

Second-Party Opinion

NatWest Group: Green, Social and Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the NatWest Group Green, Social and Sustainability Bond Framework (the "Framework") is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 3, 4, 7, 8, 9, and 11.



PROJECT EVALUATION / SELECTION NatWest's internal process in evaluating and selecting projects is managed by the Green, Social and Sustainability Bond Working Group (the "Working Group"). The Working Group will approve the assets, manage the portfolio to ensure that proceeds are only used for eligible loans, and document the evaluation and selection process. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The net use of proceeds will be managed by Treasury on a portfolio basis. The Working Group will on a monthly basis, review and approve allocation of bonds proceeds to eligible loans. Any asset that no longer meets the eligibility criteria will be removed and replaced with another eligible loan. Proceeds will be immediately allocated following issuance. Sustainalytics considers this to be in line with market practice.



REPORTING NatWest intends to report allocation of proceeds on its website within a year and on an annual basis thereafter. Allocation reporting will include the total amount of proceeds allocated, the number of eligible loans, the balance of unallocated proceeds and the amount and the share of financing vs refinancing. In addition, NatWest Group will report on relevant impact metrics. Sustainalytics views NatWest's reporting process as aligned with market practice.

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¹ Renewable Energy, Pollution Prevention and Control, Green Buildings, Clean Transportation, Female-Owned Business Lending, Access to Essential Services, Affordable Housing, and SME Lending

Introduction

NatWest Group plc (“NatWest”, “NatWest Group”, the “Group”, or the “Bank”) is a financial services company, providing a wide range of products and services to retail, business, commercial, corporate and institutional customers. Headquartered in Edinburgh, Scotland, the Group employs 62,900 persons around the world.

NatWest has developed the Green, Social and Sustainability Bond Framework (the “Framework”) under which it, or any of its subsidiaries, may issue Green, Social and Sustainability Bonds such as Senior Unsecured or Covered Bonds, and use the proceeds to finance and/or refinance, in whole or in part, loans to businesses or projects that support the shift to a low-carbon economy and tackle the issue of social inequality across the UK. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy
2. Pollution Prevention and Control
3. Green Buildings
4. Clean Transportation
5. Female-Owned Business Lending
6. Access to Essential Services
7. Affordable Housing
8. SME Lending

NatWest engaged Sustainalytics to review the Green, Social and Sustainability Bond Framework, dated October 2020, to provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, Sustainability Bond Guidelines 2018.² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018 (“GBP”), Social Bond Principles 2020 (“SBP”), and Sustainability Bond Guidelines 2018 (“SBG”), as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of NatWest’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NatWest’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NatWest representatives have confirmed (1) they understand it is the sole responsibility of NatWest to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green, Social and Sustainability Bond Framework is available on NatWest Group plc’s website at: < <https://investors.natwestgroup.com/fixed-income-investors/green-social-and-sustainability-bonds/gss-bonds/> >

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NatWest.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NatWest has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green, Social and Sustainability Bond Framework

Sustainalytics is of the opinion that the Green, Social and Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP, SBP, and SBG. Sustainalytics highlights the following elements of NatWest's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Pollution Prevention and Control, Green Buildings, Clean Transportation, Female-Owned Business Lending, Access to Essential Services, Affordable Housing and SME Lending – are aligned with those recognized by the GBP and SBP. The financing provided under the Framework will contribute to the shift to a low-carbon economy in the UK and generate positive social outcomes for the target populations.
 - NatWest may allocate proceeds to loans for financing and/or refinancing the equipment, development, manufacturing, construction, operation, distribution, and maintenance of electricity generation from renewable energy resources, including wind, solar, hydro and tidal. Hydropower projects are limited to small-scale capacity below 20MW, which is aligned with market practice.
 - NatWest may allocated proceeds to loans for the financing of technologies and operations supporting the reduction and control of air pollution and GHG emissions through soil remediation and the prevention, reduction, and recycling of waste, as well as biomass and waste-to-energy projects.
 - NatWest may provide allocated proceeds to loans for Green Buildings according to the following eligibility criteria:
 - New and existing residential buildings must score 'B' or higher according to its Energy Performance Certificate ("EPC) to be eligible. Sustainalytics positively highlights that eligible buildings belong to the top 15% of local building stock in the UK, which is aligned with the CBI criteria for green buildings.^{5,6}

⁵ According to CBI technical criteria, eligible green buildings must be part of the top 15% of buildings in a city.

⁶ As of March 2020, 14% of new non-domestic properties were rated 'B' or above in England.

Ministry of Housing, Communities & Local Government, "Energy Performance of Buildings Certificates Statistical Release", (2020), at: shorturl.at/vwUVY

- New and existing commercial buildings must score 'B' or higher according to its Non-domestic Energy Performance Certificate ("NDEPC"), and therefore belong to the top 15% of local non-domestic building stock.⁷ In addition, commercial buildings that have achieved or will achieve a minimum certification level of BREEAM 'Very Good' or LEED 'Gold', or any other comparable certification are eligible. Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category. Sustainalytics has conducted an evaluation of the certifications and views the properties meeting these certification standards as having positive impacts (see Appendix 1 for additional details on these certification schemes).
- Furthermore, the Bank may provide loans for the renovation of existing buildings,⁸ that reduce their energy consumption by at least 30% compared to baseline performance, measured in kWh/m² per year.
- NatWest may allocate proceeds to provide loans for technologies and operations supporting the transition to low carbon means of transportation, including infrastructures and manufacturing of infrastructure components. Eligible means of transportation include hybrid, electric, alternatively fuelled cars, buses, trucks, and trains that fall below 75gCO₂/p-km for passengers and 25gCO₂/t-km for freight transportation.
- Within the Access to Essential Services category, the Framework allows for allocating proceeds to loans for the following:
 - Infrastructure for hospitals, laboratories, clinics, healthcare, and hospices that are affiliated with the NHS, part of the NHS trust, or are more broadly accessible to the whole public. Sustainalytics has a positive opinion on this eligibility criteria as healthcare in the United Kingdom is carried out under the auspices of the National Health Service (NHS), which has universal access enshrined within its constitution.⁹
 - The provision of healthcare is split between primarily publicly owned hospitals (including both NHS trusts and foundation trusts) and mainly privately-owned general practitioner practices. Regardless of the ownership structure, out-of-pocket payments for primary, secondary, and specialist care are limited, as is the use of supplementary private health insurance.¹⁰
- Under the SME Financing category, proceeds will be used to provide lending to SMEs located in the 30% most economically deprived areas of UK.
 - Sustainalytics views positively the Bank's alignment with the UK Companies Act 2006 definition for SMEs.¹¹ Additionally, NatWest will use public macro data released by the UK Office of National Statistics (ONS) for determining economically underperforming areas in UK, specifically the Gross Value Added per head and the Unemployment Claimant Percentage.
 - Sustainalytics has a positive view on NatWest's internally developed methodology to determine areas that are economically underperforming in the UK. The commonly used Index of Multiple Deprivation¹² (IMD) was found unsuitable to be used by the Bank to identify deprived areas because IMD data is not universal across UK. Scotland, England, Wales and Northern Ireland each publish its own individual series of data. Furthermore, while IMD for the various regions is only available on a three to

⁷ As of Q2 2020, 10.26% of existing non-domestic properties were rated 'B' or higher in England.

Ministry of Housing, Communities & Local Government, "EPCs for existing non-domestic properties", (2020), at:

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates#epcs-for-non-domestic-properties>

⁸ Either in whole or as needed.

⁹ UK Department of Health & Social Care, "NHS Constitution for England", (2015), at: <https://www.gov.uk/government/publications/the-nhs-constitution-for-england>

¹⁰ The Commonwealth Fund, "International Health Care System Profiles, England", (2020), at: <https://www.commonwealthfund.org/international-health-policy-center/countries/england>

¹¹ UK Government, "Companies Act 2006", (2006), at: <https://www.legislation.gov.uk/ukpga/2006/46/contents>

¹² The Index of Multiple Deprivation (IMD), calculated by the Department for Communities and Local Government, combines income, employment, health, education, housing, crime, and living environment statistics to provide a normalized score that can be compared across regions.

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five-year cycle, the data used by NatWest to calculate deprived areas – Unemployment Claimant data and Gross Value-Added data – are available on a monthly and an annual basis respectively.

- Sustainalytics positively highlights the exclusion of businesses or enterprises in a number of industries that are considered to have potential negative social or environmental impact, including alcohol, environmental damage, fossil fuels, gambling, tobacco or weapons.
- NatWest may allocate proceeds to loans to not-for-profit registered housing associations in the UK, with the aim to expand access to affordable housing. Eligible housing associations must be involved in the construction, management and refurbishment of properties that offer “social or affordable rent”,¹³ “shared ownership”¹⁴ and “supported housing”.¹⁵ Sustainalytics positively views the “affordable rent” and “supported housing” schemes and believes that the loans issued under the Framework could assist housing associations in providing affordable housing to low-income earners. Sustainalytics understands that “shared ownership” is part of a government scheme that intends to enable first-time home buyers to purchase a home by substantially reducing the amount required for a deposit. Eligible households include those with up to GBP 80,000 (GBP 90,000 in London) in annual income, which is well above the median household income of GBP 29,600 in 2019.¹⁶ While recognizing the expected benefits for first-time home buyers, Sustainalytics notes that, in the area of affordable housing, market practice typically involves the targeting of lower-income population segments, and therefore the inclusion of financing through the shared ownership program represents a deviation from market practice and expectations.
- NatWest has defined a look-back period of 36 months for refinancing activities.
- Project Evaluation and Selection:
 - NatWest’s internal process in evaluating and selecting projects is managed by the Green, Social and Sustainability Bond Working Group (the “Working Group”), formed by members of Treasury, including the Head of Treasury Debt Capital Markets, as well as members from Sustainable Banking; Communications and Marketing; Treasury, ESG and Disclosure Legal; Commercial Banking; Risk; and attended from time to time by other subject-matter experts. The Working Group intends to meet regularly to approve the proposed assets for inclusion in the Eligible Portfolio as set out in the Framework, manage the Eligible Portfolio to ensure that proceeds are only used for the financing and/or refinancing of eligible loans, monitor the developments in the wider Green, Social and Sustainability bond sector and updating the Framework and eligibility criteria accordingly, and document the evaluation and selection process. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The net use of proceeds will be managed by Treasury on a portfolio basis. The Working Group will on a monthly basis, review and approve allocation of bonds proceeds to eligible loans. Any asset that no longer meets the eligibility criteria will be removed and replaced with another eligible loan. Proceeds will be immediately allocated following issuance. Sustainalytics considers this to be in line with market practice.
- Reporting:
 - NatWest intends to report allocation of proceeds on its website within a year of issuance and on an annual basis thereafter. Allocation reporting will include the total amount of proceeds allocated, the number of eligible loans, the balance of unallocated proceeds and the amount and the share of financing vs refinancing. In addition, NatWest Group will strive to report on

¹³ Social rents are around 50% of market rents for the local area, and rent increases are limited by governments. Affordable rents are open to a broader range of household incomes than social rent. Rents charged are not higher than 80% of local market rents. Both are provided by local authorities and housing associations.

¹⁴ Shared ownership are homes sold to people for whom open market purchases would be unattainable. Purchasers buy a share of the property and pay rent on the remaining value. Eligibility for share ownership is determined by government criteria.

¹⁵ Defined as any housing scheme where housing, support and sometimes care services are provided to help people to live as independently as possible in the community, including care, nursing and sheltered housing.

¹⁶ Office for National Statistics, at

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2019#:~:text=Median%20household%20disposable%20income%20in,Living%20Costs%20and%20Food%20Survey>

relevant impact metrics, such as installed capacity (in MW) or annual emissions avoided (tCO₂e) for Renewable Energy and estimated ex-ante annual energy consumption (kWh/m²) for Green Buildings. For an exhaustive list of impact metrics, please refer to Appendix 2. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Green, Social and Sustainability Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020) and Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of NatWest

Contribution of Framework to NatWest Group plc's sustainability strategy

NatWest's Sustainable banking approach is focused on three key areas: (i) creating more opportunities for business and enterprises,¹⁷ (ii) helping people make better financial decisions,¹⁸ and (iii) helping to combat climate change and accelerating the UK transition to a low carbon economy.¹⁹ Additionally, NatWest has publicly committed to further align its strategy with the 2015 Paris Agreement and the UN Sustainable Development Goals.²⁰ As such, it intends to take ESG considerations into account for all decision making.

NatWest has delivered positive social impact through targeted strategic programs and investments. In 2019, NatWest dedicated GBP 1 billion (EUR 1.1 billion) to finance female-led businesses, the Group originated GBP 29.7 billion (EUR 32.5 billion) in loans to SMEs and mid-corporates, and lent GBP 2.4 billion (EUR 2.6 billion) to support building more than 40,000 social housing units until 2024.²¹ Activities financed via the Framework will support NatWest's initiatives aimed at expanding access to finance.

NatWest recognizes climate change as a critical global issue with significant implications for the Group and its stakeholders. In 2019 NatWest met its sustainable energy funding and financing target of £10 billion for 2018-2020 (£9.9 billion in 2018 and 2019). Building on this achievement, in February 2020, NatWest announced an additional GBP 20 billion (EUR 21.9 billion) committed to funding and finance for climate and sustainable finance between 2020 and 2022.²² The new commitment expands to include other key sectors such as low carbon and offsetting technologies, the built environment, sustainable transport, water and waste management, environment and IT-driven GHG emission solutions.²³ Furthermore, NatWest aims to at least halve the climate impact of its financing activities 2030 and intends to do what is necessary to achieve alignment with the 2015 Paris Agreement. Accordingly, NatWest plans to quantify their climate impact and set sector-specific targets by 2022.²¹

Further, NatWest joined the Partnership for Carbon Accounting Financials,²⁴ which aims to assess and disclose GHG emissions associated with lending and investment.²⁵ Activities financed via the Framework will help achieve the goal of the Group, particularly in relation to the green eligible use of proceeds. Finally, NatWest has appointed an independent climate advisor to guide and challenge the Group's climate strategy and implementation of environmental and climate change targets, and low-carbon development.²⁶

¹⁷ NatWest Group, "Enterprise", at: <https://www.natwestgroup.com/our-purpose/enterprise.html>

¹⁸ NatWest Group, "Learning", at: <https://www.natwestgroup.com/our-purpose/learning.html>

¹⁹ NatWest Group, "Climate", at: <https://www.natwestgroup.com/our-purpose/climate.html>

²⁰ NatWest Group, "Sustainable banking at NatWest Group", at: <https://www.natwestgroup.com/our-purpose/our-approach/sustainable-banking-at-natwest-group.html>

²¹ NatWest Group, "Annual Report and Accounts 2019", at: https://investors.natwestgroup.com/~/_media/Files/R/RBS-IR/results-center/rbsq-ara-2019-140220-0245-v3.pdf

²² NatWest Group, "Climate and sustainable finance", at: <https://www.natwestgroup.com/our-purpose/environment/climate-and-sustainable-finance.html>

²³ NatWest Group, "Climate and Sustainable Finance Inclusion Criteria", (2020), at: <https://www.natwestgroup.com/content/dam/natwestgroup.com/natwestgroup/pdf/natwestgroup-climate-inclusion-criteria-2020.pdf>

²⁴ NatWest Group, "NatWest Group joins Partnership for Carbon Accounting Financials", (2020), at: <https://www.natwestgroup.com/news/2020/07/natwest-group-joins-the-partnership-for-carbon-accounting-financ.html>

²⁵ PCAF, "Enabling financial institutions to assess and disclose greenhouse gas emissions of loans and investments", at: <https://carbonaccountingfinancials.com/>

²⁶ NatWest Group, "Lord Stern appointed as independent climate advisor to NatWest Group", (2020), at: <https://www.natwestgroup.com/news/2020/07/lord-stern-appointed-as-independent-climate-advisor-to-natwest-group.html>

Sustainalytics is of the opinion that the Green, Social and Sustainability Bond Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Group's action on its key social and environmental priorities.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics acknowledges that the Framework will be directed towards eligible projects that have positive environmental and social impact. However, Sustainalytics acknowledges that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety concerns, land use and biodiversity issues associated with large-scale infrastructure development, ESG risks associated with activities carried out by businesses financed. Although NatWest has a limited role in the execution and development of the individual projects financed, Sustainalytics considers that their Environmental, Social and Ethical (ESE) risk management policies contain guidance to address issues of concern and manage risks in areas that are not covered by specific sector policies. The ESE risk policies requires customers to demonstrate a good understanding of ESE issues, capacity to manage these risks, a positive track record of managing ESE risks, and a commitment to transparency.²⁷

- The Power Generation ESE risk policy position (the "position") covers lending and services provided to the power sector, including renewables such as wind, solar, tidal, geothermal, biomass and hydropower. The position specifies the expectation that companies are to be in compliance with international and/or local laws relating to the ESE aspects, and have policies or systems in place to manage ESE risks, including: environmental and/or social impacts, health and safety, biodiversity, and labour standards.²⁸
- NatWest is a signatory of the UN Principles for Responsible Banking by which it commits to implement impact analysis and manage the risks to people and environment resulting from its activities, products and services. The Group is a signatory to the Equator Principles that applies to transactions linked to financing a specific asset and provides a minimum standard for E&S diligence. NatWest Group is also a signatory of the United Nations Global Compact, thus committing to operate in a manner that upholds fundamental responsibilities in areas including human rights, labour, the environment and on anti-corruption.²⁹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NatWest has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by GBP, SBP or SBG. Sustainalytics has focused on four below where the impact is specifically relevant in the UK context.

The role of electricity decarbonization achieving climate goals

The UK is a signatory to the Paris Agreement, which seeks to reduce GHG emissions in order to limit global warming, and ratified its commitment in November 2016.³⁰ In 2019, the UK became the first major economy in the world to introduce legislation that requires a net-zero by 2050 emissions target.³¹ The energy sector is the second largest source of CO₂ emissions (26%) in the UK after transport (34%) in 2019.³² Since electricity and heat generation were responsible for 21% of the UK's CO₂ emissions from energy in 2018,³³ decarbonizing its electricity sector is essential for the UK to meet its emission reduction target. Renewable energy powers 28.87% of electricity generated in the UK, while fossil fuels remain the primary source

²⁷ NatWest, "Environmental, Social and Ethical Risk Policy Summary. ESE Risk Concerns", (2020), at:

https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/ese-risk-concerns.pdf

²⁸ NatWest, "Environmental, Social and Ethical Risk Policy Summary. Power Sector", (2020), at:

https://www.natwestgroup.com/content/dam/natwestgroup_com/natwestgroup/pdf/power-sector.pdf

²⁹ NatWest, "External commitments", at: <https://www.natwestgroup.com/our-purpose/our-approach/external-commitments.html>

³⁰ UK Government, "UK ratifies the Paris Agreement", (2016), at: <https://www.gov.uk/government/news/uk-ratifies-the-paris-agreement>

³¹ UK Government, "UK becomes first major economy to pass net zero emissions law", (2019), at: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

³² UK BEIS, "2019 UK greenhouse gas emissions, provisional figures", (2020), at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875485/2019_UK_greenhouse_gas_emissions_provisional_figures_statistical_release.pdf

³³ IEA, "United Kingdom", at: <https://www.iea.org/countries/united-kingdom>

(43.62%), with nuclear energy (17.36%), and biofuels (10.15%) completing the electricity mix.³³ The UK is on path to generate 50% of its electricity from renewables by 2025.³⁴

Therefore, Sustainalytics is of the opinion that NatWest's financing renewable energy projects for electricity generation will provide significant environmental benefits and will aid the UK in reaching its goal of achieving 'net-zero' emissions by 2050.

The impact of targeted lending to SMEs and female-owned businesses

SME Financing in the Covid19 pandemic context

SMEs account for 99.9% of private businesses, 60% of private sector employment,³⁵ and contribute 47% of revenue to the UK.³⁶ According to the OECD, SMEs are "a vital ingredient for inclusive growth, creating jobs across regions and sectors, including for the low-skilled."³⁷ SMEs in the UK were hit hard by the Covid-19 pandemic³⁸ given higher levels of vulnerability and lower resilience compared to larger firms.³⁹ The economic slowdown from the containment efforts affected business operations and confidence.⁴⁰ A survey from June 2020 shows that 60% of SME owners anticipate to be out of business by April 2021.³⁸

The UK government introduced several schemes to provide financial assistance and prevent permanent closure of SME business. For example, the Bounce Back Loan Scheme (BBL)⁴¹ and the Coronavirus Business Interruption Loan Scheme (CBIL)⁴² aim to support small businesses affected by Covid-19 by facilitating access to financing. The UK baking industry has responded to the government's policy instruments and to the financing needs of SME businesses. In August 2020 outstanding loans to SMEs totalled GBP 206.6 billion (EUR 226.4 billion),⁴³ compared to GBP 167 billion (EUR 183.3 billion) in February 2020.⁴⁴ This represents a growth of 21.8% year-to-year.⁴³ As an accredited BBL and CBIL lender, NatWest can contribute to businesses' financial stress relief, job preservation and reactivation of the economy.

Female-Owned Business Financing

Similarly, a report commissioned by the UK Treasury indicates that gender parity in entrepreneurship and business growth opportunities could add up to GBP 250 billion (EUR 273.6 billion) to the UK economy.⁴⁵ Despite this view, 73% of British women identify access to finance as a barrier to starting or growing a business versus 54% of men, in 2016.⁴⁶ Evidencing that female entrepreneurship faces more barriers to financing in the UK compared to male entrepreneurship. At the same time, self-employed men entrepreneurs earn more than double that their female counterparts.⁴⁷

In this context, promoting economic growth and employment generation in the targeted businesses will help alleviate the abovementioned geographical and gender inequalities. Sustainalytics positively views NatWest' SME and female-owned business lending to promote sustainable economic development in the UK.

³⁴ Carbon Brief, "Analysis: Half of UK's electricity to be renewable by 2025", (2019), at: <https://www.carbonbrief.org/analysis-half-uks-electricity-to-be-renewable-by-2025>

³⁵ UK BEIS, "Business Population Estimates for the UK and the Regions 2019", (2019), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852919/Business_Population_Estimates_for_the_UK_and_regions_-_2019_Statistical_Release.pdf

³⁶ ESRC, "Boosting UK productivity with SME growth", (2016), at: <https://esrc.ukri.org/news-events-and-publications/evidence-briefings/boosting-uk-productivity-with-sme-growth/>

³⁷ OECD Observer, "SMEs are key for more inclusive growth", (2018), at: https://oecdobserver.org/news/fullstory.php/aid/6062/SMEs_are_key_for_more_inclusive_growth.html

³⁸ McKinsey&Co, "How the COVID-19 crisis is affecting UK small and medium-size enterprises", (2020), at: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/how-the-covid-19-crisis-is-affecting-uk-small-and-medium-size-enterprises>

³⁹ OECD, "Coronavirus (COVID-19): SME policy responses", (2020), at: <https://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>

⁴⁰ ONS, "Coronavirus and the impact on output in the UK economy: July 2020", (2020), at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/coronavirusandtheimpactonoutputintheukeconomy/july2020>

⁴¹ UK Government, "Apply for a coronavirus Bounce Back Loan", (2020), at: <https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>

⁴² UK Government, "Apply for the Coronavirus Business Interruption Loan Scheme", (2020), at: <https://www.gov.uk/guidance/apply-for-the-coronavirus-business-interruption-loan-scheme>

⁴³ Bank of England, "Money and Credit - August 2020", (2020), at: <https://www.bankofengland.co.uk/statistics/money-and-credit/2020/august-2020>

⁴⁴ Bank of England, "Money and Credit - February 2020", (2020), at: <https://www.bankofengland.co.uk/statistics/money-and-credit/2020/february-2020>

⁴⁵ UK Government, "The Alison Rose Review of Female Entrepreneurship", (2019), at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784324/RoseReview_Digital_FINAL.PDF

⁴⁶ OECD, "Women entrepreneurship. Key findings: United Kingdom", (2016), at: <http://www.oecd.org/sdd/business-stats/EaG-United-Kingdom-Eng.pdf>

⁴⁷ OECD, "Policy Brief on Women's Entrepreneurship", (2016), at: <https://www.oecd.org/cfe/smes/Policy-Brief-on-Women-s-Entrepreneurship.pdf>

Impact of Affordable Housing in the UK

In 2018, the UK had the fourth highest housing cost overburden⁴⁸ rate (15.1%) among European countries.⁴⁹ Private rents are rising faster than earnings⁵⁰ and the house price-to-earnings ratio is at record highs.⁵¹ For example, between 2011 and 2019, London private rents grew by 22%, while earnings only grew by 15%.⁵¹ Similarly, in 2018 median house prices were eight times higher than median earnings, following a steady increase from a 5:1 ratio in 2002.⁵¹ Furthermore, the lack of supply of new social housing has made the private rental sector the main provider of rental units.⁵¹ In turn, private rent levels have further increased as a response to increased demand in high pressure areas.⁵¹ The gap between housing demand and supply is of more than one million homes in the UK.⁵² It is estimated that 8.4 million people in England were living in an unaffordable, insecure or unsuitable home and 3.4 million people could afford decent living conditions only with social housing access.⁵³ To address this issues, in 2017, the UK Government announced the Shared Ownership and Affordable Homes (SOAH) Programme. As of 2019, the annual supply of affordable homes was 57,500 of which 51% are designated for affordable rent, 34% for affordable home ownership, and 11% for social rent.⁵¹ The SOAH Programme will have access to funding up to GBP 9.1 billion (EUR 10.1 billion) starting in 2021 to support the development of an additional 10,000 homes per year, including social rented housing.⁵¹ The SOAH program is aligned with the government's global housing market program to build 300,000 homes annually by the mid-2020s.⁵⁴ Similarly, the Scottish government's Affordable Housing Supply Programme (AHSP) has pledged GBP 3.3 billion (EUR 3.6 billion) to build 15,000 social rent and 15,000 affordable housing units between 2016 and 2021.⁵⁵ By 2019, 51% of the global goal has been achieved.⁵⁵

Based on the above Sustainalytics believes that NatWest's financing of affordable housing, which is supported by a well-defined target population will foster access to decent housing conditions by low-income households and help solve the supply-side constraint of the housing market in the UK.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control		
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road

⁴⁸Paying more than 40% of disposable income in housing

⁴⁹ European Commission, "Housing cost overburden rate, analysed by tenure status, 2018 (%)", at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Housing_cost_overburden_rate_analysed_by_tenure_status_2018_\(%25\)_SILC20.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Housing_cost_overburden_rate_analysed_by_tenure_status_2018_(%25)_SILC20.png)

⁵⁰ IPPR, "What more can be done to build the homes we need?", (2017), at: <https://www.ippr.org/files/2017-06/lyons-edited-collection-june-2017.pdf>

⁵¹ UK Parliament, "What is affordable housing?", (2019), at: <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁵² BBC, "Housing shortage: Scale of UK's housing gap revealed", (2020), at: <https://www.bbc.com/news/business-51605912>

⁵³ BBC, "Housing crisis affects estimated 8.4 million in England - research", (2019), at: <https://www.bbc.com/news/uk-49787913#:~:text=Housing%20crisis%20affects%20estimated%208.4%20million%20in%20England%20%2D%20research-,23%20September%202019&text=An%20estimated%208.4%20million%20people,to%20the%20National%20Housing%20Federation.>

⁵⁴ McKinsey & Co., "Working together to tackle the UK housing crisis", (2019), at: <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/working-together-to-tackle-the-uk-housing-crisis>

⁵⁵ Scottish Government, "Affordable Housing Supply Programme. Out-turn Report 2018-19", (2020), at: <https://www.gov.scot/binaries/content/documents/govscot/publications/transparency-data/2019/12/affordable-housing-supply-programme-out-turn-report-2018-2019/documents/out-turn-report-2018-2019/out-turn-report-2018-2019/govscot%3Adocument/Affordable%2BHousing%2BSupply%2BOut-turn%2Breport%2B2018-2019.pdf>

		safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Female-Owned Business Lending	1. No poverty	1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Access to Essential Services	3. Good health and well-health 4. Quality education	3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes. 4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, nonviolent, inclusive and effective learning environments for all.
Affordable Housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
SME Lending	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

NatWest has developed the Green, Social and Sustainability Bond Framework under which it intends to issue sustainability bonds and use the proceeds to enable investments which support the shift to a low-carbon economy and create long-term value for its stakeholders. Sustainalytics expects the projects funded by the sustainability, green and social bond proceeds to yield provide positive environmental and social impact.

The Green, Social and Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Green, Social and Sustainability Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 3, 4, 7, 8, 9, and 11. Additionally, Sustainalytics is of the opinion that NatWest has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.



Based on the above, Sustainalytics is confident that NatWest Group plc is well-positioned to issue green, social and sustainability bonds and that that Green, Social and Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020) and Sustainability Bond Guidelines (2020).

Appendices

Appendix 1: Green Buildings Certification Schemes

	BREEAM	LEED
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum
Areas of Assessment: Environmental Project Management	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.
Areas of Assessment: Environmental Performance of the Building	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ⁵⁶ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).

⁵⁶ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Performance display	 Pass Outstanding	
Accreditation	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor	LEED AP BD+C LEED AP O+M
Qualitative considerations	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognised internationally, and strong assurance of overall quality.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NatWest Group plc
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Green, Social and Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 27, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
 The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |

- Other *(please specify)*:

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds Renewable Energy, Pollution Prevention and Control, Green Buildings, Clean Transportation, Female-Owned Business Lending, Access to Essential Services, Affordable Housing, SME Lending are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 3, 4, 7, 8, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing) |

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and microfinance)

- | | |
|---|---|
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NatWest's internal process in evaluating and selecting projects is managed by the Green, Social and Sustainability Bond Working Group (the "Working Group"). The Working Group will approve the assets, manage the portfolio to ensure that proceeds are only used for eligible loans, monitor the developments of the Framework, and document the evaluation and selection process. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net use of proceeds will be managed by Treasury on a portfolio basis. The Working Group will, on a monthly basis, review and approve allocation of bonds proceeds to eligible loans. Any asset that no longer meets the eligibility criteria will be removed and replaced with another eligible loan. Proceeds will be immediately allocated following issuance. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate

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manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

NatWest intends to report allocation of proceeds on its website within a year and on an annual basis thereafter. Allocation reporting will include the total amount of proceeds allocated, the number of eligible loans, the balance of unallocated proceeds and the amount and the share of financing vs refinancing. In addition, NatWest Group will strive to reporting on relevant impact metrics. Sustainalytics views NatWest's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://personal.natwest.com/personal/banking-with-natwest/sustainable-banking.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with

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internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

