

Green Bond Impact Report Building a purpose-led bank.



May 2021

natwestgroup.com

Period from 22/05/20 to 30/04/21

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1 Building a purpose-led bank

In 2020, NatWest Group set out to build a purpose-led bank.

Our purpose, to champion potential, helping people, families and businesses to thrive, was shaped by working closely with Blueprint for Better Business, an independent charity which aims to create a better society through better business.

Being purpose-led means we strive to create value for all the lives we touch by being honest and fair with our customers and suppliers, acting as a responsible employer, operating as a good citizen in our communities, and being guardians for the next generation.

Underpinning everything, we strive to meet standards and conditions that ensure we operate as a responsible business, particularly around important matters such as conduct, fair pay, taxes, customer safety and human rights.

Our purpose-led strategy aims to deliver long-term sustainable performance and seeks to accelerate social value in areas where we can make a meaningful contribution: by helping to minimise the impact of climate change; championing enterprise; and supporting learning inside and outside the bank.

We call these our focus areas and they are informed by seven Sustainable Development Goals (SDGs) along with continual external stakeholder input.

We also recognise that embedding our purpose into everything we do will take time. We are focused on how to make balanced decisions that factor in the impact on multiple stakeholder groups. We are taking an integrated approach to governance; one that ensures our purpose is appropriately embedded within our existing governance framework and processes and seeks to put purpose at the heart of our business.

When we set out to build a purpose-led bank, we recognised the need to become a more sustainable bank at the core, resilient to future environmental and social shifts, and better able to capitalise on the commercial opportunities that these shifts can also present.

So, for us, being led by our purpose is a fundamental requirement of our social contract with the individuals, families, businesses and communities we serve.



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

“Climate change is the biggest challenge facing our planet, and the financial sector has a critical role to play in tackling it. At NatWest Group, our ambition is to be the leading UK bank helping to address the climate challenge. This Green Bond demonstrates the positive impact we can have in helping our customers transition to a low-carbon economy.”

Alison Rose
CEO
NatWest Group

2 NatWest Group inaugural green bond

2.1 Eligibility Criteria and Bond Overview

Our eligibility criteria is outlined in our Green, Social and Sustainability Bond Framework (“the Framework”), which was updated in October 2020. Lending with positive environmental impacts, including climate change mitigation, reduction of Greenhouse Gas emissions and reduction of pollution is eligible for this portfolio. All of these impacts are intended to support the transition to a low-carbon economy.



SDG 7 ICMA Category: Renewable Energy

Loans for the equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:

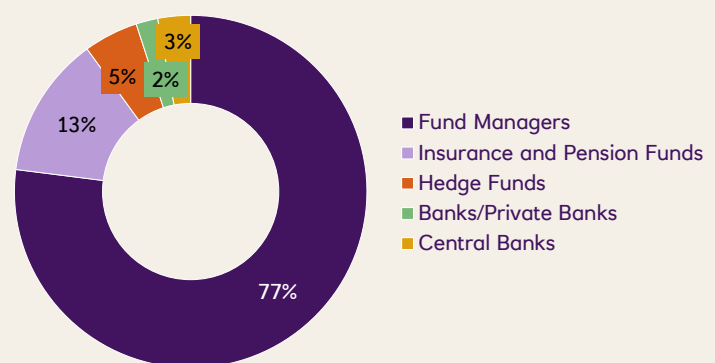
- Wind projects, including onshore and offshore wind energy projects
- Solar projects or photovoltaic energy projects
- Small-scale hydropower projects up to 20MW capacity as well as wave and tidal facilities



NatWest Group Green Bond

Notional	\$600,000,000 (£493m-equivalent)
Currency	USD (from SEC shelf)
Coupon	2.359% FXD-FXD
Maturity	May-2024 (4NC3)
Listing	New York Stock Exchange
Format	MREL Senior Unsecured
SPO	Sustainalytics
ISIN	US780097BN03

Investor Type (as at allocation)



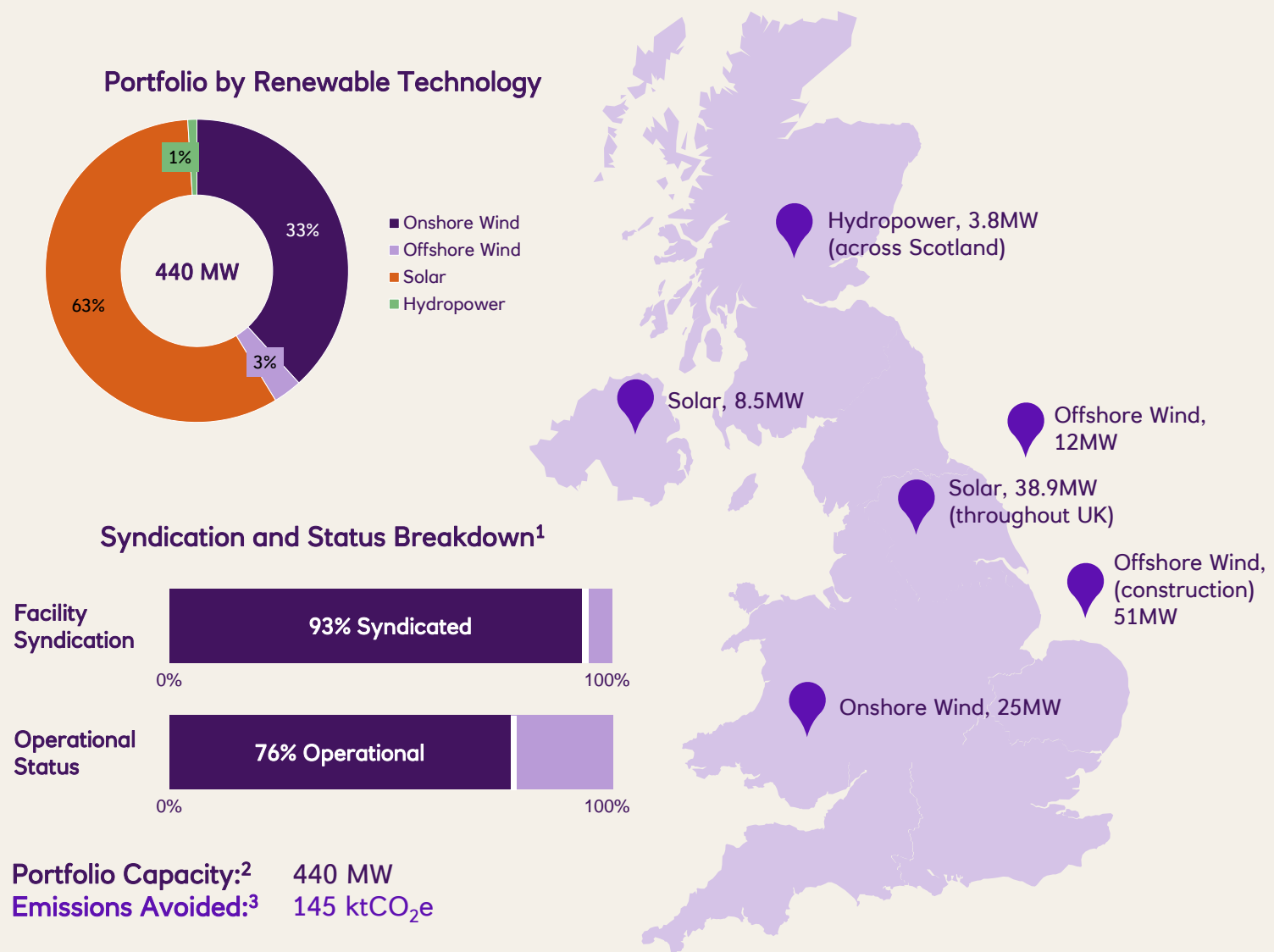
We issued our inaugural Green Bond into the US onshore market, under our SEC shelf. This was the first offering of its kind from a UK bank. At issuance, 70% of bonds were allocated to funds that either had a specific green bond mandate, or which had a proportion of the fund already invested in green bonds.

2.2 Allocation Summary

Proceeds have been fully allocated since issuance to a portfolio of renewable energy projects across Scotland and England. As set out in our Allocation Report published in May 2020, proceeds refinanced a variety of renewable energy technologies, including Onshore Wind, Offshore Wind, Solar and Hydropower.

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

In March 2021 we published for the first time an ESG Supplement, which provides a deeper understanding of the work we are doing to tackle the most pressing challenges facing our customers, communities and society as a whole. This, along with our other ESG disclosures, can be found on our website.



¹ Facility syndication and operational status breakdown is calculated according to total project capacities.

² Total portfolio capacity includes the operational project capacities attributed to NWG determined according to method set out on page 7.

³ See *Emissions Avoided* for details of how this was calculated. Emissions avoided reflects the capacity attributed to NWG.

⁴ Map locations are approximate. A selection of projects within the portfolio are shown only for illustrative purposes.

2.3 Emissions Avoided

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

We have therefore calculated the emissions our portfolio avoids by utilising the UK Government's Department of Business, Energy & Industrial Strategy ("BEIS") published¹ *emissions factor*, in unit of tCO₂e/MWh. This includes the emissions produced by total electricity generation in the UK.

We apply this emissions factor to the energy generation of the projects within the portfolio. For the purposes of the calculation, we have included the time period between settlement (or the date which the projects entered full operation, in the case of Offshore Wind) and 30th April 2021. In this methodology we only include the energy generation attributed to our share² of any syndicated facility, considering only the debt financing of projects, and only those in operation. In future, we may consider alignment with the Partnership for Carbon Accounting Financials methodology, though we note additional complexity in how the equity portion of project financing is incorporated into impact calculations.

We expect to report on those facilities which are currently in construction, using the same methodology at the next reporting point, if full operations have commenced. In order to support the move towards transparent impact reporting, we have opted to leverage publically available³ *load factors* relevant to each renewable energy project 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 a figure for the mass of equivalent CO₂e avoided, which we report in metric tonnes. We note the decarbonisation of the UK energy network in recent years, where fossil-fuel power stations are being gradually displaced by renewable energy generation. This figure for emissions avoided is therefore a conservative estimate; we would expect a higher quantum of emissions avoided if baselined to an energy network with larger proportion of fossil-fuel electricity generation.

Renewable Technology	Lending Facilities	Notional (NWG) ⁴	Installed Capacity (Total)	Installed Capacity (NWG)	Energy Generation (Total)	Energy Generation (NWG)	Emissions Avoided (NWG)
<i>Unit</i>	-	<i>£m</i>	<i>MW</i>	<i>MW</i>	<i>MWh</i>	<i>MWh</i>	<i>tCO₂e</i>
Onshore Wind	4	171	953	147	2,198,252	339,614	79,178
Offshore Wind	2	61	1,218	12.18	2,539,618	25,396	5,921
Solar	4	241	569	277	506,985	246,627	57,499
Hydropower	1	21	4	4	12,312	12,312	2,871
Totals	11	494	2,744	440	5,257,167	623,950	145,468

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891106/Conversion_Factors_2020_-_Full_set_for_advanced_users.xlsx

2 For the purposes of calculating the project share attributed to NWG, we assume syndicated facilities are paid down in whole at the same rate as our portion is repaid, per ordinary syndication arrangements for this type of lending. The calculation of project share attributed to NWG reflects that of the original project debt and original facility amounts per loan documentation, and considers projects to be wholly debt-funded.

3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972791/ET_6.1_MAR_21.xls.

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

2.4 Case Study: Triton Knoll Offshore Wind Farm Limited

Triton Knoll Offshore Wind Farm Limited (“Triton Knoll”) is a consented offshore windfarm currently in its final year of construction. Financial close was reached in August 2018 with the project due to become operational in October 2021. This project is syndicated, and part is included in our bond portfolio.

Triton Knoll is within the Greater Wash strategic area, located off the east coast of England, approximately 20 miles off the coast of Lincolnshire and 28 miles from the coast of north Norfolk.

The Project will comprise up to 90 V164-9.5MW wind turbine generators with a total installed capacity of 860MW, capable of supplying the equivalent of over 800,000 UK households with renewable electricity a year.

Once constructed, offshore and onshore electrical infrastructure will connect the wind farm to the electricity network. Sub-sea export cables from the offshore wind farm will make landfall just north of Anderby Creek, with the power entering the electricity network at Bicker Fen Substation, near Boston, via a network of underground cabling.

Triton Knoll was the largest Round 2 Offshore Wind Farm project to be awarded a licence by The Crown Estate in 2004 and represents an important potential source of home-grown renewable energy in the UK.

More information is available at tritonknoll.co.uk



Turbine components stored at Able Seaton Port

2.4 Case Study: Lightsource bp

Lightsource bp (“LSbp”) is a global leader in the development and management of solar energy projects. They provide sustainable and affordable energy to businesses and communities having developed over 3.5 GW of solar projects globally to date.

NatWest Group participated in this bilateral solar deal to finance the construction, acquisition and operation of a portfolio of both ground and roof-mounted Solar PV assets located geographically around the UK (including Northern Ireland), developed in most cases, owned and operated by LSbp. This deal forms part of our bond portfolio.

LSbp approached NatWest in December 2018 to upsize one of its key solar platforms with the objectives of supporting the financing of the construction and operation of a strong pipeline of subsidy-free assets and consolidating the operational roof-mounted installations into the portfolio.

This upsize was the fifth evolution of the LSbp’s growth platform, which now stands at 156MW of capacity, enough to power c.50,000 UK homes with renewable electricity.

The deal supported the development of the unsubsidised assets which are an important part of the UK renewable energy market.

More information is available at lightsourcebp.com



Careful consideration is given to the way in which the solar projects are constructed.

2.5 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).

GBP Category	SDGs Addressed	Signed amount (GBP-e m)	Share of Total Financing (%)	Eligibility of Green Bond (%)	Amount Allocated (GBP-e m)	Portfolio lifetime	Renewable Energy Capacity (NWG) (MW)	Annual energy generation (NWG) (MWh)	Annual GHG emissions avoided (NWG) (tCO ₂ e)
Renewable Energy	7	494	100	100	494	Matched to bond maturity	440	623,950	145

3.1 Important Information

Important Information

This Impact Report:

- has been prepared by NatWest Group plc (together with its subsidiaries the 'NatWest Group') for information and reference purposes only;
- is intended to provide non-exhaustive, indicative and general information only;
- does not purport to be comprehensive;
- does not provide any form of legal, tax, investment, accounting, financial or other advice; and
- must be read together with the 'Climate and sustainability related risks' included on pages 354 - 357 of the NatWest Group 2020 Annual Report and Accounts 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

Caution about the information in this report. This Impact Report is prepared based on reviews and analysis of our loan data and statistics published by, inter alia, the UK Government's Department of Business, Energy & Industrial Strategy, and it also includes information – such as energy capacities – provided by a third party and by the borrower shown in the case studies in this Impact Report. This Impact Report and any information contained or otherwise accessible through the websites mentioned in this Impact Report are historical and only speak as of their respective date. NatWest Group is under no obligation to update these materials, absent a legal duty to do so.

To the extent permitted by law, NatWest Group makes no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to the fairness, accuracy, reliability, reasonableness, correctness or completeness of any of the opinions or conclusions expressed in this document.

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

the recipient has read, understood, agreed and accepted to be bound by the statements below including the sections under 'No offer of securities or investments', 'Restrictions on distribution' and 'Limitations of liability';

the recipient will not disclose it, or permit disclosure of it, to third parties, in whole or in part, without attributing the source and without the prior written consent of the NatWest Group;

NatWest Group gives no assurance that all or some of the use of proceeds of the Green Bonds or any loans that the Green Bond finance or refinance will meet (i) the requirements set out in the Framework (as defined in this Impact Report); (ii) any present or future investor expectations or requirements as regards any investment criteria or guidelines with which that investor or its investments are required to comply; (iii) any present or future applicable law or regulation, its own articles of association or other governing rules or investment mandates that apply to the recipient; and (iv) the intended direct or indirect impact of any loans financed / re-financed with the proceeds from the issue of the Green Bonds.

No offer of securities or investments. The information, statements and opinions contained in this Impact 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.

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

Cautionary Note About Forward-looking Statements in this Impact Report:

This Impact Report contains forward-looking statements (within the meaning of the United States Private Securities Litigation Reform Act of 1995), such as statements that include, without limitation, the words 'will', 'should', 'intend', 'plan', 'risk' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as NatWest Group's deployment of the net proceeds of its offering of green bonds, their 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, their impact and NatWest Group's reporting on such matters to differ materially from expected deployment of the net proceeds of green bonds, their 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 deployment of the net proceeds of offerings of green bonds, their impact and NatWest Group's reporting on such matters include, but are not limited to the impact of the COVID-19 pandemic, the outcome of legal, regulatory and governmental actions and investigations, legislative, political, fiscal and regulatory developments, competitive conditions, technological developments, general economic and political conditions and the impact of climate related risks and the transitioning to a low carbon economy.

These and other factors, risks and uncertainties that may impact any forward-looking statement or NatWest Group's actual deployment of the net proceeds of offerings of green bonds, their impact and NatWest Group's reporting on such matters are discussed in NatWest Group's most recent Annual Report and Accounts (ARA), NatWest Group's Q1 2021 Results, as well as the Base Prospectus and its supplements for the EMTN Programme.

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



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Independent Accountant's Assurance Report

To the Directors of NatWest Group plc

Scope

We have been engaged by NatWest Group plc ('NatWest') to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, here after referred to as 'the engagement', to report on the calculation of tCO₂e (metric tonnes of CO₂ equivalent) avoided through an existing portfolio of eligible loans that have been refinanced through the proceeds of NatWest's Green Bond (the 'Subject Matter') as presented in NatWest's Green Bond Impact Report (the 'Report') for the period 22 May 2020 to 30 April 2021, based upon its alignment with NatWest's Green, Social and Sustainability ('GSS') Bond Framework and the methodology (referred to as the 'Criteria'), included within the Report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by NatWest

In preparing the Subject Matter, NatWest applied the NatWest's Green, Social and Sustainability Bond Framework and the methodology included within the Report ('Criteria').

Management's Responsibility

NatWest's management is responsible for selecting the Criteria, the collection, preparation and presentation of the Subject Matter in accordance with the 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 Responsibility

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE (UK) 3000 (July 2020)') as promulgated by the Financial Report Council (FRC), and the terms of reference for this engagement as agreed with NatWest on 17 May 2021. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the 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)) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a

comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

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 procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Interviewing responsible individuals on the policies and process established for the issuance of Green Bonds in accordance with NatWest's GSS bond framework (October 2020) including eligibility, evaluation and selection process, and management of proceeds thereof.
- ▶ Interviewing responsible individuals to understand the key processes and inputs utilised to develop the model to determine CO₂ equivalent emissions avoided.
- ▶ Understanding through inquiries of relevant personnel the model and calculations underlying the Subject Matter including the process for collecting and reporting the key data elements utilised within the model.
- ▶ Reperformance of NatWest's calculation of CO₂ equivalent emissions avoided utilising independent data sources where available.
- ▶ Selection of a sample of loans from the Green Bond portfolio and obtaining relevant documentation to verify key input data for the calculation of the Subject Matter.
- ▶ Reading the Impact Report for presentation with respect to the Subject Matter information, including disclosure of limitations and assumptions used in the underlying calculations.

We also performed such other procedures as we considered necessary in the circumstances.

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.

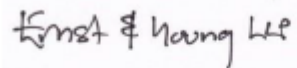
There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the Green Bond Principles are subjective and will be interpreted differently by different stakeholder groups.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 30 April 2021 in order for it to be in accordance with the Criteria.

Use of Report

Our responsibility in performing our assurance activities is to the directors of NatWest in accordance with the terms of reference for this engagement as agreed with NatWest. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Green Bond Issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third-party purpose.



Ernst & Young LLP
London, United Kingdom
17 May 2021