

FRAMEWORK EXTERNAL REVIEW

ESG SHORT-TERM PRODUCTS FRAMEWORK

NatWest Markets Plc

22 November 2024¹

VERIFICATION PARAMETERS

Covered instruments	<ul style="list-style-type: none">ESG short-term products: deposits, commercial paper notes and certificates of deposit
Type of framework	<ul style="list-style-type: none">ESG Short-Term Products Framework
Scope of verification	<ul style="list-style-type: none">Natwest Markets' ESG Short-Term Products Framework (as of Oct. 31, 2024)Natwest Markets' sustainable finance classification system (as of Oct. 31, 2024)²
Lifecycle	<ul style="list-style-type: none">First update of the SPO delivered in December 2022
Validity	<ul style="list-style-type: none">Valid as long as the Framework remains unchanged

¹ NatWest Markets Plc initially published its ESG Short-Term Products Framework in December 2022. A new version of the Framework has been published in November 2024, substituting the previous one. No modification occurred regarding the core elements of the Framework (strategy and objectives, ESG short-term products and ESG assets, processes for project evaluation and selection, governance and monitoring, and reporting), based on which ISS-Corporate performed its analysis in December 2022. The Bank has provided additional information related to its sustainability strategy (Part II) and minor naming updates in Part I.

² Refer to footnote ¹

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SCOPE OF WORK

NatWest Markets Plc (“NatWest Markets”) commissioned ISS-Corporate to assist with its ESG Short-Term Products Framework (“Framework”) by assessing two core elements:

1. The ESG Short-Term Products Framework — strategy and objectives, definition of ESG short-term products and ESG asset categories, process for evaluation and selection, governance during the investment period and reporting benchmarked against market practices³ (see annexes 1-3).
2. Assessment of NatWest Markets Plc’s⁴ and NatWest Group Plc’s⁵ (“the Group”) sustainability performance, drawing on the Group’s overall sustainability profile and the ESG Short-Term Products Framework.

NATWEST MARKETS’ ESG SHORT-TERM PRODUCTS FRAMEWORK

NatWest Markets developed an ESG Short-Term Products Framework to offer its corporate and institutional clients the opportunity to place funds with NatWest Markets in asset classes that integrate ESG factors and support funding entities with ESG credentials.

NatWest Markets may raise funding through deposits, commercial papers or certificates of deposit under its ESG Short-Term Products Framework and use the funds to purchase securities issued by supranational entities, agencies or sub-sovereign bodies rated “Prime” by ISS ESG Corporate Rating, as well as green, social or sustainability bonds issued by sovereigns rated “Prime” by ISS ESG Country Rating and issued under a sustainability financing framework that aligns with applicable ICMA principles, as confirmed by a publicly available external review.

³ ISS-Corporate makes its assessment based on market standards, regulations and guidelines relevant to sustainable finance capital markets (e.g., ESG investing strategies or fixed-income transactions including but not limited to the [Principles for Responsible Investment](#); the EU [Sustainable Finance Disclosure Regulation](#); ICMA’s [Green Bond Principles](#), [Social Bond Principles](#) and [Sustainability Bond Guidelines](#); and the LMA’s [Green Loan Principles](#), [Social Loan Principles](#), and [Sustainability-Linked Loan Principles](#)).

⁴ NatWest Markets Plc includes all its subsidiaries (i.e., NatWest Markets N.V.)

⁵ NatWest Markets Plc and NatWest Markets N.V. are subsidiaries of NatWest Group Plc. NatWest Group Plc, together with its subsidiaries, provides banking and financial products and services to personal, commercial, corporate and institutional customers in the United Kingdom and internationally. NatWest Markets Plc is a wholly owned subsidiary of NatWest Group Plc that supports the Group’s corporate and institutional clients with financing, risk management and trading solutions.

NATWEST MARKETS OVERVIEW

NatWest Markets Plc engages in the provision of banking and financial services. It operates through the NatWest Markets and “central items and other” segments. The NatWest Markets segment offers trading, risk management and financing solutions. The central items and other segment includes corporate functions and other activities of the firm. The company was founded on Oct. 31, 1984, and is headquartered in London.

ESG risks associated with the NatWest Markets’ industry

NatWest Markets is classified in the commercial banks and capital markets industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies⁶ in this industry are business ethics, customer and product responsibility, labor standards and working conditions, sustainability impacts of lending and other financial services/products, and sustainable investment criteria.

Part II of this report assesses the consistency between the Framework and NatWest Markets’ overall sustainability strategy.

⁶ Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY EVALUATION
<p>Part I:</p> <p>Review of NatWest Markets' ESG Short-Term Products Framework</p>	<p>NatWest Markets' ESG Short-Term Products Framework reflects best market practices. The ESG assets under selection criteria Category A⁸ exclusively follow an absolute best-in-class approach⁹ and do not seek to ensure the manifestation of clear environmental or social benefits or the prevention of financing of activities that harm the attainment of one or more U.N. Sustainable Development Goals. ESG assets under selection criteria Category B¹⁰ are promoted under a sustainability financing framework that aligns with applicable ICMA principles, as confirmed by a publicly available external review, issued by sovereigns rated "Prime" by ISS ESG Country Rating, promoting the availability of information necessary to evaluate the environmental and/or social impacts of the eligible assets.</p> <p>NatWest Markets has defined a formal concept for responsible investment under its ESG Short-Term Products Framework outlining its sustainability strategy, the purpose of the Framework, the definition of ESG short-term products and ESG assets, the asset evaluation and selection process, and the management of proceeds and reporting.</p> <p>ISS-Corporate welcomes the initiative to outline the overall approach of including ESG assets as part of the overall portfolio of debt securities by considering an absolute best-in-class approach for securities offered by supranational entities, agencies or sub-sovereign bodies and green, social and sustainability bonds issued by sovereigns that are aligned with applicable ICMA principles and rated "Prime" by ISS ESG Corporate and Country ratings, respectively. An absolute best-in-class approach on its own does not ensure the manifestation of clear environmental or social benefits or the prevention of financing activities that harm the attainment of one or more U.N. SDGs. While limitations to the impact assessment, environmental or social characteristics, or the sustainable investment objectives and ESG prioritizations were identified, the criteria for ESG assets are plausible and reflect best market practices to the extent that only best-performing securities and bonds from issuers</p>

⁷ The evaluation is based on NatWest Markets' ESG Short-Term Products Framework (December 2022 version), on the analyzed selection criteria as received in December 2022.

⁸ Securities issued by supranational entities, agencies or sub-sovereign bodies rated "Prime" by ISS ESG Corporate Rating.

⁹ Referring to one of the seven responsible investment strategies as defined by Eurosif, an approach where leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. ESG Asset Category A comprises securities issued by supranational entities, agencies or sub-sovereign bodies rated "Prime" by ISS ESG Corporate Rating.

¹⁰ Green, social and sustainability bonds.

	<p>rated “Prime” within the ISS ESG rating universe are considered for the selection process.</p> <p>Internal procedures for ESG asset selection and governance are considered plausible. Responsibilities and accountabilities are defined and duties are segregated. Internal procedures ensure the divestment of ESG assets that no longer meet the eligibility criteria.</p> <p>NatWest Markets commits to report annually on ESG short-term products raised under the Framework and on the ESG asset portfolio. While there will be no quantitative impact indicators provided in the annual report, NatWest Markets will make qualitative information (e.g., case studies) available.</p>
<p>Part II:</p> <p>Consistency of the ESG Short-Term Products Framework with NatWest Markets’ sustainability strategy</p>	<p>The ESG Short-Term Products Framework is consistent with NatWest Markets’ sustainability strategy.</p> <p>The ESG Short-Term Products Framework is considered consistent with the Bank’s sustainability strategy. The rationale for developing ESG short-term product financing is clearly described by NatWest Markets.</p>

FRAMEWORK EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF NATWEST MARKETS’ ESG SHORT-TERM PRODUCTS FRAMEWORK¹¹

In its ESG Short-Term Products Framework, NatWest Markets defines criteria, evaluation, selection processes and management of ESG product proceeds and ESG assets, including reporting to support its portfolio of ESG assets as part of the overall portfolios of debt securities, facilitating debt market access and increasing liquidity for organizations rated “Prime” by ISS ESG Corporate and Country ratings.

This External Review assesses the Framework against current market practices for sustainable capital and loan markets derived from market standards and established guidelines. The assessment focuses on key principles for transparency, public disclosure and non-contamination of sustainable-labeled products set out in, among other standards, ICMA’s Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles, and best market practices from other market standards for sustainable finance such as the LMA’s Green Loan Principles, Social Loan Principles and Sustainability-Linked Loan Principles, and the Principles for Responsible Investment, for ESG factor integration in equity and fixed income.

CRITERIA	SUMMARY AND OPINION
<p>1. Strategy and objective</p>	<p>NatWest Markets defined a responsible investment strategy within the context of the overarching sustainability objectives at the Group level (i.e., its parent). As a signatory of the Principles for Responsible Banking, the Group has committed, on an ongoing basis, to align its strategy with the Paris Agreement and the U.N. SDGs. The strategy is part of the Group’s development of its overall sustainable finance and ESG ecosystem. NatWest Markets aims to provide market and product expertise, thought leadership and support its customers with financing and risk management solutions to achieve their climate and sustainability ambitions. In addition, NatWest Markets works closely with the parent Group to contribute to its targets of minimum 90% decarbonization by 2050 for all emissions to achieve net zero for all emissions.¹²</p> <p>Opinion: <i>NatWest Markets has developed an ESG Short-Term Products Framework to offer its corporate and institutional clients the opportunity to place funds with NatWest Markets in fixed-income products that integrate ESG factors and thereby support funding entities with ESG credentials. It allows consideration of sustainability and ESG to proliferate more widely across additional departments within NatWest Markets. Consistency between</i></p>

¹¹ The assessment remains unchanged and is based on the analysis that was delivered in December 2022.

¹² As outlined in NatWest Group’s [2021 Climate-Related Disclosures Report](#).

the subject of this report and the Group’s sustainability strategy is further detailed in Part II of this report.

2. ESG short-term products and ESG assets

NatWest Markets sets forth a formal concept of its ESG portfolio strategy. Deposits and any commercial paper notes or certificates of deposit are together the ESG short-term products, applying the proceeds in accordance with the underlying Framework.

Securities are eligible as ESG assets if they belong to one of the following categories:

CATEGORY	DESCRIPTION	ESG REFERENCE POINT	CRITERIA
A	Securities issued by supranational entities, agencies or sub-sovereign bodies rated “Prime” by ISS ESG Corporate Rating	ISS ESG Corporate Rating	
B	Green, social or sustainability (GSS) bonds issued by sovereigns rated “Prime” by ISS ESG Country Rating and issued under a sustainability financing framework that aligns with applicable ICMA principles, as confirmed by a publicly available external review	ISS ESG Country Rating ICMA’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (2018 and 2021 editions, as updated from time to time)	

Category A: The [ISS ESG Corporate Rating](#) assesses companies' sustainability performance on an absolute best-in-class basis. An analyst opinion complements each rating to provide a qualitative commentary of key rating results across the three dimensions of sustainability opportunities, sustainability risks and governance. “Prime” status is attributed to companies with an overall rating/ESG performance above the sector-specific “Prime” threshold, which means that they fulfill ambitious absolute performance requirements. In addition to the overall rating, a decile rank indicates performance relative to industry peers.

Category B: The Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines are voluntary guidelines from the [International Capital Market Association](#) that provide a framework for

transparency and disclosure for the issuers of green, social or sustainability bonds. As such, they promote the availability of information necessary to evaluate the environmental impact of green, social or sustainability bond investments and assist underwriters by offering vital steps that facilitate transactions that preserve the integrity of the market. Alignment with the ICMA principles is a minimum requirement for securities to be considered in NatWest Markets' ESG portfolio. The four core components for alignment are use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. The principles explicitly recognize several broad categories of eligibility for green or social projects (i.e., projects that contribute to environmental or social objectives). In addition, the bond issuer is deemed to identify and manage perceived social and environmental risks associated with the relevant project(s). NatWest Markets considers exclusively sovereign issuers rated "Prime" by ISS ESG Country Rating.

Opinion: *For both categories A and B, NatWest Markets uses an absolute best-in-class approach considering securities issued by supranational entities, agencies or sub-sovereign bodies and GSS bonds issued by sovereigns rated "Prime" by ISS ESG Corporate and Country ratings, respectively. This approach does not ensure the manifestation of clear environmental or social benefits or the prevention of financing activities that harm the attainment of one or more U.N. SDGs. NatWest Markets does not apply a specific impact focus, negative screening approach or ESG factor prioritization for its ESG portfolio strategy. Additionally, NatWest Markets does not operate under a strict exclusion list.¹³ While controversies are addressed in the performance assessment of the ESG Corporate Rating via downgrading in the respective sections, such controversies might not lead to a loss of the "Prime" status when the overall performance is still sufficiently above the "Prime" threshold.*

This criterion involves both the ISS ESG Corporate Rating and Country Rating methodologies, which are independent from each other and assess different indicators. However, they have similar goals in terms of assessing to what extent each sovereign discloses its sustainability performance and takes action to improve on it. Relying on an ESG ratings provides NatWest Markets with an external, commonly used methodology to determine which issuer is better performing on a range of sustainability-related indicators.

For Category B (i.e., the sovereign securities), the additional criterion of the GSS label adds an element of sustainability impact measurement in either

¹³ As part of NatWest Markets' climate ambition announced in February 2020, NatWest Markets stated that it planned to stop lending and underwriting to major oil and gas producers unless they had a credible transition plan aligned with the Paris Agreement in place by the end of 2021 and has set a strategy for phasing out coal (in line with the Powering Past Coal Alliance, of which it is a founding member) and has tightened its criteria in relation to oil and gas.

	<p><i>green and/or social areas. While NatWest Markets does not track such impacts nor consider them in its asset selection, the inclusion of this label does add an additional layer to the sustainability quality of the securities. The green and/or social impacts of sovereign GSS bonds are linked to government policy and a diverse array of expenditures.</i></p> <p><i>While a detailed assessment of the different methodologies used by different ESG rating providers is not within the scope of this work, ISS-Corporate believes that similar methodologies are used by other leading providers, albeit with different specifics in the methodology, such as a consideration of various indicators.</i></p>
<p>3. Evaluation and selection process</p>	<p>NatWest Markets has embedded considerations of ESG and climate change into its processes, from the board level down to operational teams across the business. The Asset & Liability Management Committee¹⁴ oversees the Framework, which is discussed regularly (at least annually) to consider:</p> <ul style="list-style-type: none"> ▪ The application of the Framework and potential new products, ▪ The alignment of the Framework with the overall sustainability objectives of NatWest Markets and influenced by NatWest Group ▪ Regular/annual reporting under the Framework, the treasury and Portfolio Credit Management teams' selection of ESG assets ▪ The effect of the ESG short-term products and the ESG assets on the composition of NatWest Markets' balance sheet <p>NatWest Markets has defined a formal concept and accountabilities for the weekly management of funding from ESG short-term product and ESG asset selection in addition to the screening of the issuers based on the ISS ESG rating methodology (i.e., requiring a "Prime" rating) and the relevant ICMA standards (i.e., Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines).</p> <p>Opinion: <i>The process for asset evaluation and selection is clearly laid out. Oversight of the Framework involves the Asset & Liability Management Committee, which is comprised of senior representatives from multiple relevant departments. Periodic reviews of the Framework (at least annually) and ESG asset holdings (monthly) are scheduled. Responsibilities for stakeholders across different departments are described. NatWest Markets has a formal procedure in place should ESG assets no longer meet the eligibility criteria. The selection of ESG assets follows a formal concept. NatWest Markets considers securities from the primary and secondary markets and reverse repo transactions.</i></p>

¹⁴ Both NatWest Markets N.V. and plc have their respective Asset & Liability Management Committee.

<p>4. Governance and monitoring</p>	<p>Using internal finance and reporting systems managed by the financial controls team, NatWest Markets tracks the total proceeds raised from the ESG short-term products, as well as the amount of ESG assets purchased or obtained through a reverse repo operation by the treasury and Portfolio Credit Management teams in both the primary and secondary markets, ensuring an appropriate number of ESG assets for ESG product allocation. NatWest Markets will apply an amount equal to the total notional amount ESG short-term products raised under the Framework to acquire new ESG assets or allocate them to existing ESG assets in the securities portfolios. NatWest Markets provides reasons for the reallocation of proceeds, including the delisting of the issuer from “Prime” status. NatWest Markets transparently discloses temporary placement for the balance of unallocated net proceeds, namely deposits with central banks, where the respective sovereign is rated “Prime” by ISS ESG Corporate Rating, or cash or other short-term assets.</p> <p>Opinion: <i>The governance procedures, including the management of proceeds and assets, reflect best market practices as NatWest Markets transparently discloses tracking procedures and internal procedures aligned with NatWest Markets’ operations for eligible ESG assets. NatWest Markets remains transparent on temporary investments of ESG short-term products when appropriate ESG assets are not available.</i></p> <p><i>NatWest Markets confirms that the portfolio is tracked separately, though it is part of larger portfolios that are managed as per regulatory and liquidity requirements by the respective functions. Following the Framework’s publication, categories A and B will be tracked separately. NatWest Markets confirms appropriate mechanisms to ensure divestment of ESG assets that cease to meet the eligibility criteria following the monthly portfolio review.</i></p>
<p>5. Reporting</p>	<p>NatWest Markets commits to provide publicly available reporting annually, with details regarding the proceeds raised and allocated toward eligible ESG assets.</p> <p>Opinion: <i>ISS-Corporate reviewed the previous reports related to the ESG short-term products that were managed under the predecessor to this Framework. The previous reports and the commitments in this Framework disclose a good level of transparency into the assets and issuer profiles that are bought under this Framework. The reporting is in line with the ESG criteria reference points set forth for Category A and Category B assets. Due to a lack of data availability, particularly for category A assets, and the purpose of the Framework strategy, NatWest Markets does not intend to report on the quantitative ESG impacts of the assets included in the portfolio. NatWest Markets does not report on divestments undertaken during the</i></p>

	<i>reporting period, though changes can be discerned through the annual reporting. For Category B assets, sovereign issuers can be expected to provide an independent, separate allocation and impact report consistent with NatWest Markets' commitment to align with applicable ICMA principles.</i>
6. External review	NatWest Markets has appointed ISS-Corporate to provide an external review of the ESG Short-Term Products Framework and its alignment with the Group's overall sustainability strategy.

PART II: CONSISTENCY OF THE ESG SHORT-TERM PRODUCTS FRAMEWORK WITH NATWEST MARKETS’ SUSTAINABILITY STRATEGY

The sustainability strategy of NatWest Markets’ subsidiary aligns with the overarching sustainability framework established by NatWest Group. This approach leverages group-wide sustainability credentials while tailoring specific initiatives to the subsidiary’s capital market focused role, ensuring coherence with the group’s ESG commitments.

Key sustainability objectives and priorities defined by NatWest Markets

TOPIC	NATWEST MARKETS APPROACH
<p>Strategic ESG topics</p>	<p>NatWest Markets’ strategic ESG topics derive from the Group’s focus on climate action, enterprise support, learning initiatives, and diversity, equity and inclusion. These sustainability pillars have been defined through its ESG materiality assessment that is refreshed every three years. During 2023, the group reviewed its key ESG topics.</p>
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, NatWest Group has set the following goals:</p> <ol style="list-style-type: none"> 1. Climate action <ul style="list-style-type: none"> ▪ GBP 100 billion cumulative climate and sustainable funding between July 1, 2021, and the end of 2025 ▪ 70% of managed assets aligned to a net-zero pathways by end of 2030 ▪ 50% reduction in Scope 1 and location-based Scope 2 GHG emissions and 26% reduction in Scope 3 by 2030 SBTi validated target 2. Enterprise support: <p>All targets set in 2023 have already been reached.</p> <ul style="list-style-type: none"> ▪ 301,000 interventions delivered to start, run and grow a business against a target of 275,000 in 2023 ▪ 57,000 youth interventions delivered against a target of 50,000 in 2023

	<ul style="list-style-type: none"> ▪ 45,000 individuals and business supported by enterprise programs against a target of 35,000 in 2023 <p>3. Learning initiatives:</p> <ul style="list-style-type: none"> ▪ 18.4 million financial capability interactions delivered between 2020 and 2023 against a target of 15 million by 2023 ▪ 2.3 million additional customers helped to start saving between 2020 and 2023 against a target of 2 million by 2023 ▪ Ambition to help 10 million customers to manage their financial well-being per year by 2027 <p>4. Diversity, equity and inclusion:</p> <ul style="list-style-type: none"> ▪ Full gender balance in CEO-3 positions and above globally by the end of 2030 ▪ 14% of colleagues from ethnic minority groups in CEO-4 and above in the U.K. by end of 2023 ▪ Reach 3% of colleagues who identify as Black in the U.K. in CEO-5 and above roles by end of 2025 <p>All of these goals are publicly mentioned in NatWest’s ESG Disclosures Report and monitored annually.</p>
<p>Action plan</p>	<ul style="list-style-type: none"> ▪ Climate action <p>NatWest Group has the ambition to be net-zero by 2050 across financed emissions, assets under management and its operational value chain. Please see the climate transition strategy section below for more details.</p> <ul style="list-style-type: none"> ▪ Enterprise support <p>NatWest Group is providing financial support for SMEs through Coutts’ UK Enterprise Fund, which invests in U.K.-based growth stage private companies; provides business coaching through goal setting, tracking</p>

	<p>progress and partnership with the ScaleUp Institute; and facilitates events across the U.K. to discuss the challenges high-growth businesses face.</p> <p>The Bank has a dedicated Family Business Hub and specialist managers, and targets entrepreneurs through the Entrepreneur Hub and Entrepreneur Accelerator program.</p> <p>Beyond financial support, the Bank offers guidance and resources via the partnership with Digital Boost Upskilling, an online mentoring platform, to launch a free-to-use mentor matchmaking service for the next generation of Scottish women in business.</p> <p>Finally, the NatWest Social & Community Capital charity enables social enterprise and trading charities to have a positive impact, providing repayable finance, direct mentoring and volunteer support.</p> <p style="text-align: center;">3. Learning initiatives</p> <p>NatWest specifically focuses on increasing financial capability outreach to support financial literacy for its clients through financial wellbeing tools (i.e., the Know Your Credit Score tool) and financial education programs.</p> <p style="text-align: center;">4. Diversity, equity and inclusion</p> <p>The group promotes and inclusive work environment by investing in leadership development programs and hosting conferences and events designed to support underrepresented groups.</p>
<p>Climate transition strategy</p>	<p>To reach its SBTi validated targets for 79% of its 2019 lending book and its commitment to net zero, the Bank is deploying the following climate transition strategy:</p> <ul style="list-style-type: none"> ▪ Supporting its clients' sustainability transitions through funding across sectors and emerging technologies, development of new and enhanced green/transition products and services, providing supply chain finance to

	<p>large corporates, and aligning its managed assets with net zero.</p> <ul style="list-style-type: none"> ▪ Supporting decarbonization of its operations by reducing operational value chain emissions, decreasing impact of its buildings and increasing engagement with colleagues and suppliers. ▪ Enhancing the linkage between its climate transition strategy plan and financial plan.
<p>ESG risk and sustainability strategy management</p>	<p>Within NatWest Group's Environmental, Social and Ethical (ESE) Risk Framework, it has developed Risk Acceptance Criteria (RAC) for nine sectors that present heightened ESE risk. Customers are assessed at onboarding and during the lifecycle of their relationship. Some of the activities prohibited include provision of sexual entertainment venues; the manufacture, sale, trade, servicing or stockpiling of highly controversial weapons; establishing new coal relationships; and customers using harmful child labor, forced labor, modern slavery or human trafficking.</p> <p>This initial screening is complemented by an ESE risk concerns process, which seeks to ensure that ESE risk is identified and managed for customers and transactions in sectors that are not covered by RAC, or where there may be multiple issues or complexities.</p> <p>All customers who fall into the "restricted" ESE risk category are subject to enhanced due diligence. This includes ensuring that companies have relevant policies and procedures to manage ESE risks and the capacity to manage these risks through good governance and control. It also assesses the companies' external ESE track record. All restricted customer relationships are approved by a business segment or legal entity accountable executive and, where material, may be escalated to the Group Reputational Risk Committee. This committee may review the appropriateness of the transaction, customer or product-specific case, or specific matters</p>

	<p>that could have bank-wide reputational risk implications.</p> <p>ESE Risk Framework oversight and effectiveness is provided by the Risk Function and reported annually to the Reputational Risk Committee.</p> <p>Specifically for NatWest Markets’ ESG short-term products, ESG risks are screened via ISS ESG Corporate and Country ratings.</p>
<p>Sustainability reporting</p>	<p>The Bank reports on its ESG performance and initiatives annually. The report is prepared following IFRS S1 and S2 requirements and the Principles for Responsible Banking reporting template, and is performed in accordance with ISAE (UK) 3000 (July 2020), the standard for assurance engagements other than audits or reviews of historical financial information.</p>
<p>Industry associations, collective commitments</p>	<p>NatWest Group is a signatory to the United Nations Global Compact, the Net-Zero Banking Alliance and the Net Zero Asset Managers initiative. NatWest Group is also a founding member of the Principles for Responsible Banking in 2019. Katie Murray, the Group’s CFO and executive sponsor for gender, is part of the charter’s Accountable Executive Taskforce.</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>Under its Green, Social and Sustainability Financing Framework that was verified by an external third party, NatWest Group has issued four social bonds and four green bonds.</p> <p>Social bonds issued:</p> <ul style="list-style-type: none"> ▪ November 2019, SME lending, nominal amount: EUR 750 million ▪ February 2021, affordable housing, nominal amount: EUR 1 billion ▪ March 2023, nominal amount: EUR 500 million ▪ September 2024, nominal amount: EUR 1 billion <p>Green bonds issued:</p>

	<ul style="list-style-type: none"> ▪ May 2020, renewable energy, nominal amount: USD 600 million ▪ November 2021, green mortgage, nominal amount: GBP 600 million ▪ August 2022, renewable energy and green mortgage, nominal amount: EUR 1 billion ▪ August 2024, electric vehicles, nominal amount: EUR 750 million
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Rationale for establishing the Framework

NatWest Markets developed the ESG Short-Term Products Framework in 2019 to offer its corporate and institutional clients the opportunity to place funds with NatWest Markets (including its subsidiaries) in a way that supports fixed-income issuers with ESG credentials.

The company subsequently updated the Framework in 2022, expanding its asset base. The 2024 refresh represents the third update of the Framework, with the aim to reflect more recent market best practices and regulatory guidance for sustainable finance instruments.

This Framework allows NatWest Markets to:

- Support a portfolio of recognized ESG assets as part of its overall portfolios of debt securities
- Offer NatWest Markets’ clients the ability to hold products that consider ESG factors while meeting their liquidity requirements
- Promote ESG commitments by increasing liquidity for “Prime” rated organizations, as assessed through the ISS ESG Corporate and Country ratings.

Opinion: *While there is little information to support how the purpose of this ESG Short-Term Products Framework addresses the four focus areas of the Group — mitigate climate challenges; support enterprises; support customers’ literacy skill; and improve diversity, equity and inclusion — the rationale for establishing a ESG Short-Term Products Framework is clearly described by NatWest Markets.*

DISCLAIMER

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ANNEX 1: METHODOLOGY

PART I: REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

This section considers relevant market practices and relevant guidelines¹⁵ in the assessment of the governance processes related to sustainable financing/lending and investment strategy and fixed-income transactions. The analysis included criteria from a set of different market standards and voluntary guidelines and best practices (e.g., the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines or Principles for Responsible Investment) for ESG factor integration in equity and fixed income.

SECTION	ASSESSMENT CRITERIA
<p>1. Strategy and objectives</p>	<p>For an investing strategy to be classified as sustainable, investors should embed these within the context of their overarching sustainability objectives. The overall sustainability strategy should be expressed in line with key market developments such as the U.N. Sustainable Development Goals or the Paris Agreement. Financial market participants shall publish and maintain a description of the environmental or social characteristics of the sustainable investment objective and information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product.</p>
<p>2. Definition of responsible investment activities</p>	<p>The sustainable investment strategy should clearly and comprehensively define what products, asset classes or companies are deemed sustainable based on the investor’s criteria. Those criteria should ensure a positive contribution to the investor’s sustainability objectives and be sufficiently precise to ensure a minimum level of contribution to those objectives (e.g., clear definition, quantified threshold or impact indicators) while ensuring that other sustainability objectives are not harmed. To enhance transparency, the strategy is expected to include an exhaustive list of eligible sustainable activities and an exclusion list of activities that would not be invested in. Financial institutions should provide a description of the environmental or social characteristics of the sustainable investment objective.</p>
<p>3. Evaluation and selection process</p>	<p>The investor is expected to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant investments. Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the investor assesses the potential risks to be meaningful. Potential negative social and/or environmental impacts of</p>

¹⁵ ISS Corporate makes its assessment based on market standards and guidelines relevant to sustainable finance capital markets (e.g., ESG responsible investment strategies or fixed-income transactions including but not limited to the [Principles for Responsible Investment](#); the EU [Sustainable Finance Disclosure Regulation](#); ICMA’s [Green Bond Principles](#), [Social Bond Principles](#) and [Sustainability Bond Guidelines](#); and the LMA’s [Green Loan Principles](#), [Social Loan Principles](#) and [Sustainability-Linked Loan Principles](#) where applicable).

	each investment should be assessed, addressed, monitored and managed. Policies on the identification and prioritization of principal adverse sustainability impacts and indicators should be in place.
4. Governance and monitoring	Clear governance mechanisms should be in place to ensure that the investments classified as sustainable remain in line with the criteria. This should include a process to potentially reallocate or reinvest, when investments cease to meet the eligibility criteria. The allocation and/or reallocation should be made exclusively to ESG assets in line with the selection criteria. Monitoring systems, clear accountability and segregation of duties within the organization should be established.
5. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds and the impact and performance of the ESG portfolio, concisely in qualitative or quantitative terms, how such impacts are considered as well as a statement that includes information on the principal adverse impacts on sustainability factors.
6. Verification	It is recommended that sustainable investment strategies are reviewed by an external body. The external reviews should be made available to the respective stakeholders involved.

PART II: ESG SHORT-TERM PRODUCTS FRAMEWORK'S LINK TO NATWEST MARKETS' SUSTAINABILITY STRATEGY

This section provides an assessment of the sustainability quality of the Group and how the underlying ESG Short-Term Products Framework contributes to its sustainability strategy. Drawing on the ISS ESG Corporate Rating, a focus is put on the Group's overarching sustainability policies and the management of related ESG risks.

ANNEX 2: ISS ESG COUNTRY RATING METHODOLOGY

ISS ESG's [Country Rating](#) assesses the extent to which a sovereign issuer is positioned to successfully manage salient risks related to ESG themes, thus providing investors with forward-looking information on sustainability risks, adverse impacts and opportunities for investments.

ANNEX 3: ISS ESG CORPORATE RATING METHODOLOGY

ISS ESG's [Corporate Rating](#) provides relevant and forward-looking ESG data and performance assessments.

ANNEX 4: QUALITY MANAGEMENT PROCESSES

SCOPE

NatWest Markets commissioned ISS-Corporate to compile an ESG Short-Term Products Framework External Review. The External Review process includes verifying whether the ESG Short-Term Products Framework aligns with market practices for sustainable portfolio investment strategies and assessing its sustainability credentials.

CRITERIA

Relevant standards for this External Review stem from key principles for transparency and non-contamination of sustainable-labeled products, including:

- The International Capital Market Association's Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles
- The Principles for Responsible Investment

CLIENT'S RESPONSIBILITY

NatWest Markets' responsibility was to provide information and documentation on:

- ESG Short-Term Products Framework
- Governance procedures for the ESG short-term products and ESG assets

ISS-CORPPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS-Corporate has conducted this independent External Review of NatWest Markets' ESG Short-Term Products Framework based on proprietary methodology and in line with market practices and relevant market standards for sustainable finance.

The engagement with NatWest Markets took place in November 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this External Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

As part of its sustainable (green and social) bond services, ISS-Corporate provides support for companies and institutions issuing sustainable bonds, advises them on the selection of categories of projects to be financed and helps them define ambitious criteria.

ISS-Corporate provides external review services for sustainable financing and responsible investment strategies by assessing the robustness of its clients' frameworks.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

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