

Allocation Report

NatWest Markets ESG Short-term Products Framework
December 2023



NatWest

TOMORROW BEGINS TODAY

ESG Allocation Report

1. Summary of the ESG Short-term Products Framework	3
2. ESG Products raised under the Framework.....	4
3. ESG Assets	5
4. Case Studies	7
5. Confirmation	10

1. Summary of the ESG Short-term Products Framework

ESG considerations are central to delivering our sustainability and business objectives. In 2019, we developed an ESG Product Framework to offer our corporate and institutional clients the opportunity to place funds with NatWest Markets to be used to acquire securities that integrate environmental, social and governance (**ESG**) factors and support funding entities with leading ESG credentials.

In December 2022, NatWest Markets updated the Framework (now titled ESG Short-term Products Framework, the **Framework**), to broaden the categories of eligible ESG Assets to include green, social or sustainability bonds issued by sovereign issuers also rated “Prime” by ISS ESG Country Rating, and allow the NatWest Markets Portfolio Credit Management team to acquire ESG Assets, in addition to the NatWest Markets Treasury team, thereby embedding ESG selection criteria in their operations as well.

Securities are eligible as **ESG Assets under the Framework**, if they belong to one of the following categories:

Category	Description	ESG criteria reference point
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 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 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)

From 1 October 2022 to 30 September 2023 (inclusive, the **Reporting Period**), NatWest Markets has raised funding through deposits from customers and allocated amounts equivalent to the proceeds of such deposits to acquire ESG Assets or allocate to existing ESG Assets in the securities portfolios.

This Allocation Report is produced in accordance with the current Framework, available at www.natwest.com/esgproductframework.

Note: (1) For more information, see <https://www.icmagroup.org/sustainable-finance/>

2. ESG Products raised under the Framework

During the Reporting Period, NatWest Markets has continued to attract Deposits (as defined in the Framework) from a variety of corporate and institutional clients. They have typically been corporate treasury teams active in such sectors as utilities, logistics, education, retail, and technology. The Deposits allow them to hold products that consider ESG factors while meeting treasury policies which typically have limited capacity to allocate surplus cash other than in short-term commitments.

ESG Product funds raised under the Framework:

- During the Reporting Period, an average² of £380,624,901 of ESG Products were deposited.
- At 30 September 2023 (the **Reporting Date**), the total notional amount of ESG Products outstanding was £404,857,641.
- At the Reporting Date, 100% of funds were allocated to ESG Assets and 0% were unallocated.
- At the Reporting Date, 100% of ESG Products came from Deposits and 0% from Commercial Paper or Certificates of Deposit.

Note: (2) Calculated as simple average of the moth-end reported figure

3. ESG Assets

Throughout the Reporting Period, an amount equal to or above the total notional amount of the ESG Products raised under the Framework was allocated to ESG Assets.

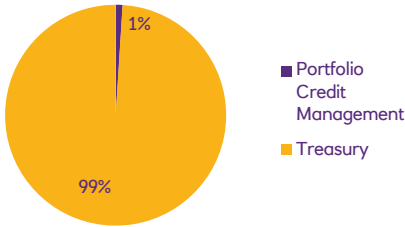
Portfolio composition at the Reporting Date was as follows:

Issuer	Sector	Geography	ISS ESG Corporate / Country Rating Prime	Strategic SDGs ³
Asian Development Bank	Supranational	Supranational	Yes	All
Asian Infrastructure Investment Bank (AIIB)	Supranational	Supranational	Yes	6,7,9,11
European Investment Bank (EIB)	Supranational	Supranational	Yes	All
European Stability Mechanism (ESM)	Supranational	Supranational	Yes	-
European Union	Supranational	Supranational	Yes	6,7,8,9,11,12,13,14,15
French Republic	Sovereign	EMEA	Yes	9,7,11,12,13,14,15
Inter-American Development Bank	Supranational	Supranational	Yes	All
International Bank For Reconstruction And Development	Supranational	Supranational	Yes	All
International Development Association	Supranational	Supranational	Yes	All
Swedish Export Credit Corp.	Agency	EMEA	Yes	6,7,9,11,12,13,14,15
The African Development Bank	Supranational	Supranational	Yes	All

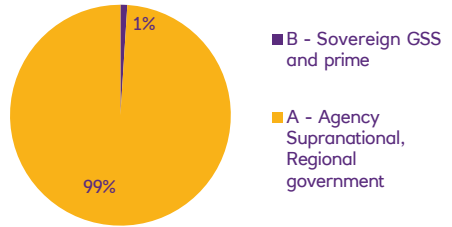
Note: (3) UN SDGs highlighted in the respective annual reports of the issuer. The Sustainable Development Goals (SDGs) are a collection of 17 non-legally binding interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for the proposed aim of each “ESG Asset” and NatWest Markets makes no representation, warranty, or assurance of any kind, express or implied, or takes no responsibility or liability as to whether the funding or financing made or reported under a specified ESG Asset definition furthers the objective or achieves the purpose of the indicated SDG.

ESG Asset portfolio split by volume (sterling equivalent) at the Reporting Date

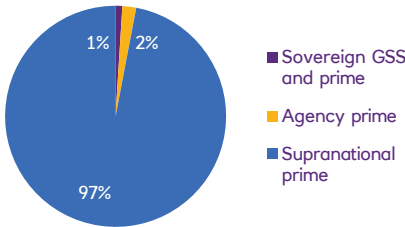
1. By Treasury / Portfolio Credit Management



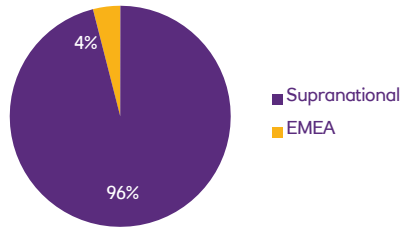
2. By Category A and Category B assets



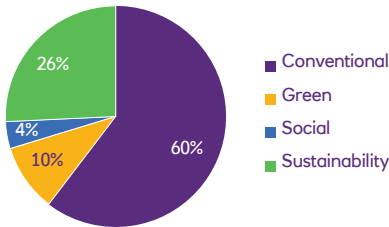
3. By Type of Issuer



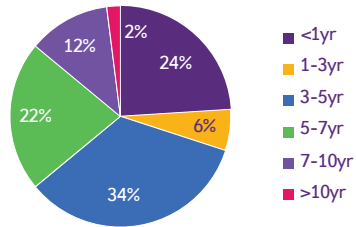
4. By Geography



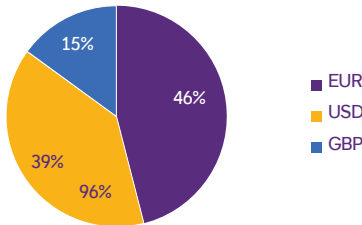
5. By GSS label / conventional



6. By Maturity⁴



7. By Currency



Using internal finance and reporting systems managed by the Financial Controls team, NatWest Markets tracked the total proceeds raised from ESG Products as well as the amount of ESG Assets acquired by the Treasury and Portfolio Credit Management teams. The Financial Controls team ascertained that the ESG Assets were eligible by reference to the ISS ESG Corporate and Country Ratings online portal, and designation of GSS Bonds and ICMA Principles Aligned Indicator in Bloomberg, on at least a monthly basis.

Note: (4) i.e. Tenor of the security as of issuance date

4. Case Studies⁵

These are selected examples of social support the organisations have given and do not reflect wider, social, environmental or other impacts (positive or negative) they may have through their operations.

Case Study 1 – European Union



The European Union (EU) is a supranational union of 27 member states across Europe. What began as a purely economic union has evolved into an organisation covering a wide range of policy areas from climate, environment and health to external relations and security, justice and migration.

As part of its economic response to the coronavirus pandemic, the European Commission launched the temporary Support to mitigate Unemployment Risks in an Emergency (SURE) programme to finance short-term employment schemes across the EU and keep people in jobs. SURE could also finance some health-related measures, in particular at the workplace, used to ensure a safe return to normal economic activity.

To finance the SURE programme, the Commission issued social bonds via its Social Bond Framework. It issued its last bond under SURE on 7 December 2022, raising €6.55 billion through a 15-year social bond. The transaction brought the total funding raised under the programme to €98.4 billion (~£85.7 billion), out of a maximum funding envelope of €100 billion⁶.

The Commission analysed the implementation and impact of the SURE programme with the main findings summarised below⁷:

- Member States have spent almost €122 billion (~£106.3 billion) on measures funded by SURE.
- 9 million people and over 900,000 firms were covered by SURE in 2021 in 15 Member States, with a clear phasing out in 2022 when 350,000 people and 40,000 firms were covered in 4 Member States.
- Policy measures including those supported by SURE are estimated to have effectively helped prevent unemployment for around 1½ million people in 2020.
- The primary beneficiaries of SURE support are small and medium sized enterprises, in particular in the sectors most affected by the pandemic (accommodation and food services, wholesale and retail trade, and manufacturing).
- Beyond the social and employment benefits, Member States are estimated to have saved €9.0 billion in interest payments.

In 2020, SURE supported **almost one third of total employment** (around 31.5m employees and self-employed people) and over **one quarter of firms** (over 2.5m firms) in the 19 beneficiary member states⁸.



Note:
(5) Figures are provided in £-sterling equivalent for illustration purposes and calculated as of the reporting date
(6) https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/sure_en
(7) https://economy-finance.ec.europa.eu/eu-financial-assistance/sure_en
(8) https://ec.europa.eu/commission/presscorner/detail/es/ip_22_5743

Case Study 2 – The International Bank for Reconstruction and Development (World Bank)



The International Bank for Reconstruction and Development (IBRD) was established in 1944 and is the original member of the World Bank. IBRD is an international organisation and global development institution owned by 189 member countries. As the largest development bank in the world, it supports the mission of the World Bank to end poverty on a liveable planet by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries.

\$40.8 billion (~£33.5 billion) was raised in fiscal year⁹ 2022 with their Sustainable Development Bonds¹⁰ which support the financing of projects designed intentionally for positive social and environmental impact while advancing progress toward the Sustainable Development Goals in member countries. During the same period, the organisation disbursed \$28.2 billion (~£23.2 billion) to various projects across Asia, Africa, Latin America and the Caribbean¹¹. The three sectors that received the largest disbursements in this period were:

- Social Protection \$4.2 billion (~£3.5 billion)
- Financial Sector \$4.1bn (~£3.4 billion)
- Health \$3.9bn (~£3.2 billion)

Examples of projects supported by the IBRD

1. **Enhanced Health Service Deliver Programme** – The project aims to help India enhance its primary healthcare system by expanding services to address reproductive, maternal, newborn, child, and adolescent health, and the increasing burden of non-communicable diseases.

The project aims to ensure:

- 90% of pregnant women receive four or more antenatal care visits
- 40% increase over baseline in footfalls at health and wellness centres
- Approx 8.6mm infants aged 9-11 months receive full immunisation as per the recommended schedule

IBRD has committed \$500 million (~£411 million) funding in 2022



Note:

(9) The World Bank's fiscal year runs from July 1-June 30

(10) <https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-sustainable-development-bonds>

(11) <https://treasury.worldbank.org/en/about/unit/treasury/impact/impact-report>

2. **Strengthening the National Social Protection System** – The project will provide temporary income support to poor households in targeted regions of Angola and strengthen delivery mechanisms for a permanent social safety net system.

The project aims to ensure:

- 5m beneficiaries (2.6m women) benefit from social safety net programmes
- 2,000 households register in the social registry
- 30,000 teenage girls in cash transfer beneficiary households attend school
- 70% of cash transfer beneficiary households are among the poorest 40%

IBRD has committed €320 million (~£279 million) funding in 2022



5. Confirmation

“As Deputy CEO of NatWest Markets Plc and the Chair of the NWM Climate & Sustainability Committee (CSC), I confirm that the CSC have reviewed the Allocation Report 2023 and that the ESG Asset portfolio conforms to the NatWest Markets ESG Short-Term Products Framework.”

Jonathan Peberdy

The Allocation Report and the Framework are available on

www.natwest.com/esgproductframework.

Any specific questions relating to the Allocation Report can be sent to our dedicated mailbox:

ESGShort-termProductsFramework@natwestmarkets.com.

Disclaimer

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