMEs) as defined in our Framework.
- Ahead of issuance, Sustainalytics confirmed the alignment with the International Capital Markets Association's (ICMA) Social Bond Principles and noted the Group was "well positioned to issue green, social and sustainability bonds."
- The full proceeds of our inaugural Social Bond have been allocated to loans to UK SMEs in the bottom-30% of our loan book, according to unemployment claimant rates (UCP) and gross value added per head (GVA). The relevant areas correspond to some of the most deprived parts of the UK.
- Asset eligibility has been maintained on a monthly basis, utilising our in-house selection methodology. Full details are set out in our Framework.
- Since issuance, the proceeds have been fully allocated to a pool of loans including, on average, more than 2,750 SMEs across Scotland, England, Wales and Northern Ireland. The number of borrowers fluctuates as the pool is maintained each month.

NatWest Group Social Bond

Notional	750,000,000
Currency	EUR (Under EMTN Programme)
Coupon	0.75% FXD-FRN
Maturity	Nov-2025 (6NC5)
Listing	LSE Sustainable Bond Market
Format	MREL Senior Unsecured
SPO	Sustainalytics
ISIN	XS2080205367



The majority of investors allocated bonds were PRI signatories. Notably, 70% of these investors met two out of three of the following ESG-related criteria:

- a dedicated SRI/ESG fund
- an SRI/ESG policy
- an SRI/ESG Analyst in the team.

The bond was issued under the name of The Royal Bank of Scotland Group Plc; the name of this entity changed on 22/07/2020 to NatWest Group Plc. "We", "our" or "the Group" refers to NatWest Group Plc and subsidiaries. "Framework" refers to our Green, Social and Sustainability Bond Framework, available on our website. "SPO" means Second Party Opinion, available on our website.

Allocation of Proceeds

~6,900

Jobs created across the UK

£642,300,000

Fully allocated from issuance

2,750

Average number of SMEs supported

£280,000

Average loan size to SMEs

96

Industry sectors supported

86

LAUs covered across UK

Selection Criteria

- 1** Our SME loan book is filtered by age, sector, loan performance and loan encumbrance.
- 2** Postcodes are used at loan level to assign LAU codes to each, which enables mapping to Office for National Statistics data.
- 3** The residual loans are ranked by GVA and UCP, to identify the bottom-30% of our loan book, corresponding to some of the most deprived parts of the UK.

Our dedicated internal working group, comprising senior managers from across the Group, ensures robust governance around allocation of issuance proceeds. The composition of our portfolio is monitored and recorded on a monthly basis, to facilitate accurate impact reporting.

'Jobs created' is the figure resulting from the calculations set out on page 6 and in the *Methodological Note*, and represent the estimated impact over the life of the bond according to the pool composition over the first 8 months. The impacts presented throughout this report represent the GBPe notional of the gross issuance amount, calculated using closing FX of 1.1676 from the settlement date. The average number of SMEs accounts for the pool being rebalanced each month to maintain the required notional. Average number of SMEs supported and average loan size are as at June-2020. Proceeds are allocated to both new and existing lending originated within the past 36 months. Full selection criteria is set out in our GSS Bond Framework.

Impact Calculation Results

We have developed a methodology to calculate the number of full-time equivalent jobs created, based on the new UK-wide input-output tables, published by the ONS. The jobs created calculation considers the result of investments made by SMEs in economically deprived parts of the UK.

The premise of the methodology is that the loans included in the Social Bond allow the SMEs to make investments which, as a result, lead to higher activity and higher employment. We take into account direct (higher economic activity), indirect (higher demand through the supply chain) and induced (higher demand from employees) effects.

For a more detailed description of the methodology and how we applied it, please refer to the *Methodological Note*, also available on our website.

Using the methodology and UK Input-Output tables, we calculate ~6,900 FTE jobs were created in the UK as a result of the loans included in the Social Bond.

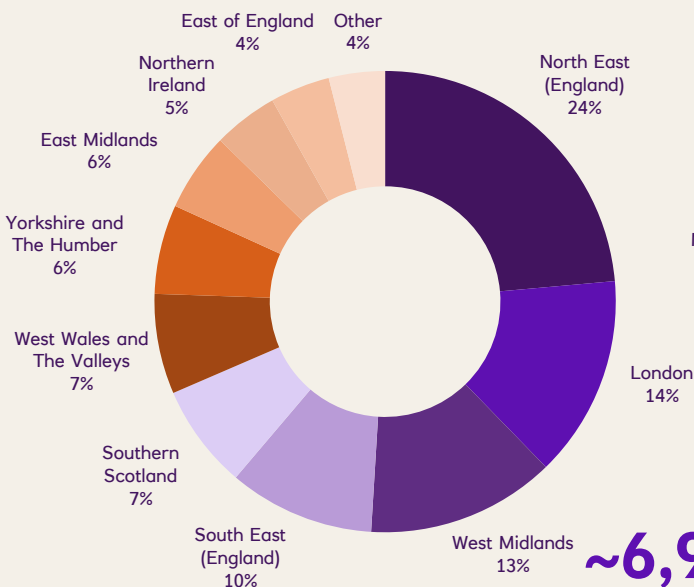
Three sectors with the highest number of jobs created are Health & Social Work (~1,800), Wholesale and Retail (~1,200) and Professional, Scientific and Technical Activities (~1,200).

A high concentration of lending to the Real Estate industry included in the Social Bond pool decreases the estimated number of jobs created. This industry has high capital intensity and low employment generation potential.

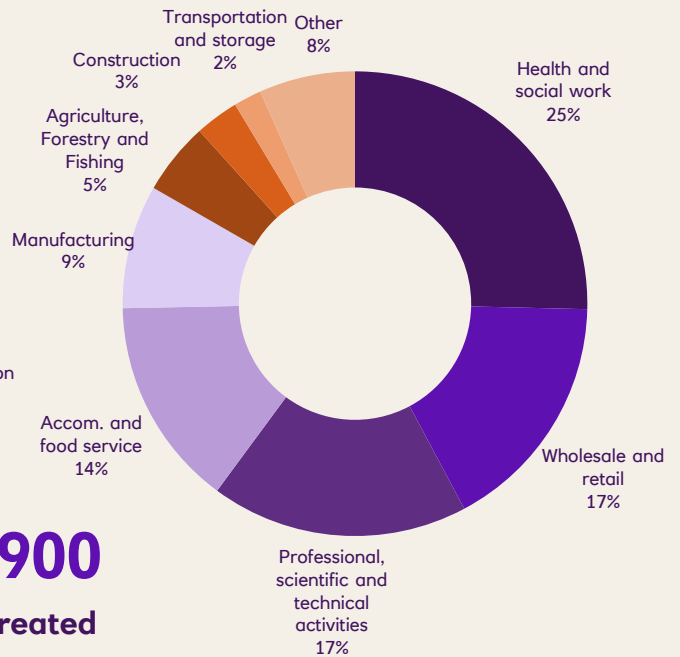
Three regions with the highest number of jobs created are North East of England (~1,600 jobs), London (including Greater London) (~1000 jobs) and West Midlands (~1000 jobs).

Distribution of Impact Estimation

By region



By industry



~6,900
jobs created

ONS means The Office for National Statistics. Industry is according to the ONS SIC07 classification.

Supporting Communities across the UK

Federal Welder International Ltd.

Location West Midlands, England

Industry Manufacturing

FTEs 9

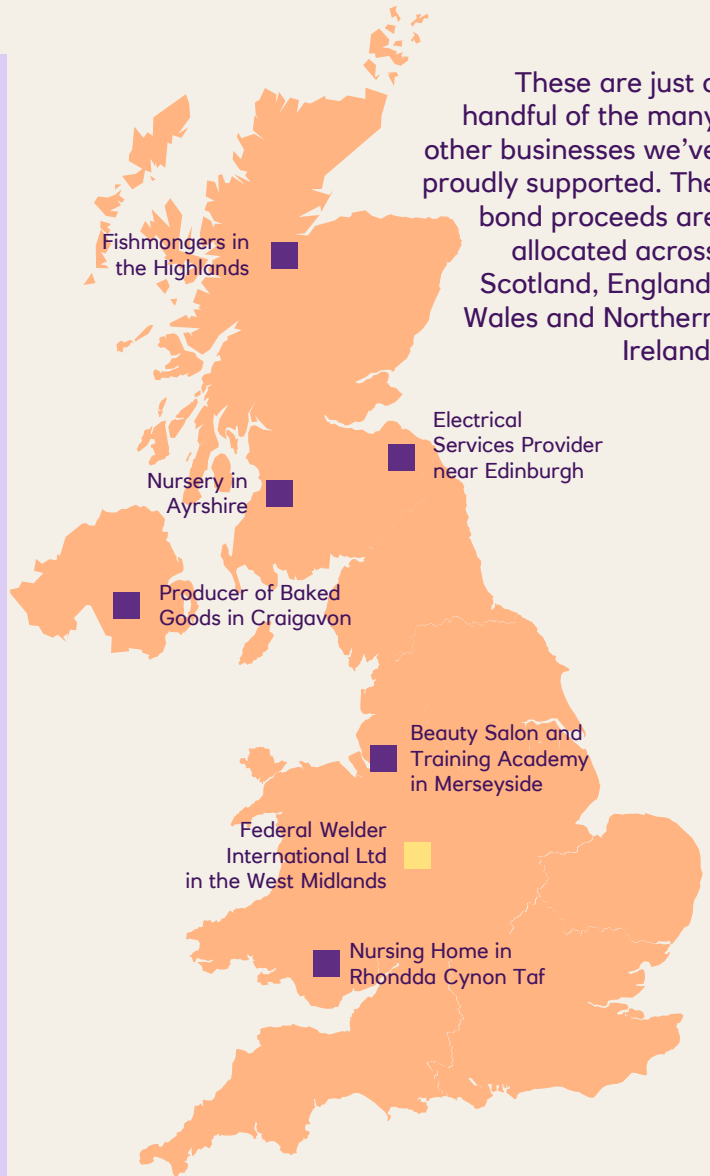
Loan date 2020



The loan facility with NatWest Bank supported Federal Welder to increase quality, capacity and workforce, with the company adding 2 skilled workers and 2 apprentices to bring their total headcount to 9. We expect these ‘direct’ jobs to contribute to additional ‘indirect’ and ‘induced’ jobs.

- Established in 2002 from the West Midlands company *British Federal* who supplied all types of welding machines worldwide since the 1950’s. Federal Welder specialised in the famous ‘Federal’ steel drum welding machines, and associated equipment, spare parts and technical support.
- Since 2002, Federal Welder supplied over 60 machines, adding to the 120 machines previously supplied by British Federal, establishing it as the industry standard for high speed steel drum production worldwide.
- In recent years, they invested in developing new machine designs, latest electrical control technology, and expanded their Kingswinford operation, to meet the demand for their machines which are proudly 100% UK manufactured, including many parts sourced from West Midlands suppliers.

These are just a handful of the many other businesses we’ve proudly supported. The bond proceeds are allocated across Scotland, England, Wales and Northern Ireland.



In the last 3 years, Federal Welder supplied 12 machines (example pictured above), with orders to supply 3 more by the end of 2020.

ICMA Harmonized Framework for Impact Reporting

Portfolio-based report, based on the Harmonized Framework for Impact Reporting as set out by the International Capital Markets Association (ICMA).

SBP Category	Sub-category	SDGs Addressed	Target Group	Signed amount (GBP-e m)	Share of Total Financing (%)	Eligibility of Social Bond (%)	Amount Allocated (GBP-e m)	Portfolio lifetime	Jobs Created
Employment Generation	SME financing/refinancing	1, 5, 8, 10	Areas with high-unemployment and low income	642.3	100	100	642.3	Matched to bond maturity	~6,900

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This report is prepared based on reviews and analysis of both our loan data and statistics published by, inter alia, HM Government of the United Kingdom and the Office for National Statistics, and it also includes information provided by the borrower shown in the case study in this report. This report and any other information contained or otherwise accessible through the websites mentioned in this report are historical and only speak as of their respective date. NW Group is under no obligation to update these materials.

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By accepting this report, you are deemed to have read, understood, agreed and accepted to be bound by the statement contained hereto including the foregoing limitations of liabilities and conditions of use, without any need to provide formal approval or signature of this document and more generally without any need to confirm to us such approval of this document and the limitations of liability contained hereto.

For additional information concerning NW Group, please refer to NW Group’s current financial statements and other relevant information available on our website.



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Want to know more?

sustainablebonds@natwest.com
natwestgroup.com