



# UN Principles for Responsible Banking (PRB) reporting

NatWest Group became a founding signatory of the PRB in September 2019. We aim to further align our strategy to the objectives of the 2015 Paris Agreement and the Sustainable Development Goals (SDGs)<sup>(1)</sup>. This is our third PRB self-assessment report and, in line with PRB requirements questions 2.1, 2.2, 2.3, and 5.1 are subject to EY limited assurance. For the full PRB template with the footnotes and annex please see: [PRB Reporting and Self-Assessment Template](#)

Reporting and self-assessment requirement

High-level summary and some highlights in 2022

References for further details and full descriptions

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

### 1.1 Business Model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

NatWest Group champions potential, helping people, families and businesses to thrive. Because when they thrive, so do we. Our purpose guides and underpins everything we do. It enables us to build long-term value, to invest for growth, to make a positive contribution to society and to drive sustainable returns for shareholders.

We provide a comprehensive range of banking financial services to personal, business and commercial customers via our businesses. We earn income from interest charged on lending to our customers, fees from transactions and other services.

Through the NatWest and Royal Bank of Scotland brands, we provide a comprehensive range of banking products and related financial services including current accounts, mortgages, personal unsecured lending and personal deposits. We're here for customers whenever and wherever they need us – from our mobile app and online banking, through to our contact centres and high street and mobile branches.

Private Banking is the Investment Centre of Expertise for NatWest Group, servicing all client segments across Retail, Premier and Private Banking. We provide private banking and wealth management services to UK-connected high-net-worth individuals and their business interests through the Coutts & Co brand. We continue to focus on delivering the best client experience through a proactive engagement model which supports clients across both sides of their balance sheet – improving returns by deepening client relationships and enhancing our digital banking capabilities to make it easier for clients to deal with us.

Commercial & Institutional aims to be the partner of choice for the non-personal financial needs of NatWest Group customers, from SMEs to large corporate and institutional clients. We offer comprehensive banking services, from traditional loans, asset finance, and payments products, to innovative risk and financing solutions, and sustainable finance support. We are the No.1 UK Commercial Bank, with a strategic presence across Asia, Europe and the US. Through our extensive network of relationship managers and digital capabilities, we provide personalised support and expertise to help our customers achieve their business ambitions.

Details of our portfolio by segment, sector and cross border exposure can be found in our Credit Risk section of our Annual Report and Accounts. Refer to the Credit Risk from pages 186 to 243 of our 2022 Annual Report and Accounts, and pages 58 to 73 of our 2022 Pillar 3 Report.

Heightened climate-related risk sectors can be found in page 67 and 68 of our 2022 Climate-related Disclosures Report, and estimates of financed emissions linked to NatWest Group balance sheet can be found from page 77 to 90 of our 2022 Climate-related Disclosures Report.

**A** 2022 Annual Report and Accounts p12, 13, 18, 19, 22, 23, 29 and 186 to 243

**C** 2022 Climate-related Disclosures Report p67,68 and 77 to 90

**W** 2022 Pillar 3 Report Annex XV: Credit Risk Quality p58 to 73

Who we are

Key: **A**= 2022 Annual Report and Accounts, **C**= 2022 Climate-related Disclosures Report, **E**= 2022 ESG Disclosures Report, **W**= NatWest Group Website, **S**= Coutts Sustainability Report

(1) The Sustainable Development Goals (SDGs) are a collection of 17 non-legally binding interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for the proposed aim of each area of focus 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 areas of focus further the objective or achieves the purpose of the indicated SDG.



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

#### 1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes  
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights  
 International Labour Organization fundamental conventions  
 UN Global Compact  
 UN Declaration on the Rights of Indigenous Peoples  
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones: **TCFD – Climate Related Financial Disclosures**  
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: **Annual Modern Slavery & Human Trafficking Statement**  
 None of the above

### High-level summary and some highlights in 2022

NatWest Group's purpose is to champion potential, helping people, families and businesses to thrive.

#### Consistency with the Sustainable Development Goals:

We were founding signatories of the UN Principles for Responsible Banking (PRB) in 2019 and our ambition is to align our strategy with the 2015 Paris Agreement and UN Sustainable Development Goals (SDGs).

Our Climate, Learning and Enterprise ambitions are aligned to seven UN SDGs where we believe we can make a positive contribution. The SDGs are included as indicative guidance of each green asset definition in our Green, Social and Sustainability Financing Framework and are illustrated against each criterion category of our climate and sustainable funding and financing inclusion criteria. Our policies, including our Human Rights Position Statement, our Modern Slavery and Human Trafficking Statement and our Supplier Charter reinforce our ambition to support SDGs. In addition to highlighting activity related to the SDGs aligned to our focus areas in our 2022 ESG Disclosures Report, case studies included throughout that document reference positive impacts mapped against other SDGs.

Our three areas of focus strive to make positive impact to the Sustainable Development Goals, particularly 4, 5, 7, 8, 10, 13 and 17. NatWest Group makes no representation, warranty, or assurance of any kind, express or implied, or takes no responsibility or liability as to whether the areas of focus furthers the objective or achieves the purpose of the indicated SDGs.

#### Green, Social and Sustainability Bonds Financing frameworks ('GSS Framework'):

The NatWest Group Green, Social and Sustainability Bonds Financing frameworks also include reference to the SDGs as indicative guidance for the proposed aim of each "Green Asset" and "Social Asset" definitions. In the GSS Framework, 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 Green Asset Definition furthers the objective or achieves the purpose of the indicated SDGs.

#### Alignment to 2015 Paris Agreement:

NatWest Group are working to be net zero by 2050 across our financed emissions, assets under management (AuM) and operational value chain, we have the ambition to at least halve the climate impact of our financing activity by 2030, against a 2019 baseline and align with the 2015 Paris Agreement. We plan to reduce the carbon intensity of our funds and discretionary portfolios by 50%, against a 2019 baseline and to move 70% of our in-scope AuM to a net zero trajectory. We plan to reduce emissions from our wider operational value chain by 50%, against a 2019 baseline.

#### Consistency with National and regional frameworks/guidance:

We seek to support a number of frameworks and external guidance, including the Money & Pensions Service UK Strategy for Financial Wellbeing; HM Treasury's Rose Review into Female Entrepreneurship; Business in the Community's Race at Work Charter for colleague inclusion; the UK Government's Code of Practice on Taxation for Banks; the Soft Commodities Compact for Consumer Goods; the United Nations Global Compact (UNGC); UN Guiding Principles (UNGP), Partnership for Carbon Accounting Financials (PCAF); Science Based Targets initiative (SBTi), Principles for Responsible Investment (PRI); Global Reporting Initiative (GRI); Sustainability Accounting Standards Board (SASB); and the Equator Principles. We are signed up to the Collective Commitment on Climate Action (CCCA) and joined the industry-led UN-convened Net-Zero Banking Alliance (NZBA). In April 2021, alongside 42 other banks and UNEP FI, we became founding members of the Glasgow Financial Alliance for Net Zero (GFANZ).

### References for further details and full descriptions

- A** 2022 Annual Report and Accounts p26  
**C** 2022 Climate-related Disclosures Report p10 to 13  
**E** 2022 ESG Disclosures Report p13  
**W** Human rights and modern slavery  
United Nations Sustainable Development Goals  
Our approach to climate change  
Green, Social and Sustainability Bonds  
UNGP: NatWest Group Communication on Progress 2022



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement

High-level summary and some highlights in 2022

References for further details and full descriptions

## Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

### 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

#### Setting our 2020 Strategy:

In the lead up to the announcement of our strategy in February 2020, the Board and management team worked together to define an approach to becoming a purpose-led organisation based on balancing the interests of all our stakeholders, and our societal and environmental impacts. As part of this, we worked with the not-for-profit organisation a Blueprint for Better Business. We informed our approach using their framework to be a sustainable business that identifies the need to be:

- Honest and Fair with Customers and Suppliers;
- A Good Citizen;
- A Guardian for Future Generations; and
- A Responsible and Responsive Employer

In addition, we analysed what is driving the changes in our own customer behaviours and the subsequent trends borne from their experiences. We identified three areas of focus where we can make a meaningful contribution. We set out some significant ambitions across these three areas that will deliver important benefits for our customers and the wider economy:

- Climate, and the role we can play in accelerating the transition to a net-zero economy.
- Enterprise, and tackling the barriers to enterprise and help the economy build back better economy
- Learning, and what we can do to build financial capability and confidence for our customers, as well as establishing a dynamic learning culture for our colleagues.

Customer needs and expectations are continuing to change ever more rapidly; new and emerging social, commercial and economic trends are shaping the future of their financial lives.

The Board considered NatWest Group's future strategy over three sessions in March, June and October 2022, reviewing and confirming its support for a plan to amplify our strategy. In March 2022, the Board considered insights into evolving customer needs and future trends from a comprehensive programme of stakeholder listening. Directors joined breakout groups to discuss key themes, collaborating with the executive management team and Junior Management Team (JMT) members. In June 2022 the Board agreed key areas of focus and a vision for our purpose-led strategy, including the opportunities for sustainable growth. Then, in October 2022, the Board reviewed and confirmed support for a strategic plan consistent with the ambition discussed in June 2022, including the identification of three growth areas where we can amplify our strategy. Throughout the process there was strong engagement and constructive debate amongst directors and management.

We have identified three key growth areas where we can amplify our strategy:

- Delivering personalised solutions throughout our customers' lifecycle – every customer is an individual.
- Embedding our services in our customers' digital lives – being where our customers are.
- Supporting our customers' sustainability transitions.

**A** 2022 Annual Report and Accounts p10 and 40

**E** 2022 ESG Disclosures Report p8

**W** 2019 Annual Report and Accounts p4 to 6



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

## High-level summary and some highlights in 2022

### Scope:

**Geography:** We are a predominantly UK business supporting retail, business banking, commercial and large corporate and institutional customers with a range of banking products. Our strategy, purpose and three areas of focus were derived in this context.

Details of our portfolio by segment, sector and cross border exposure can be found in our Credit Risk section of our 2022 Annual Report and Accounts, and pages 58 to 73 of our 2022 Pillar 3 Report.

For more detail of our approach, scope, and controls including the sustainability metrics included within EY's 2022 Sustainability Limited & Reasonable Assurance Engagement, please refer to the 2022 Basis of Reporting.

**Business Areas:** In February 2020, our strategy was set at the NatWest Group level, with the main business areas being:

- Retail Banking serves personal customers in the UK;
- Private Banking serves UK-connected high net worth individuals and their business interests;
- Commercial and Institutional Segment serves commercial, markets and international banking customers.

**Climate:** The scope of our ambition to be a leading bank in the UK, helping address the climate challenge extends across the NatWest Group.

**Embedding ESG into asset management<sup>^</sup>:** In May 2022, we announced our ambition to achieve net zero emissions across our assets under management (AuM). This includes defining the percentage of our AuM that we consider within scope for net zero alignment: 89% of AuM are in scope to be managed in line with net zero. This includes all core managed funds and discretionary portfolios. This also includes short- and medium-term targets to increase the percentage of our in-scope AuM that we consider to be on a net zero trajectory: 50% aligned to a net zero trajectory by 2025, increasing to 70% by 2030.

We embedded our net zero ambition into our core investment products. All customers invested in our core managed funds and discretionary portfolios now have a minimum amount of their wealth invested in funds that are on a net zero trajectory. For customers invested through Coutts Invest, NatWest Invest and Royal Bank Invest this is at least 50% of the assets by value in our Personal Portfolio Funds (PPF) range. For customers invested in our Coutts Multi-Asset Funds(CMAF) range and discretionary portfolios this is at least 20%.

As at 31 December 2022 £6.5 billion of AuM is invested in funds that are on a net zero trajectory and are decarbonising.

Throughout 2022, we helped to influence change towards the creation of long-term value for our customers through our voting and engagement activity with the companies held within our in-scope AuM. In 2022, we voted on 12,013 resolutions and engaged with more than 267 companies on ESG topics. Approximately 25% of engagements focused on climate-related topics such as net zero targets and disclosures.

### <sup>^</sup> Not within the scope of EY assurance

#### Our 2030 climate ambitions:

- We aim to at least halve the climate impact of our financing activity by 2030, against a 2019 baseline and align with the 2015 Paris Agreement.
- We plan to reduce carbon intensity of our in-scope AuM by 50%, against a 2019 baseline and to move 70% of our in-scope AuM to a net zero trajectory.
- We plan to reduce emissions for our wider operational value chain by 50%, against a 2019 baseline.

**Scope limitations:** Our ambition is to at least halve the climate impact of our financing activity by 2030. Aligned with our ambition to set sector specific targets, during 2022 we published 2030 targets validated by the SBTi as science based. These targets included our own operational footprint as well as 79% of our 2019 loans. SBTi targets have been set based on a number of methodologies, external scenarios, pathways and assumptions that vary by sector. Please refer to section 5.5 and 5.6 of our 2022 Climate-related Disclosures Report for details on these. We have dependency on Government policies and other external factors like customer behaviour changes and technology developments. Refer to sections 3.4 for details of key policies.

A breakdown of NatWest Group estimates of financed emissions can be seen from page 77 to 90 of our 2022 Climate-related Disclosures Report. This provides detailed rationale for any current exclusions.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p186 to 243

**C** 2022 Climate-related Disclosures Report p27, 77 to 90

**E** 2022 ESG Disclosures Report p15 to 29 and 42

**W** 2022 Pillar 3 Report Annex XV: Credit Risk Quality p58 to 73

2019 Annual Report and Accounts p4 to 6

2022 Basis of Reporting



## UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
a) Scope (continued)	<p><b>Enterprise:</b> The scope of our ambition is UK Small and Medium Sized Enterprises (SMEs). Reflecting our role as a supporter of UK businesses, our ambition is to champion the potential of anyone starting or growing a business, tackling the barriers faced. Products and services that fall into scope include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Enterprise Hubs and our Accelerator programme</li> <li>• Access to Business Experts – a fast, free and easy to use online tool that connects business owners and entrepreneurs with experts</li> <li>• Women Backing Women – an Angel Investor campaign to support women to become business angels and give female founders across the UK access to early-stage investment. (via Women Angel Investment Taskforce)</li> <li>• Business Builder – our online tool providing learning resources to support businesses at all stages of their lifecycle</li> </ul> <p><b>Scope limitations:</b> Our Enterprise ambition is UK focused and aimed at entrepreneurs and SMEs. Recognising the barriers to Enterprise for under-represented groups is a key focus of our ambition. Until 2022 our scope was:</p> <ul style="list-style-type: none"> <li>• 250,000 interventions delivered to start, run or grow a business in 2022</li> <li>• 35,000 individuals and businesses supported through enterprise programmes in 2022</li> <li>• 60% of support provided to women in 2022</li> <li>• 75% of support based in regions outside London and South East England in 2022</li> <li>• 20% of support provided to individuals from ethnic minority backgrounds in 2022</li> <li>• 20% of those supported will be social purpose-led in 2022</li> </ul> <p>We continue to consider the scope of groups facing challenges, and in 2022 we added an additional ambition of:</p> <ul style="list-style-type: none"> <li>• 30,000 youth interventions supported through enterprise and entrepreneurship activity in 2022</li> </ul> <p><b>Learning/Financial Wellbeing:</b> The scope of our ambition is UK focused, working to create a society which is financially confident and resilient. Our ambition is to empower people, both customers and non-customers, to take control of their finances and their futures, and to make the most of their money. In this context interactions defined by individual programmes and services, and new unique users interacting in products and features that fall into scope include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• MoneySense for young people</li> <li>• Financial Health Checks</li> <li>• Spending Tracker</li> <li>• Know my credit score (KMCS)</li> </ul> <p><b>Scope limitations:</b> Our ambition is UK focused and prioritised on two ambitions:</p> <ul style="list-style-type: none"> <li>• 15m financial capability interactions delivered between 1 January 2020 and 31 December 2023</li> <li>• 2m additional customers helped to start saving between 1 January 2020 and 31 December 2023</li> </ul> <p>In 2021, we stretched our previous 2020 target of 2.5 million financial capability interactions per year to a cumulative target of 15 million interactions by 2023. To ensure a consistent approach to measuring financial capability across our range of products, features and services, we developed a framework to assess whether our initiatives meet essential criteria: provision of knowledge and skills; active engagement; and helping people change their behaviour. Products, services and tools that do not meet the criteria are out of scope. The framework resulted in a number of additional initiatives contributing towards the bank-wide financial capability target.</p> <p>Our savings ambition success measures are based on the number of customers that have managed to save £100 or more since January 2020 – and comparing that with the number of customers who had less than £100 in savings the previous year.</p>	<p><b>A</b> 2022 Annual Report and Accounts p186 to 243</p> <p><b>C</b> 2022 Climate-related Disclosures Report p27, 77 to 90</p> <p><b>E</b> 2022 ESG Disclosures Report p15 to 29 and 42</p> <p><b>W</b> 2019 Annual Report and Accounts p4 to 6</p> <p>2022 Basis of Reporting</p>



## UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<p>b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors &amp; industries<sup>(1)</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products &amp; services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.</p>	<p><b>Portfolio composition:</b></p> <p>As referenced in answer 1, our financial summaries, segment summary income statements can be found from page 186 to 243 of our 2022 Annual Report and Accounts, and Heightened climate-related risk sectors exposure can be found in pages 67 to 68 of our 2022 Climate-related Disclosures Report.</p> <p><b>Our February 2020 purpose focus areas:</b></p> <p>Our prioritisation of three areas of focus was influenced by a number of factors, including our predominantly UK focus, and customer volumes and trends across retail, business banking, commercial and large corporate and institutional customers.</p> <p>In February 2020 we announced our three areas of focus as Climate, Enterprise, and Learning.</p> <p><b>Climate:</b></p> <p>Our stated climate ambition is to be a leading bank in the UK helping to address the climate challenge. Our ambition is to achieve net zero by 2050 across our financed emissions, assets under management (AuM) and our operational value chain.</p> <p><b>Scope of Financed Emissions Analysis:</b></p> <p>As part of our purpose-led strategy, we announced our ambition to at least halve the climate impact of our financing activity by 2030. Aligned with our ambition to set sector specific targets, during 2022 we published 2030 targets validated by the SBTi as science based. These targets included our own operational emissions as well as 79% of our 2019 loans and investments. SBTi targets have been set based on a number of methodologies, external scenarios, pathways and assumptions that vary by sector. We have dependency on Government policies and other external factors like customer behaviour changes and technology developments.</p> <p>In February 2020, we set ourselves the challenge to at least halve the climate impact of our financing activity by 2030 and align with the 2015 Paris Agreement. Financing activity refers to the loans and investments (debt securities and equity shares) on NatWest Group's balance sheet. We use financed emissions as a key metric to estimate the climate impact of our financing activity and set a baseline for our climate ambition to align with the 2015 Paris Agreement. Financed emissions are absolute GHG emissions that NatWest Group finances through its lending and investment activity. These activities fall within Scope 3, category 15 of the Green House Gas (GHG) protocol and are often the most significant part of a financial institution's climate impact. Financed emissions can be measured as absolute emissions or emissions intensities. Absolute emissions, measured as million tonnes of carbon dioxide equivalent per year, reflects the impact of a financial institution's lending and investment on economic activity e.g. production of goods and services, and related emissions. Emissions intensities can be measured as physical or economic emissions intensities. Physical emissions intensities are emissions per physical unit e.g. tonne or kilometre, and are sector-specific. Economic emissions intensities are emissions per £ lending or investment and can be aggregated and compared across sectors.</p> <p>In 2020, NatWest Group estimated financed emissions and emissions intensities for three emissions-intensive Wholesale sectors (agriculture primary farming, automotive manufacturing, oil and gas extraction) as well as residential mortgages. During 2021, NatWest Group worked on enhancing its capabilities across eight emissions intensive wholesale sectors. In addition, NatWest Group extended the scope of emissions calculation for the oil and gas sector beyond extraction activities covered in 2020. During 2022, we worked on enhancing our capabilities and extending the scope of our financed emission models. We have now analysed 69% of our loans and investment portfolios based on the 2019 balance sheet. Our work was guided by the availability of methodologies for estimating financed emissions, most notably from the SBTi and PCAF. Financed emissions are published one year in arrears of our financial reporting date to allow time for appropriate data sourcing and review.</p>	<p><b>A</b> 2022 Annual Report and Accounts p186 to 243</p> <p><b>C</b> 2022 Climate-related Disclosures Report p67 to 68,71 and 77 to 90</p> <p><b>E</b> 2022 ESG Disclosures Report p15 to 29</p>



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

b) Portfolio composition (continued)

## High-level summary and some highlights in 2022

### Heightened climate risk sectors scope:

The table on page 69 of our 2022 Climate-related Disclosures Report highlights all sectors with exposure classified as heightened climate-related risk. The heightened climate-related risk methodology was updated in 2022 to enable a more granular review of climate-related risk exposure completed at a sub-sector level. Through this methodology, 47 subsectors within 17 sectors have been categorised as being exposed to heightened climate risk. The amounts include all lending to customers including climate and sustainable lending. Total exposure to wholesale heightened climate-related risk sectors and portfolios increased by £1.5 billion during 2022. Total exposure to the oil and gas sector increased by £0.3 billion compared with 31 December 2021. As at 31 December 2022 the exposure to oil and gas majors amounted to £0.9 billion (31 December 2021 – £0.8 billion), representing 25% of the total exposure to the oil and gas sector. Increases in oil and gas exposure in 2022 are largely attributable to foreign exchange movement. Exposure to coal customers, as defined in the Credible Transition Plan (CTP) assessment completed in 2021, was £0.3 billion as at 31 December 2022 (£0.6 billion as at 31 December 2021). For more details, refer to pages to 68 of the 2022 Climate-related Disclosures Report.

### Climate and Sustainable Finance Funding:

As part of our support for customer transition to net zero, we are championing climate solutions including climate and sustainable funding and financing. NatWest Group uses its climate and sustainable funding and financing inclusion (CSFFI) criteria, to determine the assets, activities and companies that are eligible to be counted towards its climate and sustainable funding and financing targets. Having exceeded our previous £20 billion target ahead of schedule, in October 2021 NatWest Group announced a new target to provide an additional £100 billion of climate and sustainable funding and financing between 1 July 2021 and the end of 2025. In the 18 months since the £100 billion target began NatWest Group has completed £32.6 billion of climate and sustainable funding and financing (£24.5 billion during 2022) This comprised of £27.2 billion (£20.3 billion during 2022) in Commercial and Institutional (including NatWest Markets £15.5 billion (£12.2 billion during 2022), and RBS International £2.3 billion (£1.3 billion during 2022), £5.1 billion in Retail Banking (£4.0 billion during 2022) and £0.2 billion in Private Banking (£0.2 billion during 2022). The table on page 71 in the 2022 Climate-related Disclosures Report summarises NatWest Group climate and sustainable funding and financing activity.

### Enterprise:

Reflecting on the size and share of UK businesses that we support, our approach was to focus on the untapped potential in the UK economy and to tackle the barriers being faced. We sought to help drive collaborative impact through growth and support of women-led businesses across the UK, as well as within our own portfolio. The Alison Rose Review of Female Entrepreneurship was published in March 2019, our CEO (then Deputy CEO, NatWest Holdings and CEO, Commercial and Private Banking), was commissioned by HM Treasury to lead an independent review of female entrepreneurship. The review set out eight initiatives that are designed to deliver co-ordinated, tangible improvements across three key areas: increasing access to and awareness of funding for female entrepreneurs, providing support to those with caring responsibilities, and enabling entrepreneurs through strong ecosystem. The initial Rose Review, published in 2019, highlighted that if women in the UK started and scaled businesses at the same rate as men, it would have the potential to add £250 billion to the UK economy.

In setting our 2020 ambitions for Enterprise we extended the scope beyond women in recognition of the barriers faced by ethnic minority background led businesses, businesses outside of London and the South East England, and socially led businesses. In 2022 the scope further extended to include a new metric for young adults engaged in enterprise and entrepreneurship activity.

### Learning/Financial Wellbeing:

The approach to considering the scale of exposure for this area of focus extended across colleagues, customers and communities. Our portfolio in context of the market share of UK customers across our Retail products and services was a consideration, however, the Blueprint for Better Business Framework and the Money and Pensions Service UK Financial Wellbeing Strategy 2020 – 2030 were also considerations. Looking beyond our own portfolio, our analysis of impacts includes young people with our MoneySense for Schools being a flagship programme.

The UK Financial Wellbeing Strategy had set a UK ambition to help 2 million more working-age 'struggling' people save regularly. Our ambition to help an additional 2 million customers start saving between 1 January 2020 and 31 December 2023 was set to support this.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p186 to 243

**C** 2022 Climate-related Disclosures Report p67 to 68,71 and 77 to 90

**E** 2022 ESG Disclosures Report p15 to 29





## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

### High-level summary and some highlights in 2022

As referenced in answer 1 and 2.1 we are predominantly UK focused.

Our business is made up of a network of relationships. Listening, engaging and partnering with our key stakeholders helps us to address our business impacts and improve outcomes for customers, society and the environment. The Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2022, they remained customers, investors, regulators, colleagues, communities and suppliers. Read more on how we engaged out stakeholders on pages 36 to 52 of our 2022 Annual Report and Accounts.

The key ESG topics for our stakeholders, as listed on page 11 of our 2022 ESG Disclosures Report are:

- Climate Action
- Enterprise
- Colleague learning, fair reward and wellbeing
- Innovation and digitisation
- Financial well-being, customers in vulnerable situations and accessibility
- Responsible supply chain
- Diversity, equity and inclusion
- Financial crime, cyber security and data protection
- Consumer protection, fair products and marketing
- Environmental degradation, biodiversity and nature loss
- Human rights
- Social impacts of financing and lending

Based on our 2021 in-depth materiality assessment, involving a large programme of stakeholder engagement supported by a third-party expert, our 2022 approach has been to re-evaluate our key ESG topics and refresh where appropriate to ensure our list continues to be comprehensive, relevant and reflective of our stakeholder groups' perspectives.

For this assessment, we've taken into consideration the evolving landscape and engaged with a number of internal and external stakeholders. This exercise has resulted in a more focused list. The findings guide our reporting and decision-making, ensuring we remain focused on the right issues. Climate, enterprise and learning continue to be the three focus areas of our purpose where we can make a meaningful contribution and build long-term value in our business. This year's review once again confirmed that, as a responsible business, our approach to a broader range of ESG topics is also of great significance to our stakeholders. We'll continue to re-evaluate annually, by engaging and working closely with our stakeholders to deepen our understanding of the ESG issues that matter most to them and their changing expectations on how we address them.

Examples of stakeholder engagement, including at Board level, and stakeholder focus areas can be found on pages 36 to 52 of our 2022 Annual Report and Accounts. Please also see answers 3 and 4 for more detail.

### References for further details and full descriptions

- A** 2022 Annual Report and Accounts p36 to 52
- E** 2022 ESG Disclosures Report p11





## UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.</p>	<p>Our focus areas strive to make a positive impact, and address negative impacts:</p> <p><b>Climate:</b></p> <p>Climate change is a global issue which has significant implications for our customers, investors, partners, suppliers and colleagues. Our ambition to be a leading bank in the UK helping address the climate challenge recognises that through our financing activity, NatWest Group contributes both directly and indirectly to what is a global challenge.</p> <p>Our ambition to at least halve the climate impact of our financing activity by 2030, against a 2019 baseline and align with the 2015 Paris Agreement, is fundamental to our net zero by 2050 ambition and reflects our purpose-led strategy.</p> <p>As a primarily UK-focused bank, the majority of climate-related risks and opportunities influencing our strategy have been considered through a UK lens.</p> <p>We are driven by our purpose and enabled by our strategy. We remove barriers to create strong enterprises. We turn ambition into action to help tackle climate change. And we build financial capability through learning. By supporting our customers at every stage of their lives, we can build long-term value, invest for growth, make a positive contribution to society and drive sustainable returns for shareholders.</p> <p>As a founding signatory of the UN Principles for Responsible Banking, our ambition is to align our strategy with the 2015 Paris Agreement and the UN SDGs.</p> <p>We also aim to help end the most harmful activity by phasing out of coal for UK and non-UK customers who have UK coal production, coal fired generation and coal related infrastructure by 1 October 2024, with a full global phase out by 1 January 2030.</p> <p>As a member of the Powering Past Coal Alliance, we continued to support the organisation's aims in 2022 and continued to phase out of coal, in line with our 2030 ambitions.</p> <p>While the oil and gas sector continues to play a critical role in UK energy security and the transition to clean energy, NatWest Group recognises the significant climate, environmental and social risks associated with it. In 2022, we further tightened our oil and gas ESE policy.</p> <p>We announced we would only continue to support upstream oil and gas companies:</p> <ul style="list-style-type: none"> <li>• where the majority (&gt;51%) of assets being financed are based in the UK (onshore or offshore UK Continental shelf); and,</li> <li>• where those companies report to us the overall emissions of the assets they operate by the end of 2023.</li> </ul> <p>From February 2023, we will not provide reserve based lending specifically for the purpose of financing oil and gas exploration, extraction and production for new customers, and, after 31 December 2025, we will not renew, refinance or extend existing reserve based lending specifically for the purpose for financing oil and gas exploration, extraction and production.</p>	<p><b>A</b> 2022 Annual Report and Accounts p26 to 27</p> <p><b>C</b> 2022 Climate-related Disclosures Report p6 and 21 to 52</p> <p><b>E</b> 2022 ESG Disclosures Report p15 to 29</p>



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

## High-level summary and some highlights in 2022

### Accelerating the Speed of Transition:

In October 2021, NatWest Group announced a new target to provide an additional £100 billion of climate and sustainable funding and financing (CSFF) target between 1 July 2021 and the end of 2025.

In December 2022, we also published our new revised climate and sustainable funding and financing inclusion (CSFFI) criteria (Version 1.4) that will be used to determine the assets, activities and companies that are eligible to be counted towards the £100 billion climate and sustainable funding and financing target from 1 January 2023.

An accompanying CSFF handbook (Version 1.2) helps colleagues understand if a transaction – the funding and financing of assets, activities, and companies – meets our CSFFI criteria and can therefore count towards our target to December 2022, we have completed £32.6 billion of climate and sustainable funding and financing against our target to provide £100 billion between 1 July 2021 and the end of 2025. The updated criteria and handbook will help us to continue to build on this success by providing greater levels of transparency, clarity and granularity to our colleagues and customers.

### Net-zero emissions for our operational value chain:

We recognise that we must also address our own operations and have an ambition to halve emissions from our operational value chain by 2030 by 2030. Our 2022 outcomes and future priorities against this ambition can be found on page 6 of the Climate Related Disclosures Report.

### Enterprise:

We are focused on the positive impact we can make for UK SMEs. We strive to make a positive impact toward SDGs 5, 8, 10 and 17 and to the UK economy through supporting and championing the potential of businesses.

We address negative impacts through our recognition of, and efforts to tackle, the barriers that hold back potential entrepreneurs, with a particular focus on women, people from ethnic minority backgrounds, people outside of London and the South East of England, young adults and those doing something socially-led. We also seek to understand and accelerate identified opportunities for businesses to develop and grow – for example our Springboard to a Sustainable Recovery<sup>(1)</sup> report, which identified a £175bn revenue opportunity from the net-zero transition.

### Learning/Financial Wellbeing:

Our aim is to create a learning environment so our workforce can enhance their future skills. We recognise the positive impact we can have in supporting financial capability and wellbeing through our interactions both with customers and the community.

We address negative impacts through our engagement with multiple stakeholders in the financial sector, and through our efforts to align with the Money and Pensions Service's Financial Wellbeing strategy – for example, the detrimental impact of no/low savings and are helping additional customers to save. Details of our targets are available in our response to 2.2a.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26 to 27

**C** 2022 Climate-related Disclosures Report p6 and 21 to 52

**E** 2022 ESG Disclosures Report p15 to 29

(1) This Springboard to Sustainability Report (i) has been prepared by NatWest Group for information and reference purposes only; (ii) is intended to provide non-exhaustive, indicative and general information only; (iii) does not purport to be comprehensive; and (iv) does not provide any form of legal, tax, investment, accounting, financial or other advice. The key findings, estimates and projections in this report are based on various industry and other information and are based on assumptions and estimates and the result of market research, and are not statements of historical fact. Whilst the information of this report is believed to be reliable, it has not been independently verified by NatWest Group and NatWest Group makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates included in this report are solely those of the NatWest Group Economics Department, as of this date and are subject to change without notice.



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

## High-level summary and some highlights in 2022

Performance is measured against our February 2020 ambitions and targets listed below.

The sectors, industries and types of customers causing the strongest positive or negative impacts include:

### Climate:

The initial iteration of our Climate transition plan focuses on the delivery of our 2030 decarbonisation ambitions. This will form the basis for further work on our journey to net zero by 2050 across our financed emissions, AuM and our operational value chain. We have used available guidance, including GFANZ, Transition Planning Taskforce and TCFD recommendations, to inform the development of our Climate transition plan. The initial analysis of our Climate transition plan shows that in order to meet our decarbonisation targets, further actions are required by NatWest Group and our customers, supported by the right policies and related incentives. New technologies such as hydrogen, renewable energy as well as carbon capture and storage will also play a key role in supporting decarbonisation. While we have undertaken extensive analysis during 2022 to develop sector level transition plans, it is becoming apparent that sectors have interdependencies both for their effective operation as well as to support decarbonisation. As an example, supply chain capabilities within the Construction sector can influence the speed of retrofitting within Commercial Real Estate sector and Residential Mortgages, and hence, their decarbonisation.

More detail including how these sectors have been assessed for the transition plan can be found in our 2022 Climate-related Disclosures Report.

Our 2022 progress against our Climate targets and ambitions are:

- £32.6 billion cumulative contribution towards £100 billion climate and sustainable funding and financing target, including £24.5 billion in 2022
- £2.9 billion Retail Banking Green Mortgage completions since launch<sup>(1)</sup> (2021: £0.7bn).
- 41.5% of our UK mortgage customers' homes rated as EPC C or above (2021: 38.3%).
- £0.3 billion Exposure to in-scope coal customers (2021: £0.6bn)
- £0.9 billion Exposure to oil and gas majors representing 25% of the total exposure to the oil and gas sector (2021: £0.8bn)
- We will stop lending and underwriting to tropical soft commodities producers who have not obtained sustainable certification of their direct activities by the end of 2024 ^
- We continued to collaborate with policy makers, peers and bodies such as GFANZ and the Transition Plan Taskforce to support a just transition.
- 330,000+ Visitors accessed our carbon tracking tool, developed in collaboration with Cogo and available through our Retail Banking mobile app in 2022 ^
- 79% of our lending exposure, as at 31 December 2019, covered by 2030 sector emissions reduction targets validated by the Science Based Targets initiative (SBTi)
- 46% Reduction in emissions in our direct own operations (2021: 44%)<sup>(2)</sup>
- 10% of NatWest Group's Executive Directors' annual bonus is based on performance against our climate ambitions.

Reporting against the relevant climate indicators from the Annex in the PRB self-assessment guidance can be found in 2.2b.

In 2022, we continued to develop our measurement capability. This included having emission intensity reduction targets validated by the SBTi as science based for 79% of our lending exposure at December 2019. More detail on our targets including our SBTi validated targets can be found in page 29 of our 2022 Climate-related Disclosure Report.

For more detail on progress against our climate ambitions, read the metrics and targets section of our 2022 Climate-related Disclosure Report, or pages 15 to 18 of our 2022 ESG Disclosures Report.

^ Not within the scope of EY assurance

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26 to 27

**E** 2022 ESG Disclosures Report p15 to 29, 64 and 65

**C** 2022 Climate-related Disclosures Report: Whole report

**W** PRB Reporting and Self-Assessment Template

(1) Since launch in Q4 2020. Retail Banking Green Mortgage products only. Green mortgages are available to all intermediaries for all residential and Buy to Let properties with an energy performance rating of A or B and specific new build developer properties. Available for Purchase, Porting and Re-mortgage applications.

(2) Historic values are updated from values reported in 2021. This is due to updated bills, data provision and extrapolations.



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

d) For these (min. two prioritized impact areas) (continued)

## High-level summary and some highlights in 2022

### Enterprise:

The impacted customer group are entrepreneurs and SMEs. Our purpose is to champion potential, and we seek to address and tackle barriers that can have a negative impact on these customers. Through support and interventions, we aim to support businesses with social and environmental purpose from a diverse range of people.

Our 2022 progress against our Enterprise targets and ambitions are:

- 53,000<sup>(1)</sup> individuals or businesses supported through enterprise programmes in 2022 between 1 January 2022 and 31 December 2022
- 48,000<sup>(1)</sup> youth interventions supported through enterprise and entrepreneurship activity between 1 January 2022 and 31 December 2022
- 269,000<sup>(1)</sup> interventions delivered to start, run or grow a business between 1 January 2022 and 31 December 2022
- 59%<sup>(2)</sup> of support provided to women between 1 January 2022 and 31 December 2022
- 90%<sup>(2)</sup> of support based in regions outside London and the South East of England between 1 January 2022 and 31 December 2022
- 34%<sup>(2)</sup> of support provided to individuals from ethnic minority backgrounds between 1 January 2022 and 31 December 2022
- 32%<sup>(2)</sup> of those supported will be social purpose-led between 1 January 2022 and 31 December 2022

For more detail on progress against our Enterprise ambitions, read pages 20 to 24 of our 2022 ESG Disclosures Report.

### Learning/Financial Wellbeing:

Customers and non-customers face the biggest impact. Our 2022 progress against the targets and ambitions are:

- 5.1m financial capability interactions delivered in 2022 against the 2023 target<sup>(3)</sup>, with a cumulative total of 14.07m to date against the 2023 target.
- 0.5m additional customers helped to start saving during 2022<sup>(4)</sup>, with a cumulative total of 1.7m to date<sup>(5)</sup>

For more detail on progress against our Learning/financial wellbeing ambitions, read pages 25 to 29 of our 2022 ESG Disclosures Report.

Please see our response to 2.1a for more detail on the scope of these ambitions.

More detail on measuring our performance please see pages 64 and 65 of our Metrics and Targets section of our 2022 ESG Disclosures Report.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26 to 27

**E** 2022 ESG Disclosures Report p15 to 29, 64 and 65

**C** 2022 Climate-related Disclosures Report: Whole report

**W** PRB Reporting and Self-Assessment Template

(1) Represents approximate number of interventions delivered by and individuals supported through enterprise programmes during 2022, which is based upon data provided by third parties delivering these interventions without further independent verification by NatWest Group.

(2) Demographics cover uniquely supported individuals and youth interventions supported.

(3) Includes additional initiatives approved during 2021 and 2022 which met the criteria for inclusion in the financial capability target

(4) Includes instances where customers had savings with other banks and transferred them to their NatWest Group account.

(5) Includes additional 144k customers for 2021 and 2020. The customers helped start to save criteria was revised in April 2022 to reflect products aligned to the ambition.



## UN Principles for Responsible Banking (PRB) reporting continued

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No

### Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Our three focus areas are Climate, Enterprise and Learning/Financial Wellbeing which correlate with PRB impact areas are Climate change mitigation, financial health & inclusion, decent employment.

### How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

#### 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

### High-level summary and some highlights in 2022

As referenced in answer 1, NatWest Group's strategy strives to align with the 2015 Paris Agreement, SDGs, and national and international frameworks. Answer 2.1b also provides context of the influence these have in determining the scale of exposure. A summary is presented in the table below:

Alignment	Climate	Enterprise	Building financial confidence
SDGs	SDG 7.1, 7.2., 13.1, 13.3, 17.17	SDG 5.5, 8.3, 10.2, 17.17	SDG 4.4, 4.6, 10.2, 17.17
Paris Climate Agreement	Yes	N/A	N/A
International, National & Regional Frameworks	Yes – incl. GFANZ, NZBA Alliance, CCCA, PCAF, TCFD	Yes – Rose Review	Yes – Money & Pensions Service UK Financial Wellbeing Strategy

**Climate:** The Net Zero Banking Alliance (NZBA) was launched in April 2021 as the banking component of the Glasgow Finance Alliance for Net Zero (GFANZ), of which, NWG were founding members.

As part of the implementation of its climate ambitions, at NatWest Group's AGM in April 2022, ordinary shareholders passed an advisory 'Say on Climate' resolution. Through the bank's first climate resolution, the Board asked shareholders to support our strategic direction on climate change, our intention to develop a Climate transition plan and for annual progress reports to be published. The resolution received a 92.58% vote in favour, indicating strong support for our climate strategy and reporting plans. We also became the first UK bank, and one of the largest banks globally to date, to have science-based targets validated by the Science Based Targets initiative (SBTi). These targets, which cover 79% of our lending activities by exposure as at 31 December 2019, underpin the initial iteration of our Climate transition plan. Read more on pages 27 to 46 of our 2022 Climate-related Disclosures Report.

**Enterprise:** As referenced in 2.1 the setting of strategy for Enterprise is aligned with supporting the UK economy and SMEs. NatWest Group has contributed to the research and recommendations which provide frameworks of support for entrepreneurs including:

- **Rose Review:** In February 2022, Alison Rose DBE, the Chief Executive Officer of NatWest Group, and Paul Scully MP, then minister for Small Business, published the third Rose Review Progress Report. The 2022 progress report demonstrated the exceptional resilience of female entrepreneurs throughout the pandemic. The initial Rose Review, published in 2019, highlighted that if women in the UK started and scaled businesses at the same rate as men, it would have the potential to add £250 billion to the UK economy. The 2022 report showed that since 2019, more women than ever are starting new companies – outstripping growth in male-led firms for the first time.
- **SME Transformation taskforce:** We have established national and regional SME Taskforce boards that meet on a bi-monthly basis across all regions and discuss the challenges impacting UK SMEs, including COVID-19 and cost-of-living. The boards work in collaboration with both public and private organisations, not only to share knowledge but also to help us to find effective solutions and support available for UK SMEs.
- **Supporting high growth businesses:** In April 2022, we launched our high growth proposition. Open to all UK businesses, this focuses on three key stages of business growth: early growth, sustained growth and scaling up. By answering three short online questions about investments, turnover and annual growth rate, businesses can tell us where they are on their growth journey, allowing us to direct them to the most relevant support, and products specifically designed to take their business to the next stage.

For more information on our support for entrepreneurs please refer to p20 to 24 of our 2022 ESG Disclosures Report.

**Learning/Financial Wellbeing:** As referenced in 2.1 the setting of strategy for Enterprise is aligned with the Money & Pensions Service UK Financial Wellbeing Strategy 2020 – 2030.

For more information on our learning ambitions refer to pages 25 to 29 of our 2022 ESG Disclosures Report

Please see page 26 and 27 of our 2022 Annual Report and Accounts for highlights of our Climate, Learning and Enterprise ambitions and progress.

### References for further details and full descriptions

**A** 2022 Annual Report and Accounts p17 and 26 to 27

**E** 2022 ESG Disclosures Report p15 to 29

**C** 2022 Climate-related Disclosures Report p27 to 46



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	See below
	A.1.2	See below
	A.1.4	See below

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

## High-level summary and some highlights in 2022

### Climate:

We have an ambition to be net zero by 2050 across our financed emissions, assets under management (AuM) and operational value chain 2030 ambitions:

- At least halve the climate impact of our financing activity, against a 2019 baseline, and align with the 2015 Paris Agreement.
- Reduce the carbon intensity of our in-scope AuM by 50% against a 2019 baseline, and to move 70% of our in-scope AuM to a net zero trajectory. ^
- Reduce the emissions of our operational value chain by 50%, against a 2019 baseline
- Provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025
- Support our UK mortgage customers to increase their residential energy efficiency and incentivise purchasing of the most energy efficient homes, with an ambition that 50% of our mortgage portfolio has an EPC rating of C or above by 2030.
- Phase out of coal for UK and non-UK customers who have UK coal production, coal-fired generation and coal-related infrastructure by 1 October 2024, with a full global phase out by 1 January 2030.
- Collaborate across industry and create products and services to enable customers to track their carbon impact.
- Include targets for executive remuneration that reflect our latest climate ambitions.
- Continue the integration of the financial and non-financial risks arising from climate change into our enterprise wide risk management framework (EWRMF).^
- Reduce our direct own operations emissions by 50% by 2025, against a 2019 baseline.
- Use only renewable electricity in our direct own global operations by 2025 (RE100) and improve our energy productivity 40% by 2025 against a 2015 baseline (EP100). Our EP100 ambition was set in 2019 through the Climate Group and is baselined against 2015 in line with their criteria. ^
- Install electric vehicle charging infrastructure in 15% of spaces across our UK portfolio by 2025 and upgrade our fleet of 100 vehicles to electric by 2025 (EV100). ^

^ Not within scope of EY assurance.

### Enterprise:

- 35,000 individuals or businesses supported through enterprise programmes in between 1 January 2022 and 31 December 2022.
- 30,000 Youth Interventions supported through enterprise and entrepreneurship activity between 1 January 2022 and 31 December 2022.
- 250,000 interventions delivered to start, run or grow a business in between 1 January 2022 and 31 December 2022.
- 60% of support provided to women between 1 January 2022 and 31 December 2022.
- 75% of support based in regions outside London and the South East England between 1 January 2022 and 31 December 2022.
- 20% of support provided to individuals from ethnic minority backgrounds between 1 January 2022 and 31 December 2022.
- 20% of those supported will be social purpose-led between 1 January 2022 and 31 December 2022.

### Learning/Financial Wellbeing:

- 15m financial capability interactions delivered between 1 January 2022 and 31 December 2022.
- 2m additional customers helped to start saving between 1 January 2022 and 31 December 2022.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26

**C** 2022 Climate-related Disclosures Report p5

**W** PRB Reporting and Self-Assessment Template





## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

b) Baseline (continued)

### High-level summary and some highlights in 2022

**Relevant climate change indicators for our targets and ambition from the PRB Self-assessment template Annex include:**

**A.1.1: Does your bank have a climate strategy in place?**

Response: Yes. We have an ambition to be net zero by 2050 across our financed emissions, assets under management (AuM) and operational value chain

**A.1.2: Paris Alignment – Has your bank set a long term portfolio-wide Paris-alignment target? To become net zero by when?**

Response: Yes. NatWest Group's ambition to be net-zero by 2050. We have an ambition to be net zero by 2050 across our financed emissions, assets under management (AuM) and operational value chain. Our specific ambitions are set out above.

**A.1.4: Portfolio analysis: Has your bank analysed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?**

In February 2020, we set ourselves the challenge to at least halve the climate impact of our financing activity by 2030 and align with the 2015 Paris Agreement. Financing activity refers to the loans and investments (debt securities and equity shares) on NatWest Group's balance sheet. We use financed emissions as a key metric to estimate the climate impact of our financing activity and set a baseline for our climate ambition to align with the 2015 Paris Agreement. Financed emissions are GHG emissions that NatWest Group finances through its lending and investment activity. These activities fall within Scope 3, category 15 of the GHG protocol and are often the most significant part of a financial institution's climate impact. Financed emissions can be measured as absolute emissions or emissions intensities. Absolute emissions, measured as million tonnes of carbon dioxide equivalent per year, reflects the impact of a financial institution's lending and investment on economic activity e.g. production of goods and services, and related emissions.

Emissions intensities can be measured as physical or economic emissions intensities. Physical emissions intensities are emissions per physical unit e.g. tonne or kilometre, and are sector-specific. Economic emissions intensities are emissions per £ lending or investment and can be aggregated and compared across sectors.

As part of our purpose-led strategy, we announced our ambition to at least halve the climate impact of our financing activity by 2030. Aligned with our ambition to set sector specific targets, during 2022 we published 2030 targets validated by the SBTi as science based. These targets included our own operational footprint as well as 79% of our 2019 loans exposure. SBTi targets have been set based on a number of methodologies, external scenarios, pathways and assumptions that vary by sector. Please refer to section 5.5 and 5.6 in the 2022 Climate-related Disclosures Report for details on these. We have dependency on Government policies and other external factors like customer behaviour changes and technology developments. Refer to sections 3.4 for details of key policies.

### References for further details and full descriptions

**C** 2022 Climate-related Disclosures Report p5, 27, 67, 68 and 77 to 90



## UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<p>c) SMART targets: (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.</p>	<p><b>Climate:</b></p> <p>We have an ambition to be net zero by 2050 across our financed emissions, assets under management (AuM) and operational value chain 2030 ambitions:</p> <ul style="list-style-type: none"> <li>• At least halve the climate impact of our financing activity, against a 2019 baseline, and align with the 2015 Paris Agreement.</li> <li>• Reduce the carbon intensity of our in-scope AuM by 50%, against a 2019 baseline, and to move 70% of our in-scope AuM to a net zero trajectory. ^</li> <li>• Reduce the emissions of our operational value chain by 50%, against a 2019 baseline.</li> <li>• Provide £100 billion climate and sustainable funding and financing between 1 July 2021 and the end of 2025.</li> <li>• Support our UK mortgage customers to increase their residential energy efficiency and incentivise purchasing of the most energy efficient homes, with an ambition that 50% of our mortgage portfolio has an EPC rating of C or above by 2030.</li> <li>• Phase out of coal for UK and non-UK customers who have UK coal production, coal-fired generation and coal-related infrastructure by 1 October 2024, with a full global phase out by 1 January 2030.</li> <li>• Collaborate across industry and create products and services to enable customers to track their carbon impact.</li> <li>• Include targets for executive remuneration that reflect our latest climate ambitions.</li> <li>• Continue the integration of the financial and non-financial risks arising from climate change into our enterprise wide risk management framework (EWRMF). ^</li> <li>• Reduce our direct own operations emissions by 50% by 2025, against a 2019 baseline.</li> <li>• Use only renewable electricity in our direct own global operations by 2025 (RE100) and improve our energy productivity 40% by 2025 against a 2015 baseline (EP100). ^</li> <li>• Install electric vehicle charging infrastructure in 15% of spaces across our UK portfolio by 2025 and upgrade our fleet of 100 vehicles to electric by 2025 (EV100). ^</li> </ul> <p>Page 23 of our 2022 Climate-related Disclosure Report presents the expected time horizon of our identified opportunities and ambitions, as well as the potential impacts on NatWest Group. Opportunities include finding ways to support our customers in their transition journey, whether through the provision of funding and financing or transition levers such as incentivised pricing.</p> <p>^ Not within scope of EY assurance.</p> <p><b>Time horizons:</b> In identifying our climate-related risks and opportunities, we assessed the time period when each is likely to occur. Those risks and opportunities deemed material to our five-year financial planning cycle are viewed as short-term. Aligned with SBTi's guidance for financial institutions. Long-term has been defined as beyond 15 years, while medium-term has therefore, been defined as within the next 5-15 years. Our initial Climate transition plan encompasses both short-term and immediate medium-term horizons.</p> <p>The Metrics &amp; Targets section on pages 66 to 92 of our 2022 Climate-related Disclosures Report explains our targets including the measurements/ coverage and SBTi targets methodology.</p>	<p><b>A</b> 2022 Annual Report and Accounts 26 to 27</p> <p><b>E</b> 2022 ESG Disclosures Report p15 to 29</p> <p><b>C</b> 2022 Climate-related Disclosures Report p9, 23 and 66 to 92</p>



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

c) SMART targets (continued)

### High-level summary and some highlights in 2022

#### Enterprise:

- 35,000 individuals or businesses supported through enterprise programmes in between 1 January 2022 and 31 December 2022.
- 30,000 Youth Interventions supported through enterprise and entrepreneurship activity between 1 January 2022 and 31 December 2022.
- 250,000 interventions delivered to start, run or grow a business in 2022 between 1 January 2022 and 31 December 2022.
- 60% of support provided to women between 1 January 2022 and 31 December 2022.
- 75% of support based in regions outside London and the South East England between 1 January 2022 and 31 December 2022.
- 20% of support provided to individuals from ethnic minority backgrounds between 1 January 2022 and 31 December 2022.
- 20% of those supported will be social purpose-led between 1 January 2022 and 31 December 2022.

Projections of the number of individuals across our target groups are regularly measured and monitored through a working group. Details of interventions and our Enterprise progress can be found on pages 20 to 24 of our 2022 ESG Disclosures Report.

#### Learning/Financial Wellbeing:

- 15m financial capability interactions delivered between 1 January 2022 and 31 December 2022.
- 2m additional customers helped to start saving between 1 January 2022 and 31 December 2022.

Projections of the number of financial capability interventions, by type of intervention, are regularly monitored and measured. To ensure a consistent approach to measuring financial capability across our range of products, features, programmes and services, we developed a framework to assess whether our initiatives meet essential criteria: provision of knowledge and skills; active engagement; and helping people change their behaviour. This resulted in a number of additional initiatives contributing towards the bank-wide financial capability target.

With regards to savings, our aim is to support customers who have no, or very limited, savings with us to develop good savings habits. Our success measures are based on the number of customers that have managed to save £100 or more since January 2020 – and comparing that with the number of customers who had less than £100 in savings the previous year.

Details of our Learning/Financial Wellbeing progress can be found on pages 25 to 29 of our 2022 ESG Disclosures Report.

### References for further details and full descriptions

**A** 2022 Annual Report and Accounts 26 to 27

**E** 2022 ESG Disclosures Report p15 to 29

**C** 2022 Climate-related Disclosures Report p9, 23 and 66 to 92



## UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<p>d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	<p>Each ambition is set within a timeframe (see 2.2b and c) and each area of focus has working groups to set projections, monitor progress and take action as appropriate. Progress against our focus areas are communicated quarterly and in our year end reporting, and are responsive to external factors. Our 2022 progress against each ambition is detailed in answer 2.3.</p> <p><b>Climate:</b></p> <p>Our climate ambitions were set to mitigate and act upon the negative impacts of climate change. The latest science and methodologies continue to inform our ambition. Our identified opportunities and potential impacts are included in line with time periods on pages 25 to 28 of the 2022 Climate-related Disclosure Report. Those risks and opportunities deemed material to our five-year financial planning cycle are viewed as short-term. Aligned with SBTi's guidance for financial institutions. Long-term has been defined as beyond 15 years, while medium-term has therefore, been defined as within the next 5-15 years. Our initial Climate transition plan encompasses both short-and medium-term horizons.</p> <p>The timing reflects the full impact of the opportunity being realised and notes that there is a dependency on the UK Government and clear, early regulatory policy and technology developments, as well as on our customers and society to respond (see further details within our Climate transition plan). At the same time, as a purpose-led organisation, we aim to engage and support our customers' transition to a net-zero economy, milestones for this are set out on page 9 of the 2022 Climate-related Disclosures Report.</p> <p>Specific actions that we have taken can be found in pages 15 to 19 of the 2022 ESG Disclosures Report.</p> <p><b>Enterprise:</b></p> <p>Our Enterprise ambitions were set to address negative impacts – the barriers facing women, people of ethnic minority, and businesses outside of London and South East England. To support our climate ambitions and purpose we sought to support socially led businesses. In 2022 we added an ambition to focus on youth.</p> <p>Impacts which have influenced our ambitions and action plan include COVID-19, Brexit, the UK's Levelling up Agenda- a pledge by the Government to reduce inequalities, and the cost-of-living in the UK. We have responded by tailoring support and interventions to support SMEs through difficult times, as well as on our support of SME growth. For example, our national and regional SME Taskforces boards that meet on a bi-monthly basis across all regions discuss the varying and topical challenges impacting UK SMEs, including COVID-19 and cost-of-living. The boards work in collaboration with both public and private organisations to both share knowledge but also help us find effective solutions and get the support available to UK SMEs. An example of a significant (potential) negative impact that was addressed was the 2020 ambition we set to support start-ups and create 50,000 incremental new businesses by 2023. This was set before the COVID-19 pandemic hit. Details of how we addressed this are in 2.3.</p> <p>Specific actions that we have taken can be found in pages 20 to 24 of the 2022 ESG Disclosures Report.</p> <p><b>Learning/Financial Wellbeing:</b></p> <p>Our Learning/ Financial Wellbeing ambitions were set to address the negative impacts of no/low savings, and the potential impacts of low financial capability. Through financial education in schools and supporting our customers with financial capability interactions (see 2.1a for details of scope) we aim to build financial confidence and resilience.</p> <p>Impacts which have influenced our ambitions and action plans include COVID-19, the cost-of-living, UK Consumer Duty, the UK Financial Wellbeing Strategy as set by the Money and Pensions Service. An example of a significant (potential) negative impact was products, services and tools being counted as financial capability interactions that did not meet the right criteria. As detailed in 2.1a we reviewed the framework and criteria when we stretched our 2020 target of 2.5 million interactions per year to a cumulative target of 15 million interactions by 2023.</p> <p>During 2022 we also created a Cost-of-Living section on our websites with information, hints, tips and tools providing easy-to-access help and guidance for customers. In recognition that developing a savings habit is an essential element of building financial resilience, and this year we introduced Round Ups to our suite of savings and investment products to make it easy for customers to save little and often at the point of purchases.</p> <p>Specific actions that we have taken can be found in pages 25 to 29 of the 2022 ESG Disclosures Report.</p>	<p><b>C</b> 2022 Climate-related Disclosures Report p9</p> <p><b>E</b> 2022 ESG Disclosures Report p15 to 29</p>



## UN Principles for Responsible Banking (PRB) reporting continued

### Self-assessment summary:

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
	<b>Climate</b>	<b>Enterprise</b>	<b>Learning</b>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

### 2.3 Target implementation and monitoring (Key Step 2)

#### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

## High-level summary and some highlights in 2022

In response to regular review and monitoring of our ambitions the following changes have been made since our first announcements in February 2020. These changes and our progress highlights against our three focus areas for 2022 are below:

#### Climate:

In October 2021 having surpassed our 2020-2021 target of £20 billion in the first half of 2021 we announced an ambition to provide an additional £100 billion between 1 July 2021 and the end of 2025. In 2022, we provided £24.5 billion of climate and sustainable funding and financing, taking our cumulative total since July 2021 to £32.6 billion towards our target to provide £100 billion by the end of 2025. Our climate and sustainable funding and financing inclusion (CSFFI) criteria was updated in December 2022 (Version 1.4) to determine the assets, activities and companies that are eligible to be counted towards the £100 billion climate and sustainable funding and financing target from 1 January 2023.

In line with our sustainable growth strategy and climate ambition, NatWest Group was proud to become the first UK bank, and one of the largest banks globally to date, to have science-based targets validated by the SBTi. In 2022, NatWest Group gave its shareholders a Say on Climate at its AGM, with 92.58% of votes cast in support of our strategic direction on climate change, our intention to develop a Climate transition plan, with annual progress reports to be published. The initial iteration of our Climate transition plan is included within this report. Achievement of this plan and associated ambitions is dependent on UK Government, clear and early regulatory policy, technology developments, as well as on our customers and society to respond. At the same time, as a purpose-led organisation, we aim to engage and support our customers.

Page 8 of our 2022 Climate-related Disclosures Report climate progress highlights:

- £32.6 billion cumulative contribution towards £100 billion climate and sustainable funding and financing target, including £24.5 billion in 2022
- £2.9 billion Retail Banking Green Mortgage completions since launch (2021: £0.7bn).
- 41.5% of our UK mortgage customers' homes rated as EPC C or above (2021: 38.3%).
- £0.3 billion exposure to in-scope coal customers (2021: £0.6bn)
- £0.9 billion exposure to oil and gas majors representing 25% of the total exposure to the oil and gas sector (2021: £0.8bn)
- We will stop lending and underwriting to tropical soft commodities producers who have not obtained sustainable certification of their direct activities by the end of 2024 ^
- We continued to collaborate with policy makers, peers and bodies such as GFANZ and the Transition Plan Taskforce to support a just transition.
- 330,000+ Visitors accessed our carbon tracking tool, developed in collaboration with Cogo and available through our Retail Banking mobile app in 2022 ^
- 79% of our lending exposure, as at 31 December 2019, covered by 2030 sector emissions reduction targets validated by the Science Based Targets initiative (SBTi)
- 46% Reduction in emissions in our direct own operations (2021: 44%)<sup>(1)</sup>
- 10% of NatWest Group's Executive Directors' annual bonus is based on performance against our climate ambitions

We plan to reduce emissions for our wider operational value chain by 50%, against a 2019 baseline. In 2022, we started to use spend data and publicly sourced sector-specific emission factors, to calculate our supplier emissions. We established a multi-year Supplier Decarbonisation Programme to support delivery of our 2030 and 2050 carbon reduction targets. We reduced our direct own operational emissions by 46% in 2022 (2021: 44%)<sup>(1)</sup> against a 2019 baseline.

Our ambition is to at least halve the climate impact of our financing activity by 2030, against a 2019 baseline and align with the 2015 Paris Agreement. In 2022, the Science Based Targets initiative (SBTi) validated our 2030 sector emissions reduction targets, meaning NatWest Group's portfolio targets cover 79% of our lending activities by outstanding exposure as at 31 December 2019. We also published our initial iteration of our Climate transition plan. This helps ensure that climate strategy and its execution are built into the financial plan, including regular monitoring and review.

^ Not within scope of EY assurance.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26 to 27

**C** 2022 Climate-related Disclosures Report p6

**E** 2022 ESG Disclosures Report p15 to 29

(1) Historic values are updated from values reported in 2021. This is due to updated bills, data provision and extrapolations.



# UN Principles for Responsible Banking (PRB) reporting continued

## Reporting and self-assessment requirement

### 2.3 Target implementation and monitoring (Key Step 2) (continued)

## High-level summary and some highlights in 2022

We will continue to develop this alignment during 2023 as part of the evolution of our Climate transition plan. We used sector level financial forecasts, incorporated within our financial plan, to estimate forward-looking absolute emissions and emissions intensity impacts to 2030. We will continue to update and evolve our transition plan aligned with 2030 and 2050 climate ambitions, noting that our ability to meet our ambition will be dependent on progress against the UK's broader commitment with necessary changes in policy, advances in technology and customer behaviour. To support this and continue the evolution of the initial iteration of our Climate transition plan, during 2023, we will adopt a systems thinking approach to identify the key points of leverage to enable systems-wide transformation and decarbonisation. A systems thinking approach considers how carbon flows between sectors in the economy, and factors that determine the magnitude of those carbon flows.

Specific actions that we have taken can be found in the pages 15 to 19 of the 2022 ESG Disclosures Report.

#### Enterprise:

In 2020 we set an ambition to support start-ups and create 50,000 incremental new businesses by 2023. Due to the unforeseen challenges presented by the COVID-19 pandemic, we diverted resources to support existing customers. This impacted our ability to measure and evidence progress against our ambition, and we therefore made changes to our approach.

As a purpose-led bank, our ambition is to help businesses to thrive and to become the biggest supporter of start-ups in the UK. In 2022, we supported 53,000 individuals and businesses through 269,000 interventions to start, run or grow a business. In 2022 we added a new ambition of 30,000 youth Interventions, and engaged over 48,000 young adults in enterprise and entrepreneurship activity.

Of the support provided during 2022:

- 90% of support provided based in regions outside London and South East England<sup>(1)</sup>
- 59% of support provided to women<sup>(1)</sup>
- 34% of support provided to individuals from ethnic minority backgrounds<sup>(1)</sup>
- 32% of support provided to those with a purpose-led business or business idea<sup>(1)</sup>

In 2022, we narrowly missed our ambition to provide 60% of support to women, providing 59%<sup>(1)</sup> of support to women. We met or exceeded the remaining enterprise ambitions set for 2022.

Specific actions that we have taken can be found in the pages 20 to 24 of the 2022 ESG Disclosures Report.

#### Learning/Financial Wellbeing:

Our ambition is to help our customers and communities develop the knowledge, skills and confidence to manage their money in ways that give them control and peace of mind. In 2021, we stretched our previous 2020 target of 2.5 million interactions per year to a cumulative target of 15 million interactions by 2023. During FY2022, we delivered 5.1m interactions, with a cumulative total of 14.07m interactions against the strategic target of 15 million by 2023. To ensure a consistent approach to measuring financial capability across our range of products, programmes and services, we developed a framework to assess whether our initiatives meet essential criteria: provision of knowledge and skills; active engagement; and helping people change their behaviour. This resulted in a number of additional initiatives contributing towards the bank-wide financial capability target.

Helping customers to start saving: Our priority is to support customers who have no, or very limited, savings with us to develop good savings habits. Our success measures are based on the number of customers that have managed to save £100 or more since January 2020 – and comparing that with the number of customers who had less than £100 in savings the previous year. During FY2022, we helped 0.5m customers start to save, with a cumulative total of 1.7m<sup>(2)</sup> customers to date against the strategic target of 2 million by 2023.

Our savings ambition success measures are based on the number of customers that have managed to save £100 or more since January 2020 and comparing that with the number of customers who had less than £100 in savings the previous year. In April 2022 we amended the criteria to capture additional scenarios where customers are saving with us for the first time. This included First Saver accounts; those age 16; Help to Buy savers and those with an Invest savings product. This additional 144,000 customers was added to the cumulative total over 2020 and 2021.

Specific actions that we have taken can be found in the pages 25 to 29 of the 2022 ESG Disclosures Report.

## References for further details and full descriptions

**A** 2022 Annual Report and Accounts p26 to 27

**C** 2022 Climate-related Disclosures Report p6

**E** 2022 ESG Disclosures Report p15 to 29

(1) Demographics cover uniquely supported individuals and youth interventions supported.

(2) Includes additional 144k customers for 2021 and 2020. The customers helped start to save criteria was revised in April 2022 to reflect products aligned to the ambition.





# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<b>Principle 3: Clients and Customers</b>		
We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
<p><b>3.1 Client engagement</b></p> <p>Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?</p> <p><input checked="" type="checkbox"/> Yes   <input type="checkbox"/> In progress   <input type="checkbox"/> No</p> <p>Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?</p> <p><input checked="" type="checkbox"/> Yes   <input type="checkbox"/> In progress   <input type="checkbox"/> No</p> <p>Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.</p> <p>This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank.</p>	<p>We have a range of policies and practices in place to promote responsible relationships with our customers and/or suppliers. These include:</p> <ul style="list-style-type: none"> <li>• Environmental, social and ethical risk framework and sector policy appetites</li> <li>• Our Supplier Charter</li> <li>• Our Human Rights Position Statement</li> <li>• Modern Slavery &amp; Human Trafficking annual statement</li> <li>• Coutts ESG exclusions policy</li> </ul> <p>These documents set out our aims for clients and suppliers and our expectations of them. More detail on these policies are included in answer 5.3.</p> <p>Refer to answer 3.2 for examples of supporting our clients.</p>	<p><b>E</b> 2022 ESG Disclosures Report p42, 43, 57, 62 and 63</p> <p><b>W</b> ESE and reputational risk management Supply chain Human rights and modern slavery</p> <p><b>S</b> Coutts Sustainability Report</p>



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<p><b>3.2 Business opportunities</b> Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).</p>	<p>At NatWest Group we are supporting our customers to develop more sustainable practices, helping corporates adapt to evolving market expectations and capitalise on new opportunities. Our execution is centred around our purpose, driving sustainable growth through our strategic priorities.</p> <p>Refer to the pages 36 to 43 of the 2022 ESG Disclosures Report for detail of the products and services that help us meet our ambitions.</p> <p>Refer to answer 1.2 for SDG alignment.</p> <p>Some examples of business opportunities, products, and services which seek to increase positive and/or reduce negative impacts include:</p> <p><b>Supporting our customers' climate transition:</b> We developed the initial iteration of our Climate transition plan. This plan focuses on the delivery of our 2030 decarbonisation ambitions. This will form the basis for further work on our journey to net zero by 2050 across our financed emissions, assets under management and our operational value chain. We have enhanced the financial planning process to incorporate actions included within the initial iteration of our Climate transition plan and also used the financial forecasts to consider impacts on our Climate transition plan.</p> <p>NatWest Group will continue to evolve our Climate transition plan during 2023 including further work on the systems thinking approach. This will include continuing to develop products and services to support our customer transition as well as continued external engagements with industry and government</p> <p><b>Climate Opportunities Group:</b> In December 2020, the Climate Opportunities Group (COG) was established to support our ambition to be a leading bank in the UK in helping to address the climate challenge. It was recognised that to do so, a one-bank approach was required on climate opportunities. COG brings together colleagues from all business segments and sector specialties to conceptualise and develop opportunities that complement the NatWest Group climate ambition. In 2022 COG was enhanced further to facilitate the performance and growth across our five key climate themes; Clean Energy; Clean Transport; Clean Buildings; Green Finance; Carbon Tracking and Behaviours.</p> <p>Refer to the climate-related opportunities and climate transition plan on pages 21 to 45 2022 Climate-related Disclosure Report for more detail.</p> <p><b>Green, Social and Sustainable (GSS) Bonds issuances:</b> NatWest Group has issued five GSS bonds and used the proceeds from these to facilitate lending across a number of eligible green and social assets, including renewable energy, green mortgages, SME lending in deprived areas and affordable housing. We aim to prepare an allocation and impact report on our GSS bond issuances which will be made available on the NatWest Group website. We intend to make available at least annually a single allocation and impact report including all outstanding green and social financing allowing investors to find the required information in one single document. In August 2022, NatWest Group issued a €1 billion Green Bond, the proceeds of which were intended to be allocated towards financing and/or refinancing new or existing Eligible Green Loans in the Renewable and Green Buildings categories according to the Eligibility Criteria as described in the 2020 October NatWest Group GSS Bond Framework.</p> <p>Refer to answer 1.2 for more detail on our GSS SDG alignment.</p> <p><b>NatWest Markets (NWM):</b> has supported its clients raise over £11bn of SDG-aligned green, social, sustainability and sustainability-linked (GSS/S) bond issuance in 2022. SDGs 13 (Climate Action), 11 (Sustainable Cities &amp; Communities) and 7 (Affordable &amp; Clean Energy) contributed over 50% of the total issuance volume per SDG that NatWest Markets supported its clients raise in 2022. Pressure continues to mount on issuers to increase their focus on combatting climate change. This is reflected in the increasing proportion of issuance directed to SDG 13 (14% in 2020, compared with 17% in 2022) where NatWest Markets lead managed the GSS/S transactions. Note: Each NWM GSS/S transaction is mapped to the specific SDGs aligned in the issuers framework. The 'per SDG' issuance amount is calculated by dividing the NWM issuance portion by the number of SDGs present in an issuers framework.</p>	<p><b>C</b> 2022 Climate-related Disclosures Report p21 to 45</p> <p><b>E</b> 2022 ESG Disclosures Report p36 to 43</p>



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

### High-level summary and some highlights in 2022

### References for further details and full descriptions

#### 3.2 Business opportunities (continued)

**Coutts:** has embedded our net zero ambition into Coutts core investment products. All customers invested in our core managed funds and discretionary portfolios now have a minimum amount of their wealth invested in funds that are on a net zero trajectory. For customers invested through Coutts Invest, NatWest Invest and Royal Bank Invest this is at least 50% of the assets by value in our Personal Portfolio Funds (PPF) range. For customers invested in our Coutts Multi-Asset Funds (CMAF) range and discretionary portfolios this is at least 20%.

**Supporting Business Customers:** In 2022 we launched the Business Cost of Living Hub, providing universal access to a range of content and tools for all UK SMEs. Our dedicated hub contains helpful resources, such as: a free cashflow tool, energy calculator, supply chain navigator, sector support, and Workplace wellbeing resources. To support and provide certainty to our SME customers in these challenging times, we have frozen all Business Current Account fees and tariffs, committing to not make any increases to these published fees for a minimum of 12 months. We also launched our Green Loans and Green Asset Finance propositions for qualifying SMEs, with no arrangement fee, and reduced the lower threshold on our Green Asset Finance offering from £50,000 to £25,001, ensuring that more businesses can access funding to help transition to more sustainable practices, in turn reducing costs in the long term.

**Supporting Retail Banking Customers:** During 2022 we stepped up our support for those seeking to know more about how to manage their money, start a savings pot or deal with the unexpected. The focus of our financial capability initiatives is to support customers to build resilience and skills, so they can better deal with price increases and to know where to go for help and information. A dedicated cost-of-living section on our websites has information, hints, tips and tools providing easy-to-access help and guidance for customers. Moneysaving tips, budget planning and a tool for reviewing benefit support complement the Spending Tracker app tool where customers can view real time activity in their account, supporting financial knowledge.

At any time, a customer may find themselves either in a vulnerable situation or caring for a loved one experiencing a vulnerability. The impact of cost-of-living has meant that for many of our customers this has been a reality in 2022. We've established a One Bank Centre of Excellence to drive forward our approach & support to customers in vulnerable situations. In 2022, we continued to work with organisations such as GamCare and Citizens Advice to improve the support available to customers in vulnerable situations, connecting them to expert advice where appropriate. We continued to run digital lessons and fraud and scam awareness events remotely via virtual delivery. We also have dedicated teams available to support customers in Financial Difficulty as well as having a dedicated Customer Protection Team to engage with customers at risk of harm and support them, leveraging external relationships where there is a need for more specialist help.

**E** 2022 ESG Disclosures Report p36 to 42



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement

High-level summary and some highlights in 2022

References for further details and full descriptions

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>(1)</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes  In progress  No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

**Key ESG topics for our stakeholders:** Being purpose-led means we strive to create value by balancing the different needs of our stakeholders.

To do so we need to understand the issues that matter most to them. Based on our 2021 in-depth materiality assessment, involving a large programme of stakeholder engagement supported by a third-party expert, our 2022 approach has been to re-evaluate our key ESG topics and refresh where appropriate to ensure our list continues to be comprehensive, relevant and reflective of our stakeholder groups' perspectives.

In our 2022 assessment we've taken into consideration the evolving landscape and engaged with a number of internal and external stakeholders. This exercise has resulted in a more focused list. The findings guide our reporting and decision-making, ensuring we remain focused on the right issues

Climate, enterprise and learning continue to be the three focus areas of our purpose, where we can make a meaningful contribution and build long-term value in our business. This year's review confirmed once again that, as a responsible business, our approach to a broader range of ESG topics is also of great significance to our stakeholders.

We'll continue to re-evaluate annually, by engaging and working closely with our stakeholders to deepen our understanding of the ESG issues that matter most to them and their changing expectations on how we address them.

Refer to page 11 our ESG Disclosures Report for Key ESG topics for our stakeholders and page 3 for a brief note about some important differences in our approach to materiality between our regulatory disclosures and our voluntary ESG disclosures.

**Section 172(1) statement:** The Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. For 2022, they remained customers, investors, regulators, colleagues, communities and suppliers. For further information on how stakeholder considerations influenced the Board's discussions and decision-making, refer to our section 172(1) statement from page 40 of our 2022 Annual Report and Accounts.

**Our Regional Boards:** work with local support organisations and partners to deliver grants to support inclusive entrepreneurship and focus on helping women and individuals from disadvantaged or under-represented groups overcome the hurdles to starting a business. In 2022, our Regional Boards delivered 17,000 interventions and supported over 3,000 women in business, including 1,300 from an Ethnic Minority background. Of the businesses supported, over 500 were purpose-led and 89% of our support was to individuals based outside London and the southeast of England.

**Collective Action:** We take collective action through our signatories and memberships to progress as a responsible business. In collaboration with our various partners, we have progressed a number of key initiatives throughout 2022. Refer to page 13 of our 2022 ESG Disclosures Report and pages 36 to 39 of our 2022 Annual Report and Accounts for examples.

Across our three areas of focus a wide range of stakeholder engagement examples can be found for:

Climate: pages 14 to 19 of our 2022 ESG Disclosures Report and our 2022 Climate-related Disclosures Report.

Enterprise: pages 20 to 25 of our 2022 ESG Disclosures Report.

Learning/Financial Wellbeing: pages 25 to 29 of our 2022 ESG Disclosures Report.

**A** 2022 Annual Report and Accounts p36 to 52

**E** 2022 ESG Disclosures Report p3 and 13 to 29

(1) Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement

High-level summary and some highlights in 2022

References for further details and full descriptions

## Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes  In progress  No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The Principles for Responsible Banking are integrated into our three areas of focus and our purpose-led strategy. Our Board has responsibility for setting and approving strategy and for approving strategic targets. As such, sustainability and PRB are governed at the highest level by the Board.

Our Group Sustainable Banking Committee also has oversight of sustainability, the three focus areas and PRB written into its Terms of Reference.

A table showing how our corporate governance framework, roles and responsibilities support our purpose and ESG oversight can be found on page 51 of our 2022 ESG Disclosures Report. Details of committees relevant to PRB are below:

**NatWest Group plc Board** is responsible for promoting the long-term sustainable success of NatWest Group and the setting of strategic (including ESG) aims. The Board establishes NatWest Group's purpose, values and strategy and leads the development of NatWest Group culture. It oversees NatWest Group progress and performance as a purpose-led organisation.

Howard Davies is Chairman of the Board and details of how the Board operated and the principal areas of Board focused on in 2022 are available in our 2022 Annual Report and Accounts. Further details of our Board members and the Board Terms of Reference are available on [natwestgroup.com](https://natwestgroup.com).

**Group Sustainable Banking Committee** supports the Board in overseeing and challenging actions being taken by management to run NatWest Group as a sustainable business, including challenging ESG progress and overseeing commitments to the UN Principles for Responsible Banking. Mike Rogers is Chairman of the Group Sustainable Banking, Committee and across 2022 several spotlight sessions were held throughout the year, covering the pillars of our purpose (climate, learning and enterprise), as well as customer, people and culture, and conduct and ethics. The views of internal and external stakeholders were sought wherever possible and meeting time was prioritised towards meaningful debate and discussion.

The Group Sustainable Banking Committee continues to hold five meetings per annum and reports to the Board on the Committee's activities after each meeting, escalating matters for the Board's attention as appropriate. An ad hoc meeting was scheduled in 2022 to revisit Climate transition plan progress including management actions raised ahead of consideration by the Board.

In the context of the NatWest Group's published strategic targets and its commitment to the UN Principles of Responsible Banking, the Group Sustainable Banking Committee oversees purpose, specifically:

#### Climate:

- Receive and debate updates on the NatWest Group's progress towards achieving its climate strategy ambitions including being a 'leading bank in UK helping to address the climate challenge' covering operational, financing and sustainable funding progress.
- Review management's approach to delivery and implementation of climate strategy.
- Oversee progress on broader environmental themes such as biodiversity, forests and water.

#### Enterprise:

- Receive and debate updates on how the relevant business areas are supporting NatWest Group's ambition to be a champion of start-ups, regional businesses, women/ethnic minority-led business and social enterprises.
- Challenge management to consider how NatWest Group can best create value for customers today and in the future, with a focus on key Enterprise segments.

**A** 2022 Annual Report and Accounts p128 and 142 to 167

**C** 2022 Climate-related Disclosures Report p16

**E** 2022 ESG Disclosures Report p51 to 54

**W** Board and committees



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

#### 5.1 Governance Structure for Implementation of the Principles (continued)

### High-level summary and some highlights in 2022

#### **Learning & Capability:**

- Receive updates on how NatWest Group is becoming a learning organisation that delivers greater financial confidence to customers and future-ready employability.

The Report of the Group Sustainable Banking Committee is available on page 128 of the Annual Report and Accounts and full details of the Committee and its members is available at [natwestgroup.com](https://natwestgroup.com)

**Our Group Executive Disclosure Committee (EDC):** Chaired by and supporting the Group Chief Financial Officer (CFO). EDC is responsible for disclosure controls and procedures. It reviews all significant disclosures and ensures these are accurate and complete, and fairly represent business and financial conditions.

**Climate governance model:** NatWest Group's climate governance structure is detailed in a chart on page 15 of the 2022 Climate-related Disclosures Report. The Board and executives are supported by our franchises and functions as well as local forums to embed our ambition to become net zero by 2050.

**Group Performance and Remuneration Committee** reviews and approves performance measures, including those relating to ESG and purpose activity, performance assessment and remuneration arrangements.

There is clear alignment between our ESG priorities and the pay outcomes for executive directors. People targets have featured in our strategic scorecard for over ten years, evolving beyond employee engagement to incorporate purpose, culture and diversity targets. Playing an active role in the transition to a low-carbon economy is a core part of our purpose and climate targets have been part of our executive director scorecard since 2020. There are also targets to build financial capability and support equality of opportunity through diverse enterprise. In a number of areas our ESG ambitions stretch over several years. However, we are clear on the specific measures and targets set for each year and publish these externally. The committee and the Board reviews and approves these annually to align with our latest strategic focus areas.

You can find further information on how executive director performance measures align with the five principles of a purpose-led business on page 54 in our ESG Disclosures Report. For details of the strategic KPIs in annual bonus for 2022, including climate, enterprise and capability and the Executive director remuneration outcomes and annual bonus scorecard outcome for 2022, refer to pages 142 to 167 of the 2022 Annual Report and Accounts.

For details of our 2021 remuneration disclosures refer to the 2021 Annual Report and Accounts pages 142 to 167 with details of aligning executive pay with ESG performance and our purpose-led strategy on page 153.

**Board Training:** In October 2022, the Board received its annual climate training session, led by the Director of the University of Edinburgh Centre for Business, Climate Change and Sustainability. The tailored session centred on specific themes including influencing strategy, institutional change and climate measurement. Focused on creating space for discussion, reflection and debate, the training session introduced tools to help board members consider their role and influence in shaping NatWest Group's ambition to tackle climate change.

### References for further details and full descriptions

**A** 2022 Annual Report and Accounts p128 and 142 to 167

**C** 2022 Climate-related Disclosures Report p15

**E** 2022 ESG Disclosures Report p51 to 54



## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

**5.2 Promoting a culture of responsible banking:** Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### High-level summary and some highlights in 2022

**Our values:** Our values are at the heart of how we deliver our purpose-led strategy. In 2022, having engaged with colleagues, customers, community stakeholders and suppliers, we launched our refreshed values of being inclusive, curious, robust, sustainable and ambitious. These refreshed values now form an integral part of our cultural identity.

**Our Code:** Our Code lays out our purpose and the values and behaviours we expect from each other. It underpins all our actions and interactions – within the bank and in our external relationships – and defines the principles for making responsible decisions, as well as the values behind our purpose and culture. We have worked with our colleagues as well as with our customers, suppliers and communities to create a new set of values that reflect the organisation we are today. These collaborative and evolved values were launched in 2022 and will form an integral part of our company's cultural identity, matching the ambition, optimism and energy our purpose has given us, and that we can all believe in. The integrity of Our Code rests in the hands of everyone in NatWest Group and is fully aligned to the Prudential Regulation Authority and Financial Conduct Authority (FCA) Rules.

**Helping colleagues realise their potential:** We're investing in our workforce to deliver long-term, sustainable performance by providing our colleagues with the capabilities and future skills they need to fulfil their potential, underpinned by our ambition to be a learning organisation. We have a significant focus on supporting all colleagues to be ready for the future and have given colleagues two days per year dedicated to developing priority future skills aligned to our Critical People Capabilities. Our ambition is that half of our elective learning is focused on future skills by the end of 2023. Our technology is supporting this by providing personalised recommendations for learning, gigs, mentors and jobs, based on colleagues' skills and skills interests.

**NatWest Group Academy:** We provide all colleagues, regardless of their role, level, working pattern or location, opportunities to build future skills through the NatWest Group Academy, which brings together learning opportunities and curated content in a single place. In addition to mandatory training for all colleagues and job specific training, we also offer a range of learning opportunities. 96% of colleagues have accessed the Academy since its launch in 2020, and the rate of completed elective learning has increased by 39% across NatWest Group compared to 2020. Our ambition is to increase colleagues' elective learning by 50% by the end of 2023. The Academy is also available to customers and communities, through Learning with NatWest.

**Climate-related education:** In April 2022 we announced a three-year partnership with the University of Edinburgh, investing £1.5 million to make climate education available to all colleagues across NatWest Group. This new deal builds on our earlier successful collaboration with the University of Edinburgh Centre for Business, Climate Change and Sustainability and seeks to support the evolution and growth of existing programmes. The renewed collaboration will deliver new learning to our colleagues across NatWest Group, as well as our bespoke Climate Change Transformation programme to more than 16,000 people by the end of 2024.

**Wider workforce remuneration:** Turning to the wider workforce, the annual bonus pool is based on a balanced scorecard of measures which includes climate, customer, people and purpose measures, broadly aligning with the position for the executive directors. Allocation from the pool depends on the performance of the business area and the individual. This helps to provide a consistent approach to ESG Performance and its impact on variable pay throughout the organisation.

### References for further details and full descriptions

**A** 2022 Annual Report and Accounts p46, 131 and 151

**E** 2022 ESG Disclosures Report p4, p30 to 32, p59

**C** 2022 Climate-related Disclosures Report p48 and 64

**W** Compliance and Conduct





## UN Principles for Responsible Banking (PRB) reporting continued

### Reporting and self-assessment requirement

#### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

### High-level summary and some highlights in 2022

**Environmental, Social, Ethical risk framework:** We recognise that the activities of our customers can have environmental, social and ethical (ESE) impacts – including polluting activities and the potential for human rights infringements. ESE risk 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.

To manage these risks, we have developed Risk Acceptance Criteria (RAC) for nine sectors which present heightened ESE risk and define the level of ESE risk the bank is prepared to accept. The ESE RAC are applicable to corporate customer on-boarding, lending and underwriting and apply to all legal entities.

We also have an ESE risk concerns process seeks to ensure that ESE risk is identified and managed for customers and transactions in sectors which are not covered by a Risk Acceptance Criteria. Examples might include major or sustained environmental, human rights, modern slavery or social issue-related campaigns against a company in sectors such as agriculture/food, chemicals, tobacco, pharmaceuticals and waste management, or companies associated with controversial projects.

In 2022, we made additional enhancements to our Oil and Gas sector RAC which confirm that we will only continue to support upstream oil and gas companies where the majority of their assets being financed are based in the UK (onshore or offshore UK Continental shelf); and where those companies report to us the overall emissions of the assets they operate by the end of 2023.

**Human Rights Position statement:** At NatWest Group, we understand that businesses have an important role to play in promoting respect for human rights we and continue to align our approach to internationally recognised human rights standards including the United Nations Guiding Principles on Business and Human Rights (UNGPs). We have established a policy framework to respect and promote human rights with our customers, our colleagues and our suppliers. These are reflected in our Approach to Human Rights Statement which was reviewed and updated in 2022.

**Modern Slavery Act and Human Trafficking statement:** NatWest Group recognises its obligation to comply with all appropriate legislation, including the UK Modern Slavery Act. We publish an annual statement which sets out the steps that we are taking to identify and address modern slavery and human trafficking within our own operation and throughout our value chain. We have put in place policies covering our customers, colleagues and suppliers, which seek to address modern slavery and monitor our financing and supply chain for this activity.

**Supplier Charter:** NatWest Group’s Supplier Charter sets out our aims and expectations in the areas of ethical business conduct, human rights, environmental sustainability, diversity and inclusion, the Living Wage and prompt payment. This is covered in NatWest Group’s tender process and is a standing agenda point of supplier review meetings conducted as part of ongoing contract management. The Charter details what NatWest Group expects from our suppliers, and also outlines our own ambitions in the aforementioned key areas and the outcomes we aim to achieve by working together. We review the Charter annually to help us become a more sustainable business, delivering better outcomes for our customers, our colleagues, our shareholders and the communities in which we operate.

Aligned with the objectives of our supplier charter, we have worked with EcoVadis since 2020, a leading organisation providing third-party evidence-based assessments of sustainability performance of businesses. The assessments help us to understand and measure our own performance and that of our suppliers against core ESG pillars, enabling us to identify social, environmental and ethical improvements required.

Since 2020, NatWest Group has made significant progress working with EcoVadis, with over 531 suppliers scoring an average of 55.4% against the Global EcoVadis average of 44.8%. EcoVadis also conducted a sustainability assessment of NatWest Group, scoring 62% which is significantly higher than the global EcoVadis average of 49% for the financial services sector. This ranks NatWest Group in the 86<sup>th</sup> percentile.

**Coutts Responsible Investment and Stewardship Policy:** Coutts has outperformed the median peer group score in the latest UN-supported Principles for Responsible Investment (PRI) assessment. Our investment and stewardship policy, which details our approach to integrating ESG principles into our investment process, was given a score of 98% by the PRI.

### References for further details and full descriptions

**E** 2022 ESG Disclosures Report p43 and 57

**W** ESE and reputational risk management

Human rights and modern slavery

Supply Chain



## UN Principles for Responsible Banking (PRB) reporting continued

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement	High-level summary and some highlights in 2022	References for further details and full descriptions
<b>Principle 6: Transparency &amp; Accountability</b>		
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		
<b>6.1 Assurance</b> Has this publicly disclosed information on your PRB commitments been assured by an independent assurer? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> Partially <input type="checkbox"/> No  If applicable, please include the link or description of the assurance statement.	Responses for questions under 2.1, 2.2, 2.3 and 5.1 are within the scope of EY assurance. Read 2022 EY Assurance Statement for further details on the scope, respective responsibilities, work performed, limitations and conclusion.	<b>W 2022 EY Assurance Statement</b>
<b>6.2 Reporting on other frameworks</b> Does your bank disclose sustainability information in any of the listed below standards and frameworks? <input checked="" type="checkbox"/> GRI <input checked="" type="checkbox"/> SASB <input checked="" type="checkbox"/> CDP <input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published) <input checked="" type="checkbox"/> TCFD <input checked="" type="checkbox"/> Other: WEF IBC Metrics  If desired, you can elaborate	Please read further on in our 2022 ESG Framework Appendix for our disclosures against WEF IBC metrics, GRI, SASB.	
<b>6.3 Outlook</b> What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.	We will continue to engage and support the principles of PRB, further develop our impact analysis capabilities, embedding target setting guidance across our three areas of focus and in new and emerging areas, such as Biodiversity and Nature.	



# UN Principles for Responsible Banking (PRB) reporting continued

Reporting and self-assessment requirement

High-level summary and some highlights in 2022

References for further details and full descriptions

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input type="checkbox"/> Conducting an impact analysis   | <input checked="" type="checkbox"/> Data quality         |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts        | <input type="checkbox"/> Access to resources             |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies            | <input checked="" type="checkbox"/> Reporting            |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these: