

NatWest Group's approach to nature and biodiversity

We view climate change, the continued significant global decline in nature and biodiversity, resource scarcity and their associated impacts as significant dangers to the livelihoods of our customers and society at large, both currently and in the years to come. Climate change and environmental degradation are inextricably linked and each require immediate and significant action to avert potentially irreversible impacts. The impacts of rapid climate change are causing significant biodiversity loss; protecting biodiversity can make a substantial contribution to both climate change mitigation and adaptation. Our ambition is to be a leading bank in the UK and Ireland helping to address climate change by setting ourselves the challenge to at least halve the climate impact of our financing activity by 2030, to reach net zero by 2050, and making our own operations Climate Positive by 2025.

In 2020, NatWest Group established the Emerging Environmental Issues Working Group, a cross-bank group that meets monthly to start to identify and track a wide range of environmental issues relevant for our business, and make recommendations on the view to take on these issues. In 2021, in response to the issues related to environment we classified 'Biodiversity and Nature Loss' as a formal emerging risk for NatWest Group and consequently added to our Risk Management Framework, underlining the importance of this to our organisation and our stakeholders.

This is an evolving and complex area which requires collaborative approaches with partners, stakeholders and peers to help mitigate negative impacts of financing activities on the environment and nature as well as supporting the growing sector of nature-based solutions, habitat restoration and biodiversity markets.

Measuring the environmental and nature-related financial impacts as a result of funding and financing activities is a developing area for the financial services industry. We recognise the need for more progress. However, action currently tends to be restricted to limited scope initiatives due to the financial services industry lacking a common set of standards and agreed measurement methods as well as comparable quantitative disclosure tools. We will work with others to help develop these including through our forum membership of the Taskforce for Nature related Financial Disclosures (TNFD).

We were also proud to become a founding signatory to the UN Principles for Responsible Banking (PRB), committing to aligning our strategy with the 2015 Paris Agreement and UN Sustainable Development Goals (SDGs). We are committed to making further progress and working collaboratively with the global community on environmental and societal goals.

Collaborating on Nature and Biodiversity

NatWest Group is helping to drive collective action on nature and biodiversity through number of exploratory collaborative groups including but not limited to:

- The Taskforce on Nature-Related Financial Disclosures (TNFD) Informal Working Group 2020, Forum Member 2021. The taskforce will be delivering a risk management and disclosure framework for organisations to report and act on nature-related risks.
- UNEP FI PRB Biodiversity sub-group which is focusing on developing indicators, metrics and methodologies for target setting on biodiversity.
- HRH The Prince of Wales' Sustainable Markets Initiative, as part of the Financial Services Taskforce. It aims to accelerate the flow of private investment into sustainable infrastructure projects, which includes restoring the balance sheet of natural capital.
- Banking Environment Initiative working group and have participated in projects including: Soft Commodities Compact and BEI Financial Risks arising from Biodiversity Loss and Land Degradation.

- Members of the United for Wildlife taskforce (led by HRH The Duke of Cambridge) since its establishment in 2016. The taskforce is working to protect endangered species and tackle illegal wildlife.

Innovating for Nature and Biodiversity

In addition to the above collaborations, we are also keen to partner on innovations that help preserve and restore nature, biodiversity and develop sustainable economies. We recognise that work is ongoing at an industry level to better understand and measure nature dependencies of finance. Below are a selection of some of the initiatives NatWest Group is currently participating:

Global Farm Metric

NatWest Group and the Sustainable Food Trust (SFT) have joined forces for the next two years to support the development of a common framework of farm sustainability metrics and an accompanying assessment tool that will enable farmers to measure their environmental and social impact and give them actionable insight to help them to reduce their emissions. The framework assesses against a number of categories including but not limited to: soil, water, air & climate and biodiversity and nature.

Project Carbon

NatWest Group joined Canadian bank CIBC, Brazilian bank ITAU and Australian bank NAB to announce plans to launch Project Carbon, a voluntary carbon marketplace - a global first – in our latest bid to tackle climate change and support nature-based solutions including tree planting. From September 2021, Project Carbon is executing pilot trades with select customers of the banks involved. The system will use blockchain to create a thriving and transparent global marketplace for carbon offsets with clear and consistent pricing and standards.

The NatWest India Foundation

The NatWest Group India Foundation was formed to contribute to India's UN Sustainable Development Goals (then Millennium Development Goals) with a focus at the intersection of critical natural ecosystems and excluded communities. Recently the Foundation's Kanha-Pench Corridor project, in partnership with the UN Climate Adaptation Fund, documented and raised a 'grain bank' of 53 strains of indigenous grains that are weather resistant and have served communities well in the face of changing weather patterns.

The foundation is also working to restore over 10,000 ha of degraded forest lands adjacent to national parks, project work is underway at 6 sites with a number of key objectives. These include increasing tree cover through community action leading to removal of at least 6 million tons of CO₂, improvements in the livelihoods of more than 6,000 local families. Biodiversity restoration and improvement including improved river catchments. As well as providing additional incomes to community from sale of carbon credits to cement their stake as protectors of forests.

Island Saver by NatWest

NatWest Group launched Island Saver in 2020, the world's first video game that also teaches children about the environment and money. The game, downloaded over 5 million times, sees the player clean up an atoll of polluted islands, saving the animals and restoring natural habitat. The game is free to download across most platforms and devices.

Integrating Nature & Biodiversity

We are starting to explore nature and biodiversity considerations, adding or strengthening these within a number of the Bank's existing frameworks, processes and toolkits.

Environment, Social and Ethical Lending Policies

The activities of our corporate and business banking customers can have environmental, social and ethical (ESE) impacts. To help us assess and manage these risks, we operate an ESE risk management framework which includes Risk Acceptance Criteria (RAC) for nine sectors that are exposed to heightened ESE risk. For customers, projects and transactions that are included within a sector RAC, or where ESE risk concerns have been identified, enhanced due diligence is performed. This gives us better insight into our customers' activities, helps to address issues of concern, and prevents NatWest Group from engaging with customers or in transactions that are prohibited by our sector RAC. The NatWest Group Forestry, Fisheries and Agribusiness sector RAC requires customers and their suppliers that engage in certain activities, and/or that operate in certain regions, to adhere to relevant soft commodity standards within specified timeframes. Application of the Equator Principles is also required for certain project transactions. In 2021 we expanded our soft commodities reporting to include the seven imported commodities noted for high deforestation risk and high overseas land use in a 2020 report by the Royal Society for the Protection of Birds and the World Wildlife Fund. More ESE information, including our policies, can be found on our [webpages](#).

Sustainable and Climate Finance

Climate and Sustainable Funding and Financing is critical to achieving the transition to a net-zero carbon and climate-resilient economy. Having surpassed our previous £20bn target in the first half of 2021, in October 2021 NatWest Group announced an additional £100 billion Climate and Sustainable Funding and Financing by the end of 2025. Climate change itself is a top 5 driver of biodiversity loss¹, our [Climate and Sustainable Funding and Finance](#) inclusion criteria also comprises lending to projects that protect and restore biodiversity, habitat and ecosystems.

Nature Based Solutions for Removing Carbon

NatWest Group achieved Net Zero Carbon across our own operations in 2020 through a combination of emissions reductions, in line with our 1.5-degree science-based target, alongside offsetting residual emissions using TIST credits. TIST project farmers collect seeds, plant trees, maintain groves, monitor results, remove carbon from the atmosphere. They receive a 70% revenue share from the sale of dual-validated and verified carbon credits.

NatWest Group are engaged with expert organisations to explore further opportunities to develop nature-based carbon removal projects in the UK and overseas, restoring degraded lands and forests while purposefully supporting the needs of local communities. We plan to share the outcomes of these discussions as part of our annual disclosures

Engaging our People

NatWest Group's Sustainable Futures Network is a bank-wide employee-led network that supports our people to embed sustainability at work and at home. Connecting and supporting them to act on their sustainability ideas and amplify the great work going on across NatWest Group. With over 3,000 members in Q4 2021, the Sustainable Futures Network has launched a new Biodiversity 101 training pack.

¹IPBES, 2019, Climate Change Is a Key Driver for Species Extinction <https://unfccc.int/news/ipbes-climate-change-is-a-key-driver-for-species-extinction>

We launched Giki Zero Pro to our colleagues on Net Zero Day 2021. Giki Zero Pro is an employee sustainability programme that uses science-based methodologies to provide colleagues with a personalised journey for reducing their impact on our environment. Supporting colleagues with over 130 actions they can take according to their lifestyle and budget, we can track and measure our colleague carbon, water, land and plastic use and reduction.

Working in partnership with our charity partner, The Conservation Volunteers (TCV), we are now able to provide UK colleagues tree planting volunteering opportunities. In 2021, we have been working with TCV and our colleagues to plant 100,000 trees, enabling colleagues to make a positive contribution to the climate challenge we all face.

Working with Our Suppliers

As part of our journey to become Climate Positive by 2025 in our own operations, we recognise that our impact on the environment extends into the supply chain. In 2019 CDP identified that supply chain impact is 5.5 times that of an organisation's own operations. In 2020, NatWest Group started working with EcoVadis and launched our new Supplier Charter. The NatWest Group Supplier Charter sets out the sustainability requirements that suppliers must meet in order to do business with us. Nature and biodiversity requirements are part of the [Supplier Charter](#). Going forward, EcoVadis will help us to understand and measure our performance and the performance of our suppliers against the Supplier Charter, enabling us to identify social, environmental and ethical improvements.

Private Banking

Our private bank, Coutts, gained [B Corp accreditation](#) in 2021. Coutts is the largest private bank and wealth manager in the UK to achieve B Corp. Part of B Corp accreditation includes an assessment of environmental performance and credentials. Coutts achieved an environmental impact score of 7.7, the assessment will be used as a benchmark and we hope to improve this in coming years. Coutts are also signatories to the 'Terra Carta' launched by HRH The Prince of Wales and it provides a roadmap to 2030 for businesses to move towards an ambitious and sustainable future. Signatories recognise the urgency of the global climate, biodiversity and health crises and the stewardship with which we must act.

Nature in and around our Buildings – Case Study - Gogarburn

Gogarburn, NatWest Group's head office in Scotland, is located on a large estate on the urban rural fringe. The Gogarburn estate has a comprehensive landscape and habitat management plan by Willerby Landscapes.

- The site has a woodland with around 3000 trees, grasslands, parklands and wetlands.
- It has a small river running through it, the Gogar Burn, which provides a wildlife corridor.
- The estate is monitored for non-native plants such as Japanese knotweed, which was eradicated from the site but is still monitored annually to ensure that it does not return.
- Buildings can be an important part of biodiversity, for example there is a roost of soprano pipistrelle bats in the Gogar Park house. Birds have also been known to nest in the outbuildings.
- Nature based climate change planning for Gogarburn includes maintaining carbon sequestering elements that are principally soils and trees, while simultaneously reducing use of carbon across the site from machines, fuel, and retaining increasing amounts of vegetation arisings on site to save the carbon cost of transporting them to an offsite facility. For example, when tree maintenance is done, the wood is chopped and sold to staff, and that money is used to plant more trees and vegetation.
- Flood attenuation revolves around the maintenance and continuous improvement in soils structure, to allow it to store the maximum amount of carbon, and simultaneously being able to store water and release it either directly back to the atmosphere, or via diffuse methods, through the soil back to the watercourses. There are three SUDS areas on site and these also contribute positively to flood attenuation and biodiversity.