

# **NatWest Group Climate and Transition Finance Framework**

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# 1. Introduction

In July 2025, NatWest Group plc together with its subsidiaries (**NatWest Group**) announced an ambition to finance or facilitate £200 billion for Climate and Transition Finance (**CTF**) between 1 July 2025 and the end of 2030 (the **CTF Target**). This document outlines NatWest Group's definitions, guiding principles, indicative eligibility framework and governance (the **CTF Framework**) for classifying financing or facilitation of assets, activities, acquisition targets and companies that may be reported as counting towards the CTF Target as of 1 July 2025 (see section 2 (*Products and Services Scope*) for details of the types of financings and facilitations which are in scope of this CTF Framework). This document complements other business as usual financing and facilitation criteria. We plan to provide regular updates in relation to our progress on our CTF Target in NatWest Group's annual disclosures.

NatWest Group has an ambition to be net zero by 2050 across our financed emissions, assets under management and our operational value chain. This CTF Framework is intended to support our net zero ambition by providing financing and facilitation options that may help our customers to achieve their climate and/or transition ambitions. While a portion of our financing and facilitation activities may be eligible under this CTF Framework, this may represent only a relatively small proportion of our overall financing and facilitation activities<sup>1</sup>.

In preparing the CTF Framework we have referenced a variety of standards and guidance<sup>2</sup> including:

- the International Capital Market Association's (**ICMA**) Green Bond Principles;
- ICMA's Climate Transition Finance Handbook (**CTFH**);
- ICMA Transition Finance in the Debt Capital Market guidance;
- the Loan Markets Association's (**LMA**)/Loan Syndications and Trading Association's (**LSTA**)/Asia Pacific Loan Market Association's (**APLMA**) Green Loan Principles;
- LMA's/LSTA's/APLMA's Sustainability Linked Loan Principles;
- ICMA's Sustainability Linked Bond Principles;
- ICMA's Green Enabling Projects Guidance; and
- the Transition Finance Market Review report<sup>3</sup> (**TFMR Report**).

Supporting the real economy alignment and transition towards net zero, in line with the 2015 Paris Agreement, will require vast investments not only in those industries delivering climate solutions, but across a broader spectrum of industries. These include the hard-to-abate and emission intensive sectors such as iron & steel, cement, petrochemicals, shipping and aviation.

The CTF Framework has been developed to expand, enhance and replace our now concluded Climate and Sustainable Funding and Finance (CSFF) [Framework](#) to include what NatWest Group has identified as:

- Climate Finance, which may include financing and facilitation of assets, activities, acquisition targets and companies which support mitigation by addressing the causes of climate change and/or adaptation by tackling the impacts of climate change; and
- Transition Finance, for which NatWest Group has developed a principles-based definition as financing and facilitation of assets, activities, acquisition targets and companies which:
  - directly or indirectly contribute to removal or life-cycle emission reduction of GHG emissions, with particular focus on carbon-intensive and hard-to abate sectors;
  - support transition towards net zero by 2050; and
  - do not impede the development and deployment of low or zero carbon alternatives or lead to a lock-in of carbon intensive assets beyond 2050.

The concept of transition is dynamic and its definition and scope may continue to evolve, particularly as new low carbon solutions are developed and emerge. We expect to evolve our definition over time to seek alignment with the latest science-based thinking on pathways to net zero by 2050. The 'Transition Finance' activities outlined in section 3(a) (*Activity Eligibility – dedicated purpose financing*) have been informed by the external sectoral decarbonisation solutions outlined in reputable

<sup>1</sup> Further details of our financing and facilitation activities, including emissions associated with these activities, can be found in the most recent version of our Sustainability Report available at [NatWest Group – Sustainability Disclosures](#).

<sup>2</sup> Such standards and guidance may be amended from time to time.

<sup>3</sup> [Scaling Transition Finance: Findings of the Transition Finance Market Review](#). Over time we aim to develop our capabilities as market practices emerge to further align with TFMR Report recommendations.

energy transition scenarios, such as the International Energy Agency Net Zero Emissions and the UK Climate Change Committee's Balanced Net Zero Pathway.

Our previous framework was entitled 'Climate and Sustainable Funding and Financing Framework'. We have removed the reference to 'sustainable' for clarity purposes given it is a broad term which also captures social finance elements which the CTF Framework does not include. The new title reflects the CTF Framework's and CTF Target's deliberate focus on climate finance and transition finance.

The title update has resulted in minimal impact on the climate finance activities included in the CTF framework, when compared to the now concluded CSFF framework. However, from a product perspective, sustainability products (those which combine green and social elements) will no longer be eligible. This is to ensure that we only count climate and transition finance transactions (as detailed below) towards the CTF Target.

This CTF Framework applies to NatWest Group's business globally. It takes effect from 1 July 2025, is indicative in nature and is subject to our Governance processes described in section 6 (*Governance*) below.

We will aim to evolve our approach as further clarification and standardisation of transition finance principles (and their assessment as part of deploying transition finance) develops in the market, and we expect to review the CTF Framework from time to time.

The principle of eligibility classification at inception will apply (unless otherwise required by law, applicable regulation or reassessed by Natwest Group at its discretion) - see section 6 (*Governance*) for further details of when eligibility assessments are made for different financings and facilitations. Transactions submitted towards the CTF Target may not be monitored for continuing eligibility under the CTF Framework. Any declassification (see below) or changes to the qualifying eligibility of a transaction during that transaction's lifecycle (post submission towards the CTF Target) will not result in its removal from, or adjustments and reduction in, the ongoing progress towards the CTF Target. Individual transactions might be declassified pursuant to their contractual terms, leading to a restriction of future marketing or labelling of that specific transaction (processes vary across products and regions depending on market practice), but such declassification will not lead to that transaction's removal from, or adjustments and reduction in, the ongoing progress towards the CTF Target. Changes to the qualifying eligibility of a customer may lead NatWest Group to consider (at its discretion) whether any new deals with the relevant customer will cease to be eligible for the CTF Target.

The CTF Framework has undergone independent external review by DNV Business Assurance Services UK Limited, a second party opinion (SPO) provider. The SPO can be found [here](#).

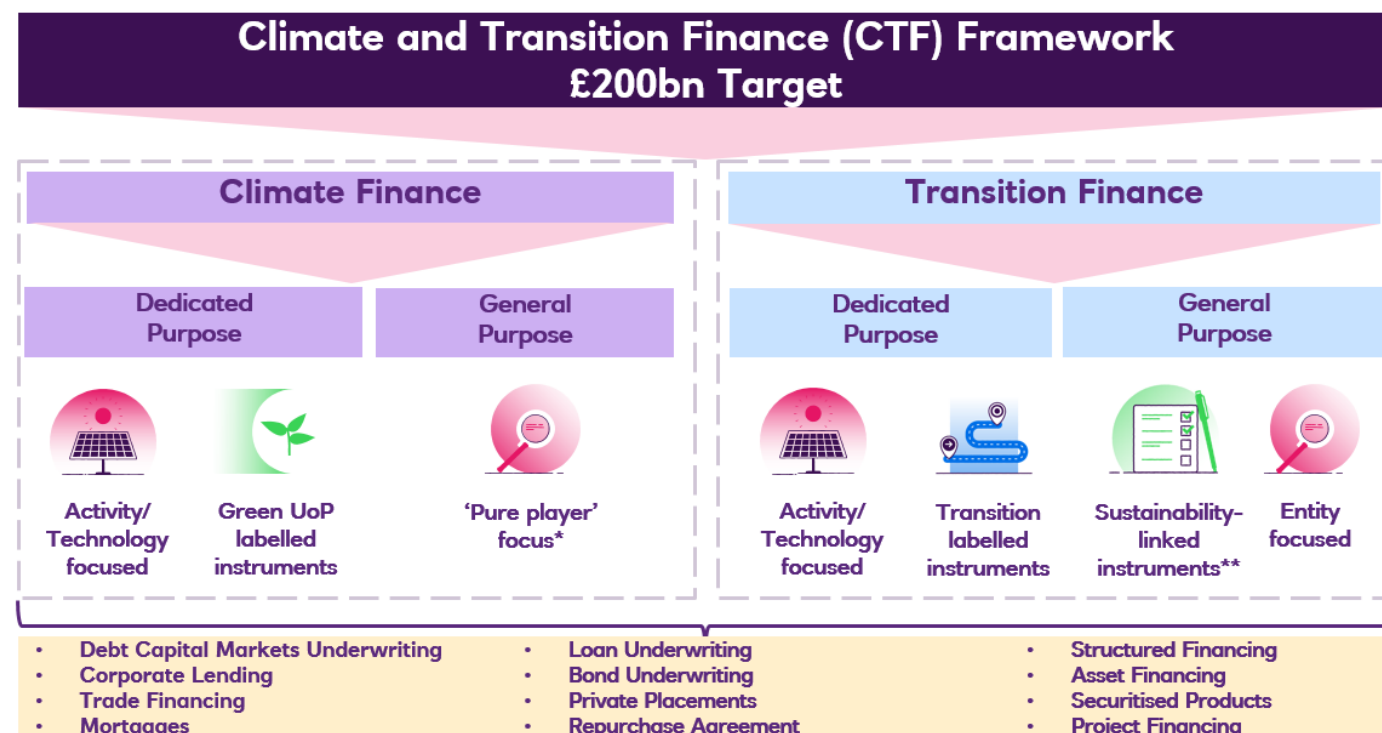
## 2. Products and Services Scope

The CTF Framework consists of two categories: ‘Climate Finance’ and ‘Transition Finance’. A financing or facilitation may be eligible to be submitted towards the CTF Target if it falls within the requirements under either:

- activity eligibility – dedicated purpose financing (section 3(a)); or
- market labelled transaction eligibility (section 3(b)); or
- counterparty eligibility – general purpose financing (section 3(c)),

of this CTF Framework.

The below table provides a non-exhaustive overview of the products and services in scope for the CTF Framework.



Non-exhaustive list of eligible products and services in scope

\* This may include Sustainability-linked products, where a specific climate, nature or greenhouse gas reduction metric is not included and the transaction is subject to counterparty eligibility assessment as outlined in section 3c.

\*\* This may include (i) sustainability-linked products where a specific climate, nature or greenhouse gas reduction metric is included and (ii) sustainability-linked products where a specific climate, nature or greenhouse gas reduction metric is not included, and the transaction will be subject to counterparty eligibility assessment as outlined in section 3c and 4.

The below products and services will not be eligible under the CTF Framework:

- derivatives products;
- assets under management;
- sustainable liabilities products (deposits);
- carbon transactions;
- mergers & acquisitions advisory; and
- equity capital markets.

### 3a. Activity Eligibility – dedicated purpose financing

This section covers unlabelled dedicated purpose financing and facilitation for the following activities. Please note that the below activities list is non-exhaustive.



#### Built Environment

##### Climate Finance activities

###### Buildings

- Development of new or retrofit of existing buildings to improve overall building stock. These buildings must possess specific recognised environmental certifications<sup>4 5</sup>
- Financing of specific assets, for residential, commercial, and public buildings retrofit projects, including but not limited to: onsite renewable energy generation (such as solar and wind), insulation of walls and roofs and heat loss reduction, LED lighting, implementation of energy management systems, refurbishment or replacement of cooling/heating systems (including installation of heat pumps) as well as ventilation and air conditioning systems, with low carbon alternatives
- Financing of new and existing residential buildings which score A or B according to its Energy Performance Certificate ("EPC"), or equivalent Standard Assessment Procedure (SAP) score<sup>6</sup> including, but not limited to, green purchase and green re-mortgage products

###### Other activities

- Activities that maximise environmental net gains by promoting biodiversity and nature-based solutions in the built environment included but not limited to habitat creation, habitat restoration and green-infrastructure projects
- New and enhancement of existing district heating or cooling generation through low-carbon solutions, such as electrification and renewables, including distribution networks improvement
- Use of sustainable building materials including, but not limited to wood/timber in construction, including associated value chain activities, e.g. transportation and storage
- Electrified technologies or assets used in support of the built environment

##### Transition Finance activities

###### Buildings

- Retrofit of existing residential, commercial and public buildings, where the energy savings threshold outlined in footnote<sup>5</sup> is not met, to either (i) reach a minimum of C according to its EPC, or equivalent SAP score or (ii) the highest EPC permissible (<C), where exemption applicable can be demonstrated

###### Construction and materials

- Non-road mobile construction machinery powered by fuels derived from sustainable renewable feedstock (as outlined on page 10)

###### Energy Efficiency

- Development, manufacture, installation, maintenance and/or repair of energy efficiency technologies, products and systems which supports enhanced energy efficiency in the built environment including but not limited to energy efficient appliances, smart meters and lighting

##### Exclusions

- n/a

4 For new property that which are being developed as UK domestic property with an average project rating of EPC B (SAP 86+), or that which are existing built stock and scores B or greater according to its UK domestic (or UK non-domestic) Energy Performance Certificate or; that which is rated at least "Very Good" according to BREEAM; or that which is rated at least BRE Home Quality Mark 4\*; or that which is rated at least "Gold" according to LEED; or that which is at least rated 5 according to NABERS, or any other comparable certification where available.

5 For renovation of existing buildings that which meet the following criteria: Energy savings of at least 30% in comparison to the baseline performance of the building before the renovation, measured in kWh/m<sup>2</sup> per year.

6 Or comparable certification where available.



## Industrial Processes for Cement, Iron & Steel, Aluminium and Chemicals

### Climate Finance activities

- Electric arc furnaces with recycled steel scrap
- Green hydrogen direct reduced iron technology in steelmaking
- Green hydrogen in processes such as iron ore production via induration
- Green hydrogen in the production of synthetic fuels such as ammonia, including infrastructural projects
- Iron ore electrolysis processes in steelmaking

### Transition Finance activities

- Cement and concrete production decarbonisation including, but not limited to, clinker substitution by blending of alternative materials such as carbon-negative/manufactured limestone, use of recycled materials, electrification of cement kiln (with carbon capture and storage (CCS)) switch from coal to gas (with CCS)/waste (with CCS)/biomass/green or blue hydrogen
- CCS for industrial processes including, but not limited to, cement, concrete, steel, aluminium and chemical production processes. This includes associated research and development (R&D) and value chain activities, e.g. transportation and storage
- Direct reduced iron technology (with CCS) in steelmaking
- Blue hydrogen direct reduced iron technology in steelmaking
- Blue hydrogen in processes such as iron ore production via induration
- Use of blue hydrogen in the production of synthetic fuels such as ammonia, including infrastructural projects
- Electrification of steam cracker for chemical production
- Non-road mobile machinery powered by fuels derived from sustainable renewable feedstock
- Development, manufacture, distribution, installation, maintenance of products or services that increase the energy efficiency of industrial processes

### Exclusions

- Unabated fossil fuel powered plants for industrial processes
- Grey hydrogen usage for industrial processes



### Climate Finance activities

- Sustainable low carbon transportation including, but not limited to electric cars, electric buses, micro-mobility (including e-cargo), electric trucks, electric trains, electric shipping, electric inland freight water transportation etc
- Development, operation and upgrade of low carbon transportation infrastructure including, but not limited to, electric vehicles charging infrastructure
- Transportation infrastructure manufacturers of components above
- Activities or infrastructure that promote "non-motorised" or "active" mobility modes, for example urban planning and development that leads to a reduction in the use of passenger cars including, but not limited to, creating walking communities, shared bike schemes, improving transit connectivity, facilitating multiple land-use or developing car-free city areas

### Transition Finance activities

#### Land Transport

- Heavy duty fleet upgrade to enable alternative fuel usage, such as biofuels, synthetic e-fuels and hydrogen
- Lower carbon transportation: such as plug-in hybrid and e-fuels cars and LGVs where tailpipe emissions are <50g CO<sub>2</sub>/p-Km
- Sustainable transportation methods, systems and providers which contribute to reducing the circulation of vehicles, including, but not limited to public transport fleets such as buses and trains

#### Aviation

- Sustainable low carbon transportation including infrastructural projects of airports and fleet upgrade to enable transition to sustainable aviation/alternative fuel usage, such as biofuels, carbon-neutral synthetic fuels and hybrid electric

#### Shipping

- Fleet upgrade and retrofit to enable alternative low carbon fuel usage, such as hydrogen, ammonia from hydrogen, renewable-methanol and biofuels (as outlined on page 10). This includes infrastructural projects for ports
- Use of new tankers or retrofit of existing tankers for CO<sub>2</sub> transport

### Exclusions

- Logistics and transport services related to fossil fuel activities





### Climate Finance activities

- Sustainable waste management practices including but not limited to: organic fertiliser, composting, precision and low emission application of organic manures (e.g. slurry dribble bars, soil injection)
- Sustainable water management systems including but not limited to: precision irrigation technologies (e.g., drip water), water recycling systems, rainwater collection systems, constructing water reservoirs
- Electrification of agricultural equipment and sustainable fuel use such as electrification or energy generation such as solar and wind
- Assets and practices supporting the application of sustainable fertilisers and pesticides including, but not limited to, precision fertiliser / pesticide application technologies and crop sensors
- Sustainable and/or regenerative farming practices including but not limited to: paddock grazing systems, introduction of livestock into arable rotations, temporary and permanent fencing, drinking water systems, rotational farming, growing of crops that fix nitrates in soil (e.g. clover), companion cropping, crop and livestock sensors, minimum tillage cultivations and sowing, direct drilling, vertical farms or greenhouses with sustainable practices with regards to energy, air and carbon management, water use, hydroponics or aeroponics
- Sustainable fishing practices including but not limited to aquaculture and fish farms that use innovative technologies/ approaches, such as, but not limited to, fallow year practice, conservation of critical or sensitive habitat, maintenance of wildlife corridors or buffers and water quality enhancement projects
- Sustainable landscape management and agro-forestry including but not limited to: hedgerow and tree planting
- Bioenergy crops on marginal land
- Sustainable biochar production and application

### Transition Finance activities

- Sustainable waste management practices including but not limited to: slurry store covers, anaerobic digesters, construct sprayer wash bay and dirty water treatment systems, waste re-use (e.g. aviation fuel)
- Sustainable fuel use and generation such as biofuels and hydrogen (except when produced from unabated fossil fuels)
- Hybrid agricultural machinery
- Agricultural machinery upgrades to enable alternative fuel usage such as biofuels or hydrogen (excluding where produced from unabated fossil fuels)
- Methane reduction processes and technologies associated with livestock farming, i.e. diet supplements, selective breeding etc

### Exclusions

- Livestock emission reduction by converting to intensive systems



## Low Carbon Technology/Fuels and Offsetting Technology

### Climate Finance activities

- Low carbon energy sources including, but not limited to: alternative low carbon fuels such as green hydrogen
- Decarbonisation technologies such as bio-energy carbon capture and storage (BECCS) including associated value chain activities, e.g. R&D, infrastructure and transportation
- Direct air carbon capture and storage technologies (DACCS) including associated value chain technologies, e.g. R&D, infrastructure and transportation

### Transition Finance activities

- Blue or pink hydrogen-based ammonia production including hydrogen production and distribution infrastructure
- New or retrofit of existing infrastructure dedicated to blue hydrogen production, transportation and storage, including CCS retrofit
- Low carbon energy sources such as biofuels production
- Sustainable airline fuels including but not limited to: e-synthetic fuels and bio-fuels, including bio-jet kerosene
- Sustainable shipping fuels including but not limited to: blue or pink hydrogen, sustainable-methanol, biofuels and ammonia
- Biogas and biomethane production including associated value chain activities

### Exclusions

- Unabated hydrogen production from natural gas (grey hydrogen)
- CCS paired with any coal or oil related activity, asset etc



### Climate Finance activities

- Generation of energy from renewable sources including but not limited to: wind, solar, bioenergy (including with CCS), geothermal, hydroelectric, wave & tidal and green hydrogen
- Manufacture of components of renewable energy technology including but not limited to: equipment for renewable energy generation and storage, wind turbines, solar panels, photovoltaic energy projects and battery storage
- Manufacture, sale and lease of battery and storage systems, battery and storage infrastructure, solutions for energy, transport and other relevant sectors, including gigafactories, R&D and project/new technology demonstration
- Transmission grid infrastructural development and improvement projects including but not limited to new technology integration, such as AI/Cloud, and systems' infrastructural upgrades to optimise grid performance, retrofit of transmission lines, cables, storage units, interconnectors, distribution systems or substations to reduce energy loss/consumption, and investments to improve grid capacity and efficiency

### Transition Finance activities

- Blue or pink hydrogen power generation
- Gas power generation with CCS including transportation and storage infrastructure
- Nuclear power generation, including R&D of nuclear processes. Its scope may extend to Advanced Modular Reactors and Small Modular Reactors
- Energy from waste with CCS
- Development, manufacture and/or installation of energy efficiency technologies, products and systems including but not limited to, smart grid technologies, distributed generation, peak demand management

### Exclusions

- Grey hydrogen power generation
- Coal for power generation
- Oil for power generation



## Critical Minerals<sup>7</sup>

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### Climate Finance activities

- Sourcing, processing and recycling of critical minerals for use in low carbon technologies including, but not limited to, electric vehicle battery, wind turbine and solar panel manufacture

### Transition Finance activities

- Mining of critical minerals for use in the manufacture of low carbon technologies including, but not limited to, electric vehicle batteries, wind turbines and solar panels

### Exclusions

- Mining, sourcing or processing of critical minerals for purposes other than use in low carbon technologies including, but not limited to, manufacture of consumer electronics, jewellery and weaponry



## Environmental Impacts

### Climate Finance activities

- Air, soil, and water pollution control
- Creation, protection, management, and restoration of biodiversity, habitat, and ecosystems by taking mitigation and compensation measures. Including, but not limited to, soil, peatland, saltmarsh and pasture remediation, agriculture (crop and livestock production), rewilding, forestry (afforestation and reforestation), renewable energy generation, water (supply and waste) and non-fossil fuel transport
- Climate change adaptation and mitigation solutions and initiatives; including, but not limited to sustainable coastal zone management and, flood defence and early warning systems, water resource management, extreme weather management, natural resource management and agrobiodiversity, hydroculture

### Transition Finance activities

- n/a

### Exclusions

- n/a

<sup>7</sup> Critical minerals include, but are not limited to, lithium, graphite, cobalt, nickel, manganese, copper, palladium, platinum and rare earth metals such as neodymium ([Energy Transitions Commission](#), 2023).



## Information Technology

### Climate Finance activities

- n/a

### Transition Finance activities

- Activities that facilitate and develop data-driven sustainable climate and environmental solutions that reduce GHG emissions
- Activities that facilitate and develop energy efficient data centres, data processing, hosting and related activities

### Exclusions

- n/a



## Water & Waste Management

### Climate Finance activities

- Water collection saving, treatment, recycling, re-use, upgrades, technologies, and related infrastructure: including, but not limited to, anaerobic digestion of sewage, sludge, and bio-waste. This excludes wastewater treatment for fossil fuel activities, such as, but not limited to, exploration, extraction and production
- Activities that improve water and soil quality and increase water use efficiency: including but not limited to water treatment facilities and water metering
- Non-conventional waste management, disposal, and circular economy activities: including, but not limited to, source reduction, in-process recycling, reuse, sorting projects, resource recovery and treatment

### Transition Finance activities

- n/a

### Exclusions

- n/a

### 3b. Market Labelled Transaction Eligibility

This section covers labelled transactions which meet internationally accepted Climate Finance or Transition Finance market standards which may be eligible to be submitted towards the CTF Target, as shown below:

<b>Finance of eligible transactions</b>	<p>Financing and facilitation of transactions:</p> <ul style="list-style-type: none"><li>• in respect of Climate Finance, which meet internationally recognised climate finance market standards including (but not limited to) transactions which meet the use of proceeds eligibility criteria of one or more of:<ul style="list-style-type: none"><li>– ICMA’s Green Bond Principles (including ICMA’s Green Enabling Projects Guidance); or</li><li>– LMA’s/LSTA’s/APLMA’s Green Loan Principles; or</li><li>– EU Green Bonds</li></ul></li><li>• in respect of Transition Finance, which meet internationally recognised transition finance market standards including (but not limited to) transactions which:<ul style="list-style-type: none"><li>– meet the eligibility criteria of ICMA’s CTFH; or</li><li>– include a specific climate, nature or greenhouse gas reduction metric and which meet the eligibility criteria of LMA’s/LSTA’s/APLMA’s Sustainability Linked Loan Principles or ICMA’s Sustainability Linked Bond Principles</li></ul></li></ul>
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### 3c. Counterparty Eligibility – general purpose financing

This section covers general-purpose financing and facilitations which may be eligible to be submitted towards the CTF Target based on the activities of the customer. General purpose financing may be delivered through a range of financial instruments, including transactions which meet the eligibility criteria of LMA's/LSTA's/APLMA's Sustainability Linked Loan Principles or ICMA's Sustainability Linked Bond Principles where a specific climate, nature or greenhouse gas reduction metric is not included.

Criteria	
Finance for businesses and organisations principally engaged in activities	<p>General-purpose financing or facilitation of general purpose financing to customers who can evidence (to NatWest Group's satisfaction through review of the customer's most recent annual audited financial statement, or other means) that:</p> <p>in respect of Climate Finance:</p> <ul style="list-style-type: none"> <li>• 90% or more of their revenues are derived from the activities outlined in the Climate Finance criteria in section 3(a) (<i>Activity Eligibility - dedicated purpose financing</i>); or</li> <li>• 90% or more of their assets are derived from the activities outlined in the Climate Finance activities criteria in section 3(a) (<i>Activity Eligibility - dedicated purpose financing</i>); or</li> <li>• 90% of assets under management (in the case of a fund client) are invested in, or, as evidenced by the fund strategy (as stated in the fund's prospectus or analogous document), are expected to be invested in, activities outlined in the Climate Finance activities criteria in section 3(a) (<i>Activity Eligibility - dedicated purpose financing</i>), at the time of assessment; and</li> </ul> <p>in respect of Transition Finance:</p> <ul style="list-style-type: none"> <li>• satisfy our Transition Finance customer assessment (see section 4 (<i>Transition Finance – customer assessment</i>) below)</li> </ul>

## 4. Transition Finance – customer assessment

The TFMR Report recognises there is an ambition for transition finance to facilitate the delivery of a credible transition plan at both the country and company level. The TFMR Report recognises that credible customer transition plans and financial institutions' capabilities to assess those transition plans are an important element of robust transition finance deployment, particularly for entity level finance. However, transition planning and assessment is still a nascent and developing space, subject to varying guidance across jurisdictions and disclosure requirements as well as customers' varying levels of capacity and capabilities. Recommendations made in the TFMR Report encourage the introduction of mandatory transition plans to financial and non-financial companies, and government steps to incentivise the inclusion of 'good-quality, forward-looking data' in transition plans<sup>8</sup>. We therefore expect capabilities and expectations for producing and assessing transition plans to mature and be guided by standardisation of regulators' expectations as well as greater market clarity on proportional approaches depending on a company size, sector and jurisdiction.

We recognise the breadth of our customer base and the need to remain inclusive and supportive of the transition for as many businesses as possible. Accordingly, we plan to take a measured and proportionate approach to transition finance eligibility and customer assessment. As part of NatWest Group's first CTF Framework iteration, we set out below our approach to transition finance eligibility and customer assessment. Over time we aim to develop and evolve our capabilities to assess the transition plans or pathways of our customers and eligible activities as market standards emerge.

- Transition financing under section 3(a) (*Activity Eligibility - dedicated purpose financing*) – customer assessment will not be required as the focus of these transactions will be the activities. NatWest determine these activities to be 'transition' aligned as they directly or indirectly contribute to the removal or life-cycle emission reduction of GHG emissions and support our customers' transition towards net zero by 2050, while not impeding the development and deployment of low or zero carbon alternatives or lead to a lock-in of carbon intensive assets beyond 2050. These activities have been informed by the external sectoral decarbonisation solutions outlined in reputable energy transition scenarios, such as the International Energy Agency Net Zero Emissions and the UK Climate Change Committee's Balanced Net Zero Pathway.
- Transition financing under section 3(b) (*Market Labelled Transaction Eligibility*) – for a transaction which meets an internationally recognised transition finance market standard (such as those listed in the Transition Finance section of section 3(b) (*Market Labelled Transaction Eligibility*), including sustainability-linked bonds and loans where a specific climate, nature or greenhouse gas reduction metric is included), we will follow the relevant assessment as required by that market standard.
- Transition financing under section 3(c) (*Counterparty Eligibility – general purpose financing*) - To assess customer eligibility for general purpose transition finance transactions, we may consider, amongst other matters:
  - whether the customer (other than a fund counterparty) has 90% or more of revenue and/or capital expenditure and/or research & development, derived from, or dedicated to, activities outlined in the Transition Finance activities criteria or a combination of the Transition Finance and Climate Finance activities criteria in section 3(a) (*Activity Eligibility - dedicated purpose financing*); or
  - whether the customer has committed emissions reduction targets in line with the Science Based Targets Initiative or equivalent; or
  - whether the customer has a transition plan to reach net zero by 2050; or
  - the customer's CDP (formerly known as the 'Carbon Disclosure Project') score or Transition Pathway Initiative score; or
  - in the case of a fund counterparty, whether:
    - the customer has 90% or more of its portfolio of assets under management invested in, or, as evidenced by the fund strategy (as stated in the fund's prospectus or analogous document), are expected to be invested in, activities outlined in the Transition Finance activities criteria or a combination of the Transition Finance and Climate Finance activities criteria in section 3(a) (*Activity Eligibility - dedicated purpose financing*), at the time of assessment; or
    - its portfolio of assets under management is being managed in line with the Net Zero Investment Framework (NZIF), Private Markets Decarbonisation Roadmap (PMDR) or equivalent industry aligned transition methodologies

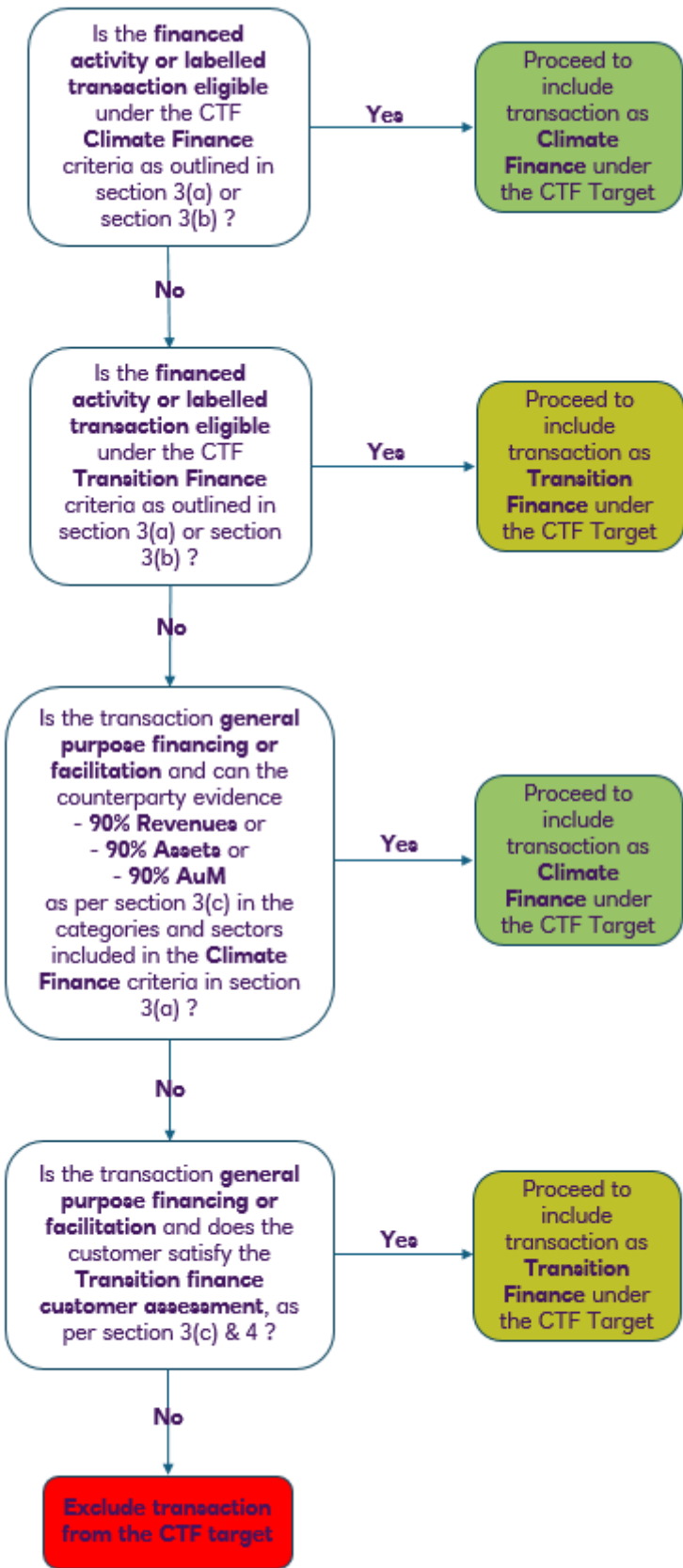
Transactions identified as potentially eligible will then be subject to further internal assessment. This assessment will be dependent on factors including, but not limited to, company size, sector and jurisdiction. In time, we will aim to incorporate our Customer Transition Plan Assessment (CTPA) tool into this process, where possible, as we continue to enhance its capabilities, with dependency on standardisation of market frameworks and reporting<sup>9</sup>.

<sup>8</sup> TMFR Report at page 66.

<sup>9</sup> More details on our CTPA tool can be found in the most recent version of our Sustainability Report available at [NatWest Group – Sustainability Disclosures](#).



5. Decision Tree Logic



## 6. Governance

The CTF Framework and CTF Target have been reviewed by a dedicated multi-function forum comprising senior representatives of Climate Centre of Excellence, Finance, Legal, Risk and the wider business.

We expect to review and update the CTF Framework from time to time as and when NatWest Group considers necessary. These updates may be informed by internal or external triggers including, for example, developments of existing and/or new external standards, taxonomies and eligibility criteria.

These updates will be effective as outlined in the publication, typically from publication date, and NatWest Group does not intend to apply such updates in respect of financings or facilitations already reported against the CTF Target.

Our Director of Climate and Nature will be responsible for the CTF Framework, including its periodic reviews.

The relevant assessment of whether a financing or facilitation is eligible to be submitted towards the CTF Target is to be made:

- in the case of bond underwriting and private placements, as at the date that the transaction is closed<sup>10</sup>;
- in the case of repurchase transactions, as at the date that the transaction is closed<sup>11</sup>;
- in the case of securitised products:
  - for securitisation bond underwriting and private placements and for securitisation bond purchases, as at the date that the transaction is closed<sup>12</sup>; and
  - for securitisation financing in private warehousing format, as at the point of commitment<sup>13</sup>; and
- in the case of loan underwriting and lending, as at the date that the transaction is closed<sup>14</sup>.

Origination teams will identify relevant transactions against the CTF Framework. The transactions identified as eligible will be further reviewed by subject matter experts within the business at quarter end, to confirm eligibility for inclusion towards the CTF Target. Our Climate Centre of Excellence will perform additional sample checks of the eligible population on a quarterly basis. Cases which require further consideration, including borderline cases, will be reviewed at a quarterly dedicated climate forum which comprises representatives from the Climate Centre of Excellence, Finance, Risk and the business teams to ensure adherence to the CTF Framework principles.

This framework operates alongside and is subject to all NatWest Group's existing policies and procedures, including our Environmental, Social & Ethical Risk Acceptance Criteria<sup>15</sup>.

If a transaction is eligible under the CTF Framework under more than one of Climate Finance and/or Transition Finance, that transaction may only be reported once under the CTF Framework under the most appropriate category in NatWest Group's determination.

We will report our progress towards our CTF Target in our annual disclosures, where the progress will be subject to external limited assurance. Additionally, we will report our progress towards the CTF Target quarterly in our Interim Management Statement.

<sup>10</sup> 'Closed' in the context of bond underwriting and private placements is taken to be at the point of pricing.

<sup>11</sup> 'Closed' in the context of repurchase transactions refers to the date on which the transaction confirmation is executed.

<sup>12</sup> 'Closed' in the context of securitisation bond underwriting, private placements and bond purchase is taken to be at the point of pricing.

<sup>13</sup> 'Commitment' refers to when the limit has been approved, offered to and accepted by the customer.

<sup>14</sup> 'Closed' in the context of loan underwriting and lending is taken to be at the point the relevant facility agreement is executed.

<sup>15</sup> Available at [ESE & reputational risk management | NatWest Group](#).

## 7. Disclaimers

This CTF Framework has been prepared by NatWest Group and provides information to customers, potential customers and third parties about NatWest Group's current stance of what transactions and activities NatWest Group will consider eligible for reporting against our CTF Target. It may be subsequently amended, superseded or replaced at any time and without notice. NatWest Group does not undertake to update or revise any statements or information contained in this document. This CTF Framework is for indicative purposes only and does not provide any guarantee or assurance of eligibility. Eligibility is subject to internal governance and approval processes as well as legal and regulatory obligations. Accordingly, this CTF Framework should not be relied upon in relation to any business, finance or sustainability decisions.

There is currently no single globally recognised or accepted, consistent and comparable set of definitions or standards (legal, regulatory or otherwise) as to what (i) constitutes 'climate', 'green', 'sustainable' or 'transition' finance or financing activities or (ii) precise attributes are required for a particular activity, product or asset to be defined as 'climate', 'green', 'sustainable' or 'transition' or other equivalent or similar labels. This may lead to finance or financing activities currently classified as 'climate', 'green', 'sustainable' or 'transition' not meeting future legal requirements for classification. There may be differences in interpretation by governments, regulators, benchmark administrators, data providers, financial institutions and others. Such persons may apply different criteria, or use different methodologies, and arrive at different conclusions as to whether an activity, product or asset is 'climate', 'green', 'sustainable' or 'transition'. Categories of activities or transactions that are eligible under the CTF Framework may not be the same as those that are eligible under comparable or analogous criteria or framework of other financial institutions. Investors, users and other relevant persons should make their own investigations and seek their own independent investment, legal, tax and other professional advice as necessary to decide whether an investment, product or asset meets their needs.

Neither the CTF Framework, nor categorisations or classifications thereunder, are intended to be relied on for classification under the EU Sustainable Finance Disclosures Regulation, the EU Taxonomy Regulation, the UK Sustainability Disclosure Requirements, or any other applicable equivalent or similar classification or reporting standard or regulation. Investors, users and other persons may therefore apply different standards, criteria, interpretations or methodologies and reach different conclusions on whether an activity or transaction meets their own or regulatory classification needs.

The quality of the data relied upon for the purposes of climate and sustainability-related reporting is often not yet of the same standard as more traditional financial reporting and the systems and controls that support non-financial reporting are generally considerably less sophisticated than the systems and internal controls for financial reporting and also include manual processes. Where NatWest Group has obtained data from third parties, NatWest Group makes no warranty, representation or undertaking as to the accuracy or completeness of such third-party data, and accepts no liability for any direct, indirect, consequential or special loss or damage arising out of the use of, or reliance on, such third-party data.

The CTF Framework does not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any financial instrument that may be referenced in the CTF Framework. No transaction or service related thereto is contemplated without NatWest Group's subsequent formal agreement. The CTF Framework and the information, statements and disclosure included therein are not formally part of any offering documents and are not contractually binding. The CTF Framework is not intended to form part of any communication of any offering or intended to be an advertisement for the purposes of the UK Prospectus Regulation and investors should not make any investment decisions based on the information included in this CTF Framework.

Certain sections in this CTF Framework may contain climate and sustainability-related and other forward-looking statements and metrics, such as aims, ambitions, climate scenarios, estimates, forecasts, emissions intensity pathways, plans, projections and targets. Words or phrases such as 'ambition', 'achieve', 'aim', 'continue', 'could', 'expect', 'guidance', 'intend', 'may', 'plan', 'potential', 'seek', 'should', 'target', 'will' or similar expressions that convey the prospective nature of events or outcomes generally indicate other forward-looking statements. There are many significant uncertainties, assumptions, judgements, opinions, estimates, forecasts and statements made of future expectations underlying these forward-looking statements which could cause actual results, performance, outcomes or events to differ materially from those expressed or implied in these forward-looking such statements. Therefore, undue reliance should not be placed on the forward-looking statements included in this CTF Framework. The forward-looking statements contained in this CTF Framework only speak as of the date they were published and are subject to limitations and qualifications. Except to the extent legally required, we expressly disclaim any obligation or undertaking to update or revise any forward-looking statements in this CTF Framework, whether to reflect any change in our expectations regarding those forward-looking statements, any change in events, conditions or circumstances on which any such statement is based, or otherwise.

The achievement of NatWest Group's targets, ambitions and aims discussed in this document will depend on the collective efforts and actions across a wide range of stakeholders which are outside of NatWest Group's control. This includes government policy and demand for, and availability and cost of, eligible products under the CTF Framework. There can be no assurance that such targets, ambitions and aims will be achieved.

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