

Social Bond Impact Report Building a purpose-led bank.



May 2021

natwestgroup.com

As at 31/03/2021

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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.

The global pandemic presented significant disruption in business operations, affecting the investing and jobs creation processes. For this reasons the result of the calculation of jobs created/enabled presented in this report should be interpreted with additional caution.



“We”, “our” 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

2 NatWest Group SME Social 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 social impacts, including facilitation of job conservation or creation, revitalisation of economically depressed areas and reduction of poverty is eligible for this portfolio. All of these outcomes are intended to support reduced inequality and the reduction of poverty.

10 REDUCED INEQUALITIES



SDG 8
ICMA Category: SME Lending

Loans to Small and Medium size enterprises (“SMEs”) with geo-scoring of areas with high unemployment/low income, and meeting the following criteria:

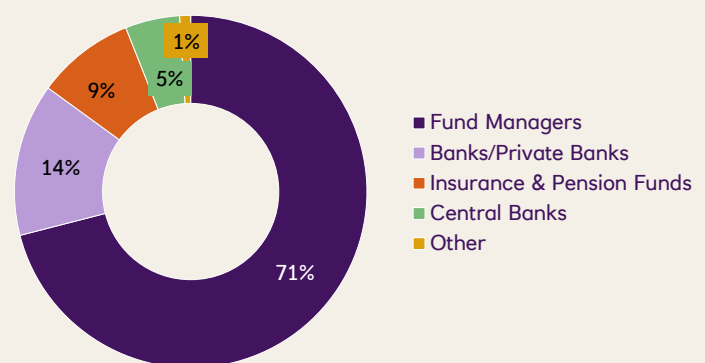
- Be an SME as defined in the UK Companies Act 2006.
- Be located in an economically underperforming region of the UK, as defined in our Framework.
- Not be engaged in any business activity described in Appendix 1 of our Framework.



NatWest Group Social Bond

Notional	€750,000,000 (£642m-equivalent)
Currency	EUR (under our EMTN Programme)
Coupon	0.75% FXD-FRN
Maturity	Nov-25 (6NC5)
Listing	LSE Sustainable Bond Market
Format	MREL Senior Unsecured
SPO	Sustainalytics
ISIN	XS2080205367

Investor Type
(as at allocation)



We issued our inaugural Social Bond under our EMTN Programme, and it is listed on the London Stock Exchange Sustainable Bond Market. This was the first offering of its kind from a UK bank in accordance to ICMA’s Social Bond Principles. At issuance, 70% of bonds were allocated to funds that either had two of: a dedicated ESG fund; an ESG/SRI policy; an ESG/SRI analyst in the team.

2.2 Allocation Summary

The full proceeds of our inaugural Social Bond have refinanced loans to UK SMEs in the bottom-30% of our loan book since issuance, according to analysis of 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, which we assess in Local Authority Units (LAU).

Asset eligibility has been maintained on a monthly basis, utilising our in-house selection methodology. Full details are set out in our Framework. The composition of our portfolio is monitored and recorded on a monthly basis, to facilitate accurate impact reporting. Any changes are subject to review and approval by our Working Group as described in our Framework.

Since issuance, the proceeds have been fully allocated to a pool of loans including, on average, more than 2,500 SMEs across Scotland, England, Wales and Northern Ireland. The number of borrowers fluctuates as the pool is maintained each month.

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.

As at 31st March 2021:

Jobs created/enabled across the UK	~6,850
Proceeds allocated from issuance	£642.3m
Average number of SMEs supported	~2,500
Average loan size to SMEs	£280k
Industry sectors supported	48
LAUs covered across UK	135

Recap: Selection Criteria

- 1 Our SME loan book is filtered by loan age, borrower 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.

'Jobs created/enabled' is the figure resulting from the calculations described on page 7 and in the Methodological Note, and represent the estimated impact over the life of the bond according to the pool composition since issuance. 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 31 March 2021. Proceeds are allocated to both new and existing lending originated within the past 36 months. Industry sectors supported reflects the count of unique sectors within the pool. Full selection criteria is set out in our GSS Bond Framework.

2.3 Jobs Created/Enabled

We have developed a methodology to calculate the number of full-time equivalent jobs created/enabled, based on the 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, and is refined at each reporting point by utilising the latest average pool composition.

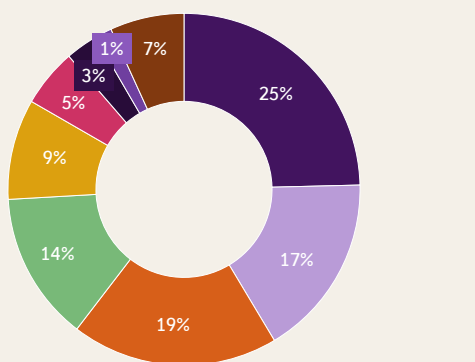
The premise of the methodology is that the loans included in the Social Bond allow the SMEs to make investments which, as a result, lead to higher activity and higher employment. We take into account direct (higher economic activity) and indirect (higher demand through the supply chain) effects. For a more detailed description of the methodology and how we applied it, please refer to the Methodological Note, also available on our website.

The global pandemic was particularly disruptive for some of our customers and in many instances term loans could have been used for supporting business rather than investment and expansion. To aid transparency and consistency in reporting, we have opted to not apply any arbitrary adjustments. In terms of the results of the calculation for jobs created/enabled, we note 2020 would also only represent one sixth of time-weighted composition over the life of the bond. However, the most recent update in the number of jobs created/enabled should be interpreted with additional caution.

Using the methodology and UK Input-Output tables, we calculate creation/enablement of ~6,850 FTE jobs in the UK as a result of the loans included in the Social Bond, over the life of the issuance.

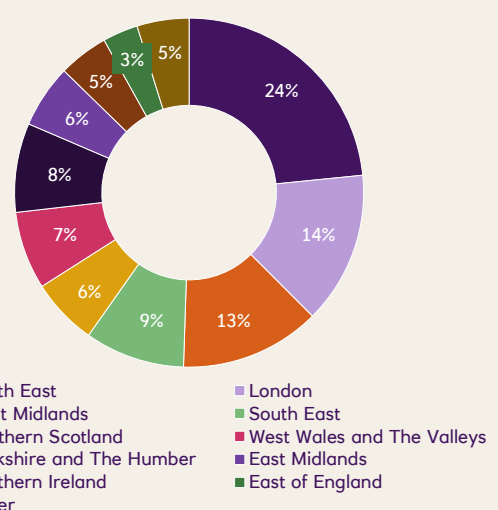
- Three sectors which stimulated the highest number of jobs created/enabled are Health & Social Work (~1,700), Professional, Scientific and Technical Activities (~1,300) and Wholesale and Retail (~1,150).
- SMEs in three regions stimulated the highest number of jobs created/enabled are North East of England (~1,600), London (including Greater London) (~1,000) and West Midlands (~900).

Jobs by Sector



- Health and social work
- Professional, scientific and technical activities
- Manufacturing
- Construction
- Other
- Wholesale and retail
- Accommodation and food service
- Agriculture, Forestry and Fishing
- Transportation and storage

Jobs by Region



- North East
- West Midlands
- Yorkshire and The Humber
- Northern Ireland
- Other
- London
- South East
- West Wales and The Valleys
- East Midlands
- East of England

'Jobs created/enabled' is the figure resulting from the calculations described on this page and in the Methodological Note, and represent the estimated impact over the life of the bond according to the pool composition since issuance. 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 March 2021. Proceeds are allocated to both new and existing lending originated within the past 36 months. Industry sectors supported reflects the count of unique sectors within the pool. Full selection criteria is set out in our Framework.

2.4 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/ Enabled
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	~6,850

3.1 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 section on 'Notes issued with a specific use of proceeds, such as Green, Social or Sustainability Bonds may not meet investor expectations or requirements' on page 13 of the NatWest Group plc £40,000,000,000 Euro Medium Term Note Programme (the 'EMTN Programme') under which the Social Bonds of this Impact Report are issued.

Caution about the information in this report. This Impact Report is prepared based on reviews and analysis both of our loan data and statistics published by, inter alia, HM Government of the United Kingdom and the Office for National Statistics. 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 Social Bonds or any loans that the Social 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 Social 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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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 social 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 social bonds, their impact and NatWest Group's reporting on such matters to differ materially from expected deployment of the net proceeds of social 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 social 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 social 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 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 number of jobs created/enabled through an existing portfolio of eligible loans that have been refinanced through the proceeds of NatWest's Social Bond, (the "Subject Matter") presented in NatWest's Social Bond Impact Report (the 'Report') as of 31 March 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 Social Bonds in accordance with NatWest's GSS Bond framework (October 2020) including eligibility, evaluation and selection process, and management of proceeds thereof.
- ▶ Obtaining a selection of management documentation of process and governance, including meeting minutes of relevant governance committees.
- ▶ For a sample of loans, inspecting documentation to check eligibility criteria followed was in accordance with the Use of Proceeds section in the GSS framework.
- ▶ 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 used in the model.
- ▶ Checking the calculation underlying the Subject Matter being in accordance with the Criteria in the Methodological Note (July 2020), including testing on a sample basis the accuracy of the data.
- ▶ 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.

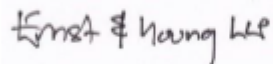
There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the Social 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 31 March 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 Social 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