

Allocation Report

NatWest Markets ESG Short-term
Products Framework



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ESG Allocation Report

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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 Short-term Products Framework (the **Framework**) to offer our corporate and institutional clients the opportunity to place funds with NatWest Markets in fixed income products that integrate environmental, social and governance (**ESG**) factors and support funding entities with leading ESG credentials.

From 1 July 2021 to 30 September 2022 (the **Reporting Period**), NatWest Markets has raised funding through deposits from customers and allocated amounts equivalent to the proceeds of such deposits to purchase securities issued by financial institution or agency issuers rated “Prime” by ISS ESG Corporate Rating, where the Exclusionset forth in the Framework did not apply.

The Exclusion applied where considered applicable if the Bond or Issuer does not meet the NatWest Group environmental, social and ethical risk management standards or energy lending policies (as described in the 2019 version of the Framework).

In [December] 2022, NatWest Markets updated 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 embed ESG selection criteria in their operations by utilising ESG Assets, in addition to the NatWest Markets Treasury team.

This Allocation Report is produced in accordance with the 2019 version of the Framework.

To see 2019 and 2022 versions of the Framework, please visit www.natwest.com/esgproductframework

2. ESG Deposits raised under the Framework

ESG Deposits placed with NatWest Markets

During the Reporting Period, NatWest Markets has continued to attract ESG Deposits from a variety of corporate and institutional clients. They have typically been corporate and public sector treasury teams active in such sectors as utilities, logistics, education and retail. The ESG Deposits allow them to hold products that consider ESG factors while meeting their liquidity requirements and 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 average¹ of £335,617,856 of ESG Products were outstanding
- At 30 September 2022 (the Reporting Date), the total notional amount of ESG Products outstanding was £334,756,450
- At the Reporting Date, 100% of funds were allocated to ESG Assets and 0% were unallocated

(1) Calculated as simple average of the moth-end reported figure

3. ESG Assets

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

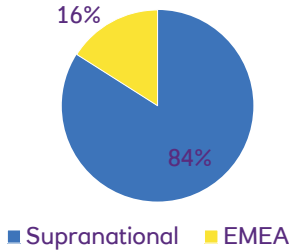
Portfolio composition on the Reporting Date was as follows:

| Issuer | Sector | Geography | ISS ESG Corporate Rating Prime | Strategic SDGs ² |
|--|---------------|---------------|--------------------------------|-----------------------------|
| Asian Infrastructure Investment Bank (AIIB) | Supranational | Supranational | Yes | 6,7,9,11 |
| Caisse d'Amortissement de la Dette Sociale (CADES) | Agency | EMEA | Yes | 1,3,10,11 |
| European Investment Bank (EIB) | Supranational | EMEA | Yes | - |
| European Stability Mechanism (ESM) | Supranational | EMEA | Yes | - |
| European Union | Supranational | EMEA | Yes | 6,7,8,9,11,12,13,14,15 |
| International Bank for Reconstruction and Development (IBRD) | Supranational | Supranational | Yes | All |
| Kreditanstalt für Wiederaufbau (KfW) | Agency | EMEA | Yes | 7,11,13 |
| Kommuninvest i Sverige Aktiebolag | Agency | EMEA | Yes | 3,6,7,8,9,11,12,13,14,15 |

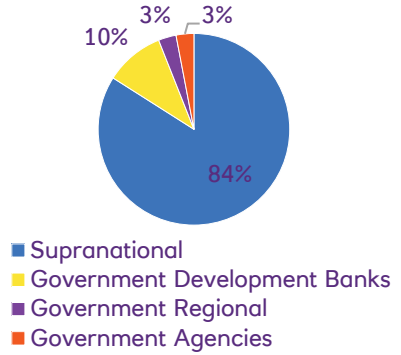
(2) SDGs highlighted in the respective annual reports of the issuer. The Sustainable Development Goals (SDGs) are a collection of 17 non-legally binding interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance for the proposed aim of each "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 (£ equivalent) at the Reporting Date

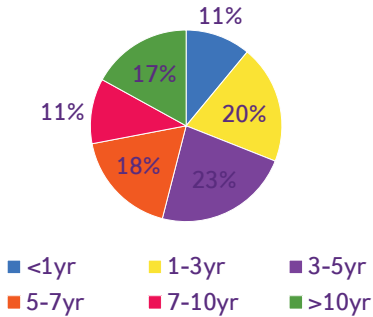
By Geography



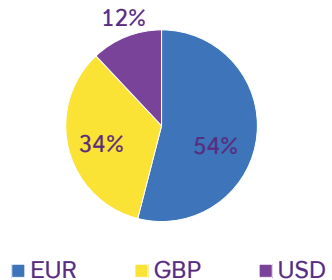
By Issuer Type



By Maturity



By Currency



NatWest Markets used its internal finance and reporting systems to track the proceeds raised from ESG Products and the selection of ESG Assets. These systems are updated with ESG ratings provided by ISS ESG Corporate Ratings, to allow for regular confirmation that the assets continue to be eligible as ESG Assets.

4. Case Studies

Case Study 1 – KfW, Kreditanstalt für Wiederaufbau



KfW is a Development Bank based in Germany that has been helping the German Federal Government to achieve its development goals – both domestically and internationally in developing countries and emerging economies – for more than 50 years. Working with government agencies such as the Federal Ministry for Economic Cooperation and Development (BMZ), KfW finances and supports programmes and projects involving public sector players with the goal to help partner countries fight poverty, maintain peace, protect the environment and climate, and shape globalisation in an appropriate way.

In 2021, 100% of KfW financing commitments contributed to at least one UN Sustainable Development Goal, with the largest categories being:

- SDG 11 – Sustainable Cities and Communities: €55bn
- SDG 13 – Climate action: €53bn
- SDG 7 – Affordable and clean energy: €51bn

Examples of projects supported by KfW include:

1. **Clean Oceans Initiative (COI)** – A €4bn programme (working jointly with the Agence Française de Développement (AFD), EIB, Cassa Depositi e Prestiti (CDP), Instituto de Crédito Oficial (ICO) and The European Bank for Reconstruction and Development (EBRD) out to 2025 to reduce ocean pollution focussing on river and coastal areas in developing countries such as Africa, Asia and the Middle East
2. **Legacy Landscape Fund (LLF)** – A global network of sustainably funded, effectively managed conservation areas helping to halt the dramatic loss of biodiversity in outstanding legacy landscapes across developing countries
3. **Serbian Wastewater Project – KfW** supported the construction of wastewater treatment plants and sewage networks in two large municipalities in Serbia. Only 15–20% of the wastewater in Serbia is so far (hygienically) treated but the Serbian Government has ambitions to improve the water quality of the rivers.



The modern wastewater treatment plant in Kruševac prevents untreated wastewater from being discharged into the Morava River

KfW providing €48.4m funding



Case Study 2 – European Investment Bank (EIB)

Since 1958, the European Investment Bank (EIB) is the lending arm of the European Union. The Bank is one of the leading multilateral financial institution in the world and one of the largest providers³ of climate finance with €27.6bn of investments in climate action and environmental sustainability in 2021:

- Lower carbon transport: €9.1bn
- Energy efficiency: €4.7bn
- Renewable energy: €5.7bn
- Climate change adaptation and other climate change mitigation: €5.3bn
- Other environmental sustainability: €1.1bn
- Research, development and innovation: €1.6bn

In 2019 the EIB's Board of Directors approved a new set of ambitious targets for **climate action and environmental sustainability** with the **EIB Group Climate Bank Roadmap 2021–2025, approved in November 2020**, guiding its ambition.

As part of this roadmap, the EIB announced the following key policies:

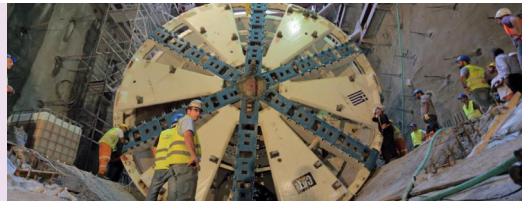
- More than 50% of EIB financing will go to climate action and environmental sustainability by 2025
- €1 trillion EIB financing will go to climate action and environmental sustainability by 2030
- All new financing activities will be aligned with the goals and principles of the Paris Agreement from 2021, with the EU Taxonomy being integrated into EIB activities
- New fossil fuel energy projects have not been supported since the end of 2021

Examples of projects supported by EIB

1. **New Athens Metro Line** – Athens is a large cosmopolitan metropolis, home to 3.5m people who work, travel, and commute daily, but the constant rise in the number of commuters is straining the city's public transport infrastructure. Attiko Metro aims to tackle the problem by building a new 38.2 km metro line. The new driverless line, Line 4, aims to create a faster, more inclusive, and greener commuting experience.

Through more efficient trains and reducing the number of private vehicles circulating, Line 4 will save 1,216 MWh of energy and 318 tons in CO2 emissions daily.

EIB provided €730m funding



(3) As per the EIB website - <https://www.eib.org/en/about/index.htm>

2. **EGF Sustainable Waste Management Plant** – A new sustainable waste management plant in Portugal uses automated sorting for recycling and energy generation, while improving services to cohesion regions and contributing to the circular economy

The modern waste treatment plant diverts waste from landfill and recovers valuable resources and energy.

EIB provided €75m funding



5. Acknowledgement

Acknowledgement that the ESG Portfolio conforms to the 2019 ESG Product Framework

Statement from Robert Begbie, CEO, NatWest Markets

“As CEO of NatWest Markets and the Chair of the Climate and Sustainability Committee, I have reviewed the Allocation Report and the processes undertaken by my team in raising ESG Products and allocating the funds to ESG Assets under the Framework and confirm that the allocation of funds conforms to the NatWest Markets 2019 ESG Product Framework.”

The Allocation Report and the 2019 and 2022 versions of 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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