

NatWest Group

Nature Statement



We view climate change, the continued significant global decline in nature and biodiversity, resource scarcity and their associated impacts as significant dangers to the livelihoods of our customers and society at large, both currently and in the years to come.

Our approach at NatWest Group, is to embed nature into our existing business strategy, recognising there is still much to do to understand impacts and dependencies on nature as well the nature-related risks and opportunities from both our customers and our own operations. As the Taskforce on Nature-related Financial Disclosures states "The future of all living things on our planet, and our future prosperity, depends on the resilience of nature."

Climate change and environmental degradation are inextricably linked, and each require immediate and significant action to avert potentially irreversible impacts. The impacts of rapid climate change are causing significant biodiversity loss; protecting biodiversity can make a substantial contribution to both climate change mitigation and adaptation. Our ambition is to be net zero by 2050 across our financed emissions, assets under management, and operational value chain. For more details on our climate ambition and strategy please see our [climate report](#).

Governance and Education

Our Group Board training programme builds Directors' understanding and capability in areas of strategic and regulatory interest. In October 2023, the Board received its annual climate and environmental training session. The session was focused on nature and biodiversity with the acknowledgment of the importance and pace of development relating to this topic. A bespoke session was led by the Chief Economist at WWF. It centred on specific themes including the importance of nature to the climate crisis, the economy's dependence on natural capital, regulatory frameworks, the financial risks associated with nature and biodiversity loss, and the integration of nature-related risks and opportunities into financial decision-making.

Our sustainable banking board committee (SBC) is responsible for board level governance and have oversight of biodiversity, forests and water within their terms of reference.

Throughout 2023, colleagues across the bank have been invited to consider how NatWest Group impacts and is dependent on nature, as well as opportunities to engage with initiatives to help restore and protect nature in our communities. Some highlights include:

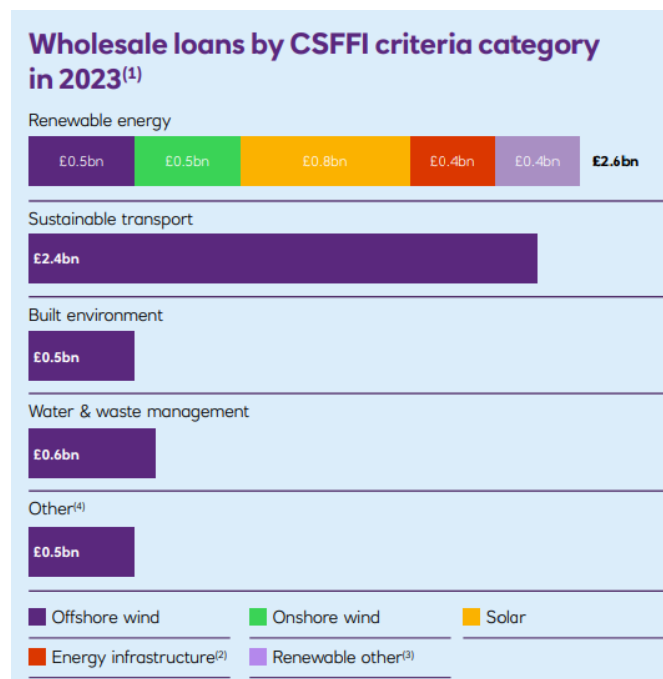
- We hosted a Nature Hackathon in November 2023, which saw 199 colleagues from across the bank engage with a two-day innovation challenge in response to the question 'How can we help our customers to understand their impact and dependency on nature?'
- Through their web browsing in 2023, colleagues helped to fund an estimated 224,349 trees by switching to Ecosia as NatWest Group's default search engine. Ecosia is a not-for-profit organisation that channels 100% of its advertising revenue towards environmental initiatives, particularly reforestation.

Growing opportunities to support our customers

As part of supporting our customers’ transition to net zero, we have a target to provide £100 billion climate and sustainable financing and funding between July 2021 and the end of 2025. NatWest Group uses its [inclusion criteria](#) (CSFFI) to determine the assets, activities and companies that are eligible to be included within its climate and sustainable funding and financing targets. As of 31st of March we have now provided a cumulative total of £61.9 billion towards this target.

The inclusion criteria are mapped to the sustainable development goals and include;

- Sustainable and/or regenerative farming practices.
- 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.
- Air, soil, and water pollution control.



Full year ended 31 December 2023 (£bn)

ESG products for corporates and sovereigns

We have developed our ESG Short-term Products Framework to offer corporate and institutional clients the opportunity to place funds with NatWest Markets in fixed income products that integrate environmental, social and governance (ESG) factors and support funding entities with leading ESG credentials. The main topics in the Environment dimension are: land use, biodiversity, water, climate change, energy, agriculture, transport, and private consumption. We also offer advisory services including investor strategies and ratings support and a full product suit including;

- Green supply chain finance.
- Green and ESG-Linked Commercial Paper.
- Sustainability labelled loans.
- Sustainability labelled debt.
- ESG deposits.
- ESG derivatives.

[Climate, ESG and Sustainable Finance, and ESG Advisory for Corporates](#)

Circular Economy

Reducing the use of raw materials and shifting away from a linear system is part of our sustainable finance and funding criteria. We were pleased to support the company, @Recycling Lives' with a £40.3 million Asset-Based Lending (ABL) facility linked to their ability to reduce the per cent of total waste diverted to landfill.

The UK recycling and waste management business, which offers vehicle and metal processing and waste management solutions across its 23 sites, not only has a heart for the environment, but wider society too. Using its commercial operations, the company delivers positive impact across both the environment and society by supporting former service personnel, ex-offenders, and disadvantaged people to build better lives by providing support, training and employment opportunities within the company.

Recycling Lives is committed to accelerating environmental innovation to reduce environmental damage, using optimal efficiencies and patented technology to ensure the maximum amount of waste material is recycled.

[Our first sustainability-linked ABL](#)

Blue bond with biodiversity net gain

Keen to be the first energy company to issue a blue bond, Ørsted, the Danish-headquartered renewable energy company, turned to NatWest Group in 2023 to support the transaction as sole arranger. Blue bonds are designed to raise capital for projects that support the blue economy, focusing on the sustainable use of ocean resources to drive renewable energy growth while preserving marine ecosystems.

On World Ocean Day (8 June 2023), Ørsted issued its inaugural five-year, €100 million privately placed Blue Bond, with proceeds going towards financing initiatives that target offshore biodiversity and sustainable shipping.

Ørsted will undertake various measures to mitigate, conserve, restore, and pilot new techniques, including artificial habitat restoration, with the goal of ensuring a net-positive impact on ocean biodiversity from all new renewable energy projects commissioned from 2030 at the latest. The company also aims to lead on decarbonising ocean shipping through the development of sustainable fuels.

[Ørsted marks energy sector first by issuing a Blue Bond](#)

Nature related risks

NatWest Group have been operating with Environmental Social and Ethical (ESE) risk acceptance since 2011. We recognise that the activities of our customers can have ESE impacts – including polluting activities and the potential for human rights infringements. The ESE Risk Framework forms part of NatWest Group's overall Reputational Risk policy and requires enhanced due diligence to be performed for certain customer relationships, transactions, activities and projects. This criteria sets our position on what activities and customers we prohibit ourselves from onboarding, including several environmental considerations. We publish the criteria on our [downloads page](#).

We have started to expand key roles that will help develop our capability and understanding. This includes the appointment of Head of Nature, within the Climate Centre of Excellence. Within our Risk function, we expanded the remit of the Head of Climate Risk to become the Head of Climate and Nature Risk.

During 2023, we expanded the scope of climate risk within our risk management framework to include nature-related risks. With the changes having taken effect from 1 January 2024.

Following the publication of the Task Force for Nature related Disclosures (TNFD) recommendations in 2023, we recognise the need to develop the capabilities and tools to identify, locate, evaluate, and assess, monitor and mitigate our impacts and dependencies on nature. We aim to build on insights gained from previous analysis of nature-related data to inform a TNFD LEAP assessment in 2024.

Impact on nature

As we progress our Climate transition plan, we aim to work towards enhancing processes and capabilities to include assessments of nature-related risks and opportunities within governance, risk management and stakeholder engagement practices.

Since 2011 the implementation of NatWest Group's ESE risk acceptance criteria has helped to manage negative impacts NatWest Group funding and financing and our customers may have on the environment. These criteria require enhanced due diligence for certain lending and underwriting customer relationships, transactions, activities and projects. This is especially relevant to the following ESE criteria:

- Forestry, fisheries and agribusiness (FFA).
- Mining and metals.
- Oil and gas.
- Power generation.

As part of our asset management fund due diligence process, funds have been required to disclose their approach to biodiversity since 2020. In 2023, 33% of voting and engagement activity for our custom-built funds focused on environmental themes.

Tropical Deforestation

Whilst, as a UK focused bank, we do not have significant lending exposure in countries with tropical rainforest, the UK is a significant consumer of commodities with links to deforestation. Many customers and suppliers in our value chain may have operations and indirect links that contribute to deforestation.

Our FFA ESE policy prohibits soft commodities producers operating in tropical regions who have not obtained sustainable certification of their direct soft commodities activities and supply chain by 31 December 2024.

NatWest Group has continued to report and use the framework established by the 'Soft Commodities' Compact in our approach to deforestation. Our soft commodities reporting targets customers that import or directly produce soya, palm oil, timber, pulp & paper, beef, leather, cocoa and rubber. For more information on our approach to soft commodities and year on year reporting please see our [soft commodities webpage](#).

Dependence on nature

In 2023, NatWest Markets NV – NatWest Group's Netherlands-based subsidiary – continued to develop its approach to emerging topics such as nature. This included the extension of work started in 2022 on a high-level political, economic, sociological, technological and legal (PESTL) analysis of nature-related risk factors.

Capturing different environmental factors such as water, waste and biodiversity, the expanded assessment will be used to inform decision-making, product development, the allocation of resources and our approach to scenario analysis stress testing. The business also implemented environmental risk scorecards to support the assessment of customer-specific risk exposure across different environmental physical and transition risks.

These scorecards were applied to three priority sectors: electricity generation, land transport and logistics, and commercial real estate. We aim to expand scorecard sector coverage in 2024 as NatWest Markets NV embeds the management of environmental risks. The lessons from this early work in NatWest Markets NV will be used to help us better understand our nature-related impacts and dependencies.

Natwest Group worked with the Cambridge Institute for Sustainability Leadership (CISL) in 2022 to explore the potential financial implications of nature related risks in UK arable farms with degraded soils. In collaboration with CISL, NatWest Group quantified to what extent UK farmer profits were at risk if producing crops on degraded land. Following an extreme weather event, financial losses for farmers begin once crop yield declines reach and exceed 27 per cent for two consecutive years. Whilst a 27 per cent or greater crop yield decline is very unlikely for those farming healthier, more resilient soils, research indicates it is possible for those on degrading land.

The vulnerability of those farming degrading land points to the existence of unmeasured credit risk to banks that requires further investigation.

[Land degradation, UK farmers and indicative financial risk – Nature-related financial risk use case](#)

Our own operational value chain

We achieved a 54% reduction in emissions between 2019 and 2023 for scope 1 and location-based scope 2 emissions from our buildings and direct operations. In part, through our Supplier Decarbonisation Programme we achieved a 26% reduction in Scope 3 operational value chain emissions between 2019 and 2023.

We continue to invest in nature beyond our value chain by maintaining and procuring a balanced portfolio of high-quality carbon credits. We retired 120,000 of nature-based carbon removal credits. We have also started to take action in order to decrease our reliance on the carbon credit market by funding our own projects. At the end of 2023 we invested in a woodland creation on the Traquair House estate in Scotland, which will supply approximately 66,000 Woodland Carbon Units to be added to our blended portfolio.

Collaboration and advocacy

Our approach to helping protect, restore and regenerate nature will continue to evolve as the regulatory landscape develops. As with our climate ambitions, our approach to nature will be dependent on timely, appropriate government policy, technology as well as the willingness of our customers and society to respond.

As part of our partnership with WWF, NatWest Group sponsored a report, published in January 2024, that sets out [a roadmap to support a regenerative agricultural transition](#) in England and ensure farmers are rewarded for producing nutritious food, tackling climate change and restoring nature. The report brings together views from across the UK food value chain and shows that both public and private sources will be required to ensure a fair transition towards regenerative farming.

In 2023, we continued to engage with key stakeholders to help develop an impactful, consistent and meaningful response to nature loss. In addition to chairing the Banking Working Group for the Transition Plan Taskforce (TPT), we contributed to the TPT Nature Working Group. The aim is to integrate nature considerations into climate transition plan guidance in recognition of the impact of and dependency on nature in helping to address the climate challenge.

To support future customer engagement on nature, through our Banking Environment Initiative (BEI) membership and in collaboration with the Investment Leadership Group (ILG), we contributed to 'Let's Discuss Nature with Climate: Engagement Guide' published by the Cambridge Institute for Sustainable Leadership. We continue to contribute to the Sustainable Markets Initiative Financial Services Taskforce (SMI FSTF) on nature-based industry guidance, as well as the Green Finance Institute's UK Financial Institutions for Nature Group (G-FIN) to help support investment into UK nature recovery.

NatWest Group convened several [roundtable events](#) in 2023, aimed at exploring the converging topics of climate and nature. While investors and organisations are in the process of setting out their net-zero strategy, further development of capabilities will be required to incorporate nature and biodiversity challenges and projects into ESG strategies. Exploring the impact of nature on sovereigns, municipalities, corporates, and financial institutions, discussions examined the role of emerging frameworks such as TNFD and the European Sustainability Reporting Standards in providing guidance on integrating nature into decision-making and disclosures.