

Version 1.4 (effective 01-Jan-23)



Climate and Sustainable Funding and Financing Inclusion Criteria

In October 2021, NatWest Group plc together with its subsidiaries ('NatWest Group') announced that it would provide £100 billion (including lending and underwriting but excluding M&A advisory activities) for Climate and Sustainable Funding and Financing by the end of 2025 (from 1 July 2021). This document outlines NatWest Group's eligibility criteria (the 'Criteria') for funding and financing of assets, activities, companies and targets that are to be included towards the reporting of the £100 billion Climate and Sustainable Funding and Financing Target (as of 1 January 2023).

These Criteria focus on supporting a transition towards a net zero, climate and environmentally resilient and sustainable economy. The assets, activities and targets which are eligible to be considered in scope of this Criteria are informed by the UK Government's strategy for transitioning to a net-zero economy, the various industry standards and taxonomies¹ including any one of the International Capital Market Association's ('ICMA') Green Bond Principles), the UK Green Gilt Framework, the ICMA Climate Transition Finance Handbook the Loan Markets Association ('LMA') Green Loan Principles, and relevant transactions (that include a specific carbon, climate, or environmental related metric) under the LMA's Sustainability Linked Loan Principles and ICMA's Sustainability Linked Bond Principles) and ICMA's Sustainability Bond Guidelines. and the UK Finance White Paper on Sustainable Finance published in November 2020 (the 'UK Finance White Paper').

We intend to review and update the Criteria to take account of required or relevant developments of the existing and/or new external standards, taxonomies and eligibility criteria (such as the UK Green Finance Taxonomy and EU Taxonomy). Updates to the Criteria will be released when changes are made. The relevant assessment of whether financing satisfies the eligibility Criteria is made on the date that the transaction is closed (in the case of underwriting) or at the point of commitment² (in the case of lending).

All transactions are also subject to NatWest Group's environmental, social and ethical (ESE) risk policies.³

Criteria category ^Δ	Criteria description	United Nations Sustainable Development Goals ⁴
Built environment	<ul style="list-style-type: none"> New and existing UK domestic property which scores A or B according to its Energy Performance Certificate ("EPC"), or equivalent Standard Energy Procedure (SAP) score including but not limited to green purchase and green re-mortgage products. Retrofits for residential, commercial, and public buildings: including, but not limited to, onsite renewable energy generation, insulation of walls and roofs and heat loss reduction, LED lighting, replacement of boilers and other heating/cooling systems, implement energy management systems, refurbishment of heating, ventilation and air conditioning systems. 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure

¹ The principles may be amended from time to time







² 'Commitment' refers to when the limit has been approved and offered to the customer

³ Available at <https://www.natwestgroup.com/our-purpose/downloads.html>

⁴ The Sustainable Development Goals (SDGs) are a collection of non-legally binding 17 interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance as for the proposed aim of each "Criteria Category" and NatWest Group makes no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to whether the funding or financing made or reported under a specified Criteria Category furthers the objective or achieves the purpose of the indicated SDG.

	<ul style="list-style-type: none"> • Activities that maximise environmental net gains by promoting biodiversity and nature-based solutions in the built environment. • Development of new or retrofit of existing buildings to improve overall building stock. These buildings must possess specific recognised environmental certifications* • New, commercial and public buildings that are built to high energy standards. These buildings must possess specific recognised environmental certifications* <p>*1. 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 “Gold” according to LEED , or any other comparable certification where available. 2. Renovation of existing buildings 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/m2 per year.</p>	 <p>11: Sustainable Cities and Communities</p>  <p>13: Climate Action</p>
<p>Sustainable Agriculture</p>	<ul style="list-style-type: none"> • Sustainable waste management practices, including but not limited to: slurry store cover, anaerobic digester, construct sprayer wash bay and dirty water treatment system, waste to be used for new products (e.g aviation fuel): organic fertiliser, composting. Precision and low emission application of organic manures (e.g. slurry dribble bars, soil injection) • Sustainable water management systems, examples include by not limited to precision irrigation technologies (e.g., drip water), water recycling systems, rainwater collection systems, constructing water reservoirs • Sustainable fuel use and generation, for example, biofuels, electric, hydrogen, solar / wind • Sustainable fertiliser and pesticides for example, precision fertiliser / pesticide application technologies, crop sensors • Regenerative farming practices for example, paddock grazing systems, introduction of livestock into arable rotations to include necessary infrastructure for example, fencing temporary and permanent, drinking water systems; Rotational farming that pays to leave fields fallow/ grow cover crops. Practices to grow crops that fix nitrates in soil (e.g., clover), companion cropping, crop, and livestock sensors. Adoption of regenerative farming practices with investment in different equipment (moving away from plough based) e.g., minimum tillage cultivations and sowing, direct drilling • Sustainable fishing practices for example change fishing to aquaculture, fishing suggests trawlers at sea, fish farms that use new technologies • Sustainable landscape management and agro-forestry for example, hedgerow (re)planting and planting trees • Alternative farming methods, for example vertical farms with sustainable practices with regards to energy, air and carbon management, water use. Greenhouses with sustainable practices with regards to energy, air and carbon management, water use, hydroponics or aeroponics. 	 <p>15. Life on Land</p>
<p>Energy Efficiency</p>	<ul style="list-style-type: none"> • Development, manufacture and/or installation of energy efficiency technologies, products and systems but not limited to energy efficient appliances, smart meters, lighting, smart grid technologies, distributed generation, peak demand management. • Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of industrial processes. 	 <p>7: Affordable and Clean Energy</p>  <p>9: Industry, innovation, and infrastructure</p>

	<ul style="list-style-type: none"> Installation, maintenance, and repair of energy efficiency equipment. 	 13: Climate Action
Environmental Impacts	<ul style="list-style-type: none"> Environmental consultancy, groups, and services, conducted in line with best available industry standards. Environmental monitoring, instrumentation, and analysis. 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, hydroponics, aquaculture. 	 13: Climate Action  15: Life on land
Information Technology	<ul style="list-style-type: none"> Activities that facilitate and develop data-driven sustainable climate and environmental solutions that reduce GHG emissions, improve water management and protection or reverse environmental degradation. Activities that facilitate and develop energy efficient data networks. 	 13: Climate Action
Low Carbon & offsetting technology	<ul style="list-style-type: none"> Low carbon energy sources: including, but not limited to, alternative low carbon fuels hydrogen (except when produced from unabated fossils fuels) anaerobic digestion, agri and biofuels. Technologies that reduce carbon emission: including, but not limited to carbon capture & storage, transportation, carbon management, heat pumps. Activities that facilitate innovative and sustainable low carbon technologies, systems, and processes, including research & development. 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  13: Climate Action
Renewable Energy	<ul style="list-style-type: none"> Generation of energy from renewable sources: including, but not limited to, wind, solar, biogas, biomass, geothermal, hydroelectric, wave & tidal. Manufacture of components of renewable energy technology including equipment for renewable energy generation and energy storage: including, but not limited to, wind turbines, solar panels, photovoltaic energy projects and battery storage. Manufacture, sale, lease of battery and storage systems / solutions for energy, transport and other relevant sectors Electricity transmission and distribution grids or projects, including, but not limited to cables, storage units and interconnectors and investments to improve the capacity and energy efficiency of such assets. Renewable energy consultancy and sector groups, conducted in line with best available industry standards 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  13: Climate Action
Sustainable Transport	<ul style="list-style-type: none"> Low carbon transportation: including, but not limited to, hybrid/ electric/alternatively fuelled cars, buses, micromobility (including e-cargo) trucks, trains, aviation, shipping, inland freight water transportation etc. 	 9: Industry, innovation and infrastructure

	<ul style="list-style-type: none"> • Development, operation, and upgrade of low carbon transportation infrastructure, including but not limited to electric vehicles charging infrastructure. • Electric material handling equipment and access equipment including but not limited to forklift trucks and scissor lifts. • Transportation methods, systems and providers which contribute to reducing the circulation of vehicles. Activities 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, improving transit connectivity, facilitating multiple land-use or developing car-free city areas. • Transportation infrastructure manufacturers of components above. 	 11: Sustainable Cities and Communities  13: Climate Action  3: Good Health and Wellbeing
Water & Waste Management	<ul style="list-style-type: none"> • 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. • 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. 	 6: Clean Water and Sanitation  12: Responsible Consumption and Production  13: Climate Action

Δ Organised alphabetically

Additional funding and financing under the Criteria	Criteria description
Finance of eligible transactions	<p>The £100 billion Climate and Sustainable Funding and Financing will include transactions:</p> <ul style="list-style-type: none"> • which meet the use of proceeds eligibility criteria of one or more of: <ul style="list-style-type: none"> ○ the ICMA Green Bond Principles; ○ the ICMA’s Sustainability Bond Guidelines; ○ the ICMA Climate Transition Finance Handbook; or ○ the LMA Green Loan Principles; or • that include a specific carbon or climate or environmental related metrics and which meet the eligibility criteria of one or more of the LMA’s Sustainability Linked Loan Principles or the ICMA’s Sustainability Linked Bond Principles.
Finance or funding for businesses and organisations principally engaged in activities	<p>The £100 billion Climate and Sustainable Funding and Financing will also include any general-purpose lending or wider financing to customers who can evidence (to NatWest Group’s satisfaction through review of the issuer’s or borrower’s most recent annual audited financial statement, if available) that:</p> <ul style="list-style-type: none"> • 90% or more of their revenues, are in the categories and sectors outlined in the Criteria; or • 90% or more of their assets are in the categories and sectors outlined in the Criteria, in the case of Utilities or Real Estate customers; or • 90% of Assets under Management (in the case of a fund client) are invested in activities outlined in the Criteria, at the time of reporting.

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These Criteria have been prepared by NatWest Group plc and its subsidiaries (“NatWest Group”) and are provided for information purposes only and may be subsequently amended, superseded or replaced, no reliance should be placed on any information contained herein. This Criteria shall 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 reference these Criteria, which shall be subject to NatWest Group’s internal approvals. No transaction or service related thereto is contemplated without NatWest Group’s subsequent formal agreement.

ESG reporting in our industry is not yet subject to the same globally recognised or accepted reporting or accounting principles and rules as traditional financial reporting. Accordingly, there is a lack of commonly accepted reporting practices for NatWest Group to follow or align to and ESG measures between organisations in our industry may be non-comparable. In addition, the maturity of underlying data, systems and controls that support non-financial reporting is generally considerably less sophisticated than the systems and internal controls for financial reporting and it also includes manual processes. This may result in non-comparable information between organisations and between reporting periods within organisations as methodologies develop. Further to the above, Climate and Sustainable Funding and Financing activities and their classification and reporting are still not subject to a single recognised or accepted, consistent and comparable set of definitions or standards in the UK or globally either. There is little certainty that such activities and or reporting of those activities will meet any present or future expectations or requirements for describing or classifying funding and financing activities as “green” or “sustainable” or having similar labels (including existing or proposed standards, such as the EU Taxonomy, EU SFDR and EU GBS). We expect policies, regulatory requirements, standards, and definitions to be developed and evolve over time.

NatWest Group plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number is 114724).

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