

EXTERNAL REVIEW ESG SHORT-TERM PRODUCTS FRAMEWORK - NATWEST

NatWest Markets Plc
5 December 2022

VERIFICATION PARAMETERS

Type of Instruments	<ul style="list-style-type: none">ESG Short-term Products: Deposits, Commercial Paper Notes, or Certificates of DepositESG Assets: Securities issued by supranational, agencies, or regional governments and Green, Social, or Sustainability Bonds issued by sovereigns, rated 'Prime' by ISS ESG
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, dated December 19, 2022
Validity	Valid as long as the Framework remains unchanged

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SCOPE OF WORK

NatWest Markets Plc ('NatWest Markets', 'NWM') commissioned ISS Corporate Solutions¹ to assist with its ESG Short-term Products Framework ('Framework') by assessing two core elements:

1. 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 practices² (see Annex 1-3)
2. Assessment of NatWest Markets Plc's and NatWest Group Plc's³ ('the Group') Sustainability performance – drawing on the Group's overall sustainability profile and the ESG Short-term Products Framework (see Annex 3)

NatWest Markets Plc 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 Environmental, Social, and corporate Governance (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 supnationals, agencies, or regional governments 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 which aligns with applicable ICMA principles, as confirmed by a publicly available external review.

¹ ISS Europe Ltd as a provider of the ISS ESG Corporate and Country Rating service and ISS Corporate Solutions as a second opinion provider each belong to the Institutional Shareholder Services (ISS) group.

² ISS ESG draws its assessment based on market standards, regulations, and guidelines relevant for sustainable finance capital markets, e.g. ESG investing strategies or fixed income transactions including but not limited to the [UN Global Compact PRI](#), EU Sustainable Finance Disclosure Regulation ([SFDR](#)), the ICMA [Green, Social Bond Principles](#) and [Sustainability Bond Guidelines](#), the LMA [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability Linked Loan Principles](#).

³ 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.

ISS ESG ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY
<p>Part I:</p> <p>Review of NatWest Markets' ESG Short-term Products Framework</p>	<p>ISS ESG considers NatWest Markets' ESG Short-term Products Framework to reflect best market practices. The ESG Assets selection criteria Category A⁴ are exclusively following an absolute best-in-class approach⁵ and do not seek to ensure the manifestation of clear environmental or social benefits or the prevention of financing of UN SDGs⁶ harmful activities (i.e., activities that harm the attainment of one or more UN SDGs). ESG Assets under selection criteria Category B include Green, Social, or Sustainability Bonds 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 NatWest Markets' Sustainability Strategy, the Purpose of the Framework, Definition of ESG Short-term Products and ESG Assets, Asset Evaluation and Selection Process, Management of Proceeds and Reporting.</p> <p>ISS ESG 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 supranationals, agencies, or regional governments and Green, Social, and Sustainability Bonds issued by sovereigns and aligned with applicable ICMA principles, rated 'Prime' by ISS ESG Corporate and Country Rating respectively. It is noted that 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 UN SDGs harmful activities. 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 rated 'Prime' within the ISS ESG rating universe are considered for the selection process.</p> <p>Internal procedures for ESG Assets 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 such as case studies available.</p>
<p>Part II:</p> <p>Framework's link to NatWest Group Plc Sustainability strategy</p>	<p>ISS ESG considers the ESG Short-term Products Framework to be consistent with the Group's Sustainability strategy.</p> <p>The ESG Short-term Products Framework is considered consistent with NatWest Markets' and the Group's sustainability strategy. The rationale for developing the ESG Short-term Products Framework is described by NatWest Markets. According to the ISS ESG Corporate Rating updated on June 21, 2022, the Bank shows a high sustainability performance. NatWest Group Plc is rated 'Prime'. At the date of publication of the report, the Group is not exposed to any controversies as identified by ISS ESG.</p>

⁴ Securities issued by supranationals, agencies or regional governments rated 'Prime' by ISS ESG Corporate Rating

⁵ Referring to one of the 7 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 Assets category A comprises Securities issued by supranationals, agencies or regional governments rated 'Prime' by ISS ESG Corporate Rating.

⁶ United Nations Sustainable Development Goals

EXTERNAL REVIEW ASSESSMENT

PART I: REVIEW OF THE ESG SHORT-TERM PRODUCTS FRAMEWORK

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 ESG portfolio of ESG Assets as part of the overall portfolios of debt securities, facilitating debt market access and increasing liquidity for ISS ESG Corporate/Country Rating ‘Prime’ ESG rated organizations. These processes are reviewed against current market practices for sustainable capital and loan markets derived from market standards and voluntary guidelines. The assessment is therefore based on derived key principles for transparency, disclosure, and non-contamination of sustainable labelled products from the ICMA Green and Social Bond Principles, Sustainability Bond Guidelines, and Principles for Responsible Investment Guidelines for integration of ESG considerations in equity and fixed income.

CRITERIA	ISS ESG OPINION						
<p>0. Strategy & Objectives</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 signatories of the UN Principles for Responsible Banking (PRB), the Group has committed, on an ongoing basis, to align its strategy with the 2015 Paris Agreement and the UN Sustainable Development Goals (SDGs). The strategy is part of the Group’s development of its overall sustainable finance and ESG ecosystem. NWM aims to provide market and product expertise, thought leadership, and support the NWM’s customers with financing and risk management solutions to achieve their climate and sustainability ambitions. In addition, NatWest Markets works closely with the Group to contribute to the Group’s stretching targets of minimum 90% decarbonisation by 2050 for all emissions in order to achieve net zero for all emissions⁷.</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 environmental, social, and governance factors and thereby support funding entities with ESG credentials. It allows consideration of sustainability and ESG to proliferate more widely across additional departments within NWM. Consistency between the subject of this report and the Group’s sustainability strategy is further detailed in Part II.B of this report.</i></p>						
<p>1. ESG Short-term Products and ESG Assets</p>	<p>NatWest Markets set 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.</p> <p>Securities are eligible as ESG Assets if they belong to one of the following categories:</p> <table border="1"> <thead> <tr> <th>CATEGORY</th> <th>DESCRIPTION</th> <th>ESG CRITERIA REFERENCE POINT</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	CATEGORY	DESCRIPTION	ESG CRITERIA REFERENCE POINT			
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⁷ [NatWest Group’s Climate-related Disclosures Report 2021](#)

A	Securities issued by supranationals, agencies or regional governments rated 'Prime' by ISS ESG Corporate Rating	ISS ESG Corporate Rating
B	Green, Social, or Sustainability Bonds ("GSS Bonds") issued by sovereign 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 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 those companies with an overall rating / ESG performance above the sector-specific 'Prime' threshold, which means that they fulfil ambitious absolute performance requirements. In addition to the overall rating, a decile rank indicates performance relative to industry peers.⁸

Category B: The Green Bond, Social Bond Principles, or Sustainability Bond Guidelines are voluntary guidelines 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 will facilitate transactions that preserve the integrity of the market⁹. NWM puts the alignment against the ICMA Principles as a minimum requirement for the securities to be considered in the ESG Portfolio. The four core components for the 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, which 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). NWM considers exclusively sovereign issuers, rated 'Prime' by ISS ESG Country Rating.

Opinion: For both categories, A and B, NatWest Markets make use of an absolute best-in-class approach considering Securities issued by supranationals, agencies, or regional governments and GSS Bonds issued by sovereigns rated 'Prime' by ISS ESG Corporate or Country Rating respectively. This approach does not ensure the manifestation of clear environmental or social benefits or the prevention of financing UN SDGs harmful activities. NWM does not apply a specific impact focus, negative screening approach, or ESG factor prioritization for its ESG portfolio strategy. ISS ESG notes that NWM does not

⁸ [ISS ESG Corporate Rating](#)

⁹ [ICMA International Capital Market Association](#)

	<p><i>operate under a strict exclusion list.¹⁰ 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.</i></p> <p><i>ISS ESG notes that this criterion involves both the ISS ESG Corporate 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 their sustainability performance and takes action to improve on them. Relying on an ESG Rating provides NatWest Markets with an external, commonly used methodology to determine which Issuer is better performing on a range of sustainability-related indicators.</i></p> <p><i>For Category B, i.e., the sovereign securities, the additional criteria of the GSS label add an element of sustainability impact measurement, in either social and/or green areas. Whilst 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. ISS ESG notes that the social and/or green impacts of sovereign GSS Bonds are linked to government policy and a diverse array of expenditures.</i></p> <p><i>Whilst a detailed assessment of the different methodologies used by different ESG rating providers is not within the scope of this work, ISS ESG 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>2. Evaluation & 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 Climate & Sustainability Committee (CSC) has oversight of the Framework which is discussed quarterly 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, • A 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>NWM has defined a formal concept and accountabilities for the weekly management of funding from ESG Short-term Products and ESG Assets selection. In addition to the screening of the issuers based on the ISS ESG 'Prime' rating methodology, and the ICMA Green Bond Principles, Social Bond Principles, or Sustainability Bond Guidelines.</p> <p>Opinion: <i>ISS ESG considers that the process for asset evaluation and selection is clearly laid out. Oversight of the Framework involves the Climate & Sustainability Committee (CSC), which is comprised of senior representatives from multiple relevant departments.</i></p>

¹⁰ It is noted, that as part of NatWest Markets' climate ambition announced in February 2020, NWM 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 2015 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>Periodic reviews of the Framework (quarterly) and ESG Asset holdings are scheduled (monthly). Responsibilities for stakeholders across different departments are described. NWM has a formal procedure in place should ESG Assets no longer meet the eligibility criteria. The selection of ESG Assets follows a formal concept. NWM considers securities from the primary and secondary markets and reverse repo transactions.</i></p>
3. Governance & Monitoring	<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. NWM 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. NWM provides reasons for the reallocation of proceeds including the delisting of the issuer from 'Prime' status. NWM discloses transparently 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>ISS ESG considers that the governance procedures, including the management of proceeds and assets, reflect best market practices as NWM discloses transparently tracking procedures and internal procedures aligned with NWM's operations for eligible ESG Assets. NWM remains transparent on temporary investments of ESG Short-term Products when appropriate ESG Assets are not available.</i></p> <p><i>NWM confirms that the portfolio is tracked separately, albeit part of larger portfolios that are managed as per regulatory and liquidity requirements by the respective functions. Following the Framework's publication, Category A and B will be tracked separately. NWM confirms appropriate mechanisms to ensure divestment of ESG Assets that cease to meet the eligibility criteria following the monthly portfolio review.</i></p>
4. Reporting	<p>NatWest Markets commits to provide publicly available reporting on an annual basis, with details regarding the proceeds raised and allocated towards eligible ESG Assets.</p> <p>Opinion: <i>ISS ESG has reviewed the previous reports that were related to the ESG Short-term Products that were managed under the predecessor to this Framework. The previous reports as well as 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 B assets. Due to a lack of data availability, particularly for category A assets, and the purpose of the Framework strategy, NWM 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 reporting period, albeit 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 NWM's commitment to align with applicable ICMA principles.</i></p>
5. External Review	<p>NatWest Markets has appointed ISS ESG to provide an external review of the ESG Short-term Products Framework and its alignment with the Group's overall Sustainability strategy.</p>

PART II: ESG SHORT-TERM PRODUCTS FRAMEWORK'S LINK TO NATWEST GROUP'S¹¹ SUSTAINABILITY STRATEGY

A. ASSESSMENT OF NATWEST GROUP'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	INDUSTRY	DECILE RANK	TRANSPARENCY LEVEL
NATWEST GROUP PLC	COMMERCIAL BANKS & CAPITAL MARKETS	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets industry as it obtains a Decile Rank relative to its industry group of 1, given that a decile rank of 1 indicates the highest relative ESG performance out of 10. NatWest Group Plc is rated 'Prime'.

ESG performance

As of November 17, 2022, this rating places NatWest Group Plc 8th out of 300 companies rated by ISS ESG in the Commercial Banks & Capital Markets industry.

Key challenges faced by companies in this industry in terms of sustainability management and the issuer's performance against those key challenges in comparison to the average industry peers' performance are displayed in the chart.

Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

Leveraging ISS ESG's Corporate Rating research, further information about the Group's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>. Consistency between the subject to this report and the Group's sustainability strategy is further detailed in Part II.B of the report.

NatWest Group Plc's Business Exposure to ESG Risks

This section aims to provide an overall level of information on the ESG risks to which the Group is exposed through its business activities, providing additional context to the issuance assessed in the

¹¹ 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.

present report. ISS ESG retains information provided by the ISS ESG Corporate Rating on the parent company, NatWest Group Plc.

ESG risks associated with the Group's industry

NatWest Group Plc is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by institutions in terms of sustainability management in this sector are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies and institutions within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labour standards and working conditions
Business ethics

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of NatWest Group Plc's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process. ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any controversy in which the Group would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets sector are as follows: failure to mitigate climate change impact, failure to prevent money laundering, and failure to prevent deforestation/illegal logging. Please note, that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.

B. THE CONSISTENCY OF THE ESG SHORT-TERM PRODUCTS FRAMEWORK WITH NATWEST MARKETS' SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Group

NatWest Markets' parent company NatWest Group Plc has set out a sustainable strategy¹² with the 3 focuses below:

1) Climate

NatWest Group Plc acknowledges the key role it plays within the financial service industry as a lender to support climate-related initiatives and commitments. It has set climate targets such as achieving net zero emissions by 2050, decrease at least 50% of climate impact of current financing activities by 2030, allocate £100 billion to climate and sustainable funding and financing between July 2021 and the end of 2025, ensure 50% of UK mortgage customers' homes are at or above EPC C by 2030, fully phase out of coal for UK and non-UK customers that have UK coal production by January 1st 2030, and decrease 50% of scope 1-3 operational footprint by 2025.

2) Enterprise

NatWest Group Plc also supports businesses in different scales by launching products and services including but not limited to entrepreneurship workshops, kickstarting female entrepreneurship programs, and supporting youth enterprises. Some of the ambitions include supporting 35,000 individuals or businesses through enterprise programmes in 2021, ensuring 60% of female and 20% of minority ethnic background will be supported in enterprise programmes, deliver 200,000 interventions to start, run or grow a business in 2021, dedicating 75% of businesses supported to be outside of London and the Southeast region, and ensuring 10% of businesses supported through enterprise programmes to create purpose-led businesses.

3) Learning

NatWest Group Plc supports families and customers with financial literacy skills, including but not limited to helping customers develop good saving habits and design budgeting programs. Some of the ambitions include delivering 15 million of financial capability interactions by 2023, assisting 2 million customers to start saving by 2023, ensuring 100% of front-line employees are professionally accredited with the financial literacy training program within 18 months in the role, and extending the social mobility apprenticeship program across multiple UK locations.

In addition to the 3 pillars above, NatWest Markets also embedded ESG elements into lending solutions and products such as Sustainability Linked Loans, ESG derivatives, private finance solutions, securitization, repo transactions, commercial paper, ESG deposits, and sustainable bond transactions.

Rationale to the ESG Short-term Products Framework

Following its first release, NatWest Markets engaged with ISS ESG in 2019 to provide an external review on the alignment of ESG Product Framework against NatWest Markets' former parent company's (Royal Bank of Scotland, RBS) overall Sustainability strategy 2019.

With this updated ESG Short-term Products Framework, NWM aims at (i) offering its corporate and institutional clients the opportunity to place funds with NatWest Markets in fixed-income products that integrate environmental, social, and governance factors, (ii) support funding entities with strong ESG credentials and (iii) supporting a high-quality ESG portfolio of ESG Assets as part of our overall

¹² [NatWest Group Plc 2021 Environmental, Social and Governance Supplement](#)

portfolios of debt securities.

The new ESG Short-term Products Framework will overall contribute to NatWest Markets' Sustainability strategy through supporting the extension of NWM's products integrating ESG factors and building a portfolio following an absolute best-in-class approach composed of debt securities offered by 'Prime' rated supranationals, agencies, or regional governments and Green, Social and Sustainability Bonds issued by sovereigns, rated 'Prime' by ISS ESG and issued under a sustainability financing framework which aligns with applicable ICMA principles, as confirmed by a publicly available external review.

Opinion: *While there is little information to support how the purpose of this ESG Short-term Products Framework addresses the 3 focus areas of the Group: mitigate climate challenges, support entrepreneurship initiatives, and support customers' literacy skills, NatWest Markets' rationale to establish an ESG Product portfolio supports the Bank's Sustainable finance strategy. Therefore, ISS ESG finds that the ESG Short-term Products Framework proved to be consistent with NatWest Markets' Sustainability strategy.*

DISCLAIMER

1. Validity of the External Review (“External Review”): Valid as long as the Framework remain unchanged.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes External Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
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ANNEX 1: Methodology

REVIEW OF THE SUSTAINABLE FINANCE FRAMEWORK

This section considers relevant market practices and relevant guidelines¹³ 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 ICMA Green and Social Bond Principles, Sustainability Bond Guidelines or the Principles for Responsible Investment Guidelines for ESG factor integration in equity and fixed income.

SECTION	ASSESSMENT CRITERIA
0. Strategy & objectives	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 UN Sustainable Development Goals or the Paris Climate 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.
1. Definition of Responsible Investment activities	The sustainable investment strategy should define clearly and comprehensively 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 ¹⁴ . Enhancing 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.
2. Evaluation & Selection Process	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 each investment should be assessed, addressed, monitored, and managed. Policies on the identification and prioritisation of principal adverse sustainability impacts and indicators should be in place.
3. Governance & 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.

¹³ ISS ESG draws 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 [UN Global Compact PRI](#), EU Sustainable Finance Disclosure Regulation ([SFDR](#)), the ICMA [Green](#), [Social Bond](#) Principles and [Sustainability Bond Guidelines](#), the LMA [Green Loan Principles](#), [Social Loan Principles](#), [Sustainability Linked Loan Principles](#) where applicable.

	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 organisation should be established.
4. Reporting	Relevant reporting should be conducted frequently and, where feasible, made publicly available to communicate on the allocation of proceeds, as well as 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 information on the principal adverse impacts on sustainability factors.
5. 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.

ESG SHORT-TERM PRODUCTS FRAMEWORK'S LINK TO NATWEST GROUP PLC'S 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 ISS ESG Corporate Rating, a focus is put on the Group's overarching sustainability policies as well as the management of related ESG risks.

ANNEX 2: ISS ESG Country Rating Methodology

ISS ESG's Country Ratings assess 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.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Country-Rating-Methodology.pdf>

ANNEX 3: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 4: Quality management processes

SCOPE

NatWest Markets Plc commissioned ISS ESG 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 External Reviews stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- ICMA Green, Social Bond Principles and Sustainability Bond Guidelines
- UN Global Compact PRI

CLIENT'S RESPONSIBILITY

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

- ESG Short-term Products Framework
- ESG Impact and Risk Management at portfolio level
- Governance procedures for the ESG Short-term Products and ESG Assets

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 ESG has conducted this independent External Review of the ESG Short-term Products Framework by NatWest Markets Plc based on ISS ESG methodology and in line with market practices and relevant guidelines for sustainable finance and investment strategies.

The engagement with NatWest Markets Plc took place from June to December 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 ISS ESG EXTERNAL REVIEW

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

ISS ESG provides external review services for Sustainable Lending, Financing and Investment strategies by assessing the robustness of our client's Frameworks and the governance and control design.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on External Review services, contact: SPOsales@isscorporatesolutions.com

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