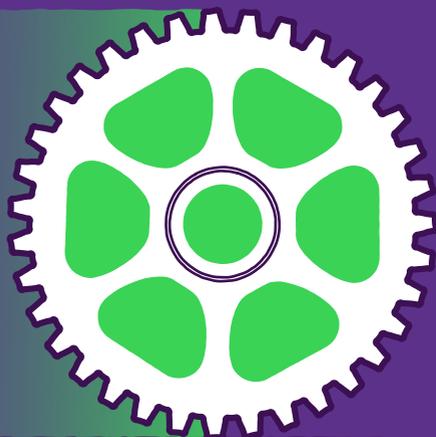


ESG Short-term Products Framework

December 2022



NatWest

TOMORROW BEGINS TODAY

Introduction to our Purpose Strategy

As key subsidiaries of NatWest Group plc (the **Group**), NatWest Markets Plc and NatWest Markets N.V. (together, **NatWest Markets**) are guided by the Group's purpose: "to champion potential, helping people, families and businesses to thrive." This purpose enables the Group to build long-term value, to invest for growth, to make a positive contribution to society and to drive sustainable returns for shareholders.

Being a purpose-led bank also means implementing a strategy to deliver our purpose and drive sustainable returns. This ensures we are an organisation that is aware of future environmental and societal shifts and able to capitalise on the commercial opportunities that present themselves while supporting our customers and stakeholders through these changes. The Group has identified three focus areas where it strongly believes it can make a difference:

1. helping to minimise the impact of climate change;
2. championing enterprise; and
3. supporting learning inside and outside the bank.

NatWest Market and NatWest Commercial Banking businesses support these ambitions by helping our corporate and institutional (C&I) customers manage their financing, investment and risk management agenda in a safe way and in alignment with their short and long-term sustainable finance ambitions and goals. NatWest Markets provides access to capital markets globally and offers leadership and expertise in high-growth segments, such as the green and sustainable debt markets.

Our Positive Impact

Our customer focus is at the heart of what we do. We recognise the responsibilities that our role brings, and this informs our considered approach. Our impact on the environment and wider society ranges from local initiatives, such as supporting affordable housing, through to projects with a global scale, for instance through helping our multinational clients embed sustainability-linked targets in their financing. NatWest Markets aims to expand our climate and Environmental, Social and Governance (ESG) activities, services and proposition, to maintain our relevance in sustainable finance. Led by our dedicated climate and ESG experts, this agenda is embraced by the organisation.

Through our alignment with the three focus areas of the Group, we can have a meaningful impact:

1. Climate

The Group recognises that climate change is a global issue which has significant implications for our customers, colleagues, suppliers and partners. NatWest Markets continues to play a key role in the Group's climate-related ambitions. We seek to support our customers with their



net-zero goals and transition journeys by helping to deliver the funding, product innovation and thought leadership that they need. We champion climate-related product innovation and provide our customer facing teams with climate and ESG data & analytics that to help deliver this. Additional information can be found in the climate-related disclosures section (page 22–33) of [NatWest Markets Plc 2021 Annual Report](#) and Accounts and in [NatWest Group's Climate-related Disclosures Report 2021](#).

2. Enterprise

We continue to serve our core Group customers, removing barriers to enterprise and providing businesses in the UK and internationally with the support, products and solutions they need to invest and grow. As a principal partner of COP26, the Group convened over 70 stakeholders in Glasgow to discuss practical and actionable steps for SMEs to tackle climate change. The purpose of the session was to bring together business leaders and owners to establish an impactful shared vision, centred on the Group's recent Springboard to Sustainable Recovery report, and to support SMEs to take action and accelerate to net zero. Whilst focused on climate, this allowed us to hear directly from enterprises about the barriers they face including issues related to funding and market access, amongst other topics. Members of the NatWest Markets team were also involved in creating and leading a One Bank SME-focussed event during COP26, in collaboration with the Sustainable Markets Initiative.

3. Learning

As we strive towards winning with purpose, we are creating the conditions that assist our colleagues to thrive personally and professionally. Over 300 NatWest Markets colleagues globally signed up to the University of Edinburgh's Climate Change transformation programme, helping to integrate our climate ambition across different roles and functions. NatWest Markets' subject matter experts delivered bi-monthly webinars to the benefit of colleagues.

ESG products & solutions

The Group acknowledges that the financial sector has a critical role to play in tackling climate change and is determined to lead the way. As signatories of the UN Principles for Responsible Banking (PRB), it has committed, on an ongoing basis, to align its strategy with the 2015 Paris Agreement and the UN Sustainable Development Goals (SDGs).

Within NatWest Markets, we have established a dedicated platform for climate and ESG in our Capital Markets business as we build out capability and look to integrate climate across our customer and product offering. This forms part of an ecosystem that aims to provide market and product expertise, thought leadership and support for our customers with financing and risk management solutions to achieve their climate and sustainability ambitions.

We are a part of the Group's One Bank approach to climate-related opportunities. We collaborate across the Group in developing new products and solutions for our clients, producing a broad climate and ESG product suite. This includes entering newer areas for sustainable finance such as private finance, repurchase agreements, foreign exchange (**FX**) and term derivatives. We anticipate this growing product offering will help provide our customers with suitable financing and risk solutions to help navigate their transition to net zero.

Sustainable financing & lending

NatWest Markets is most active in green, social and sustainability (**GSS**) bond transactions, sustainability-linked bonds (**SLBs**) and sustainability-linked loans (**SLLs**). In 2021, NatWest Markets ranked consistently highly in supporting issuers with their GSS Bond issuance.

In 2021, NatWest Markets ranked in the top 2 bookrunners for supporting UK corporate issuers¹, and in the top 2 supporting issuers globally in Sterling (GBP) issuance, with their GSS bonds¹. NatWest Markets ranked in the top 5 for supporting Western Europe corporate issuers, with their GSS Bonds¹. We were also ranked number 6 for supporting European financial institutions with their green bond issuance, as well as number 1 for all GBP-denominated GSS issues by financial institutions¹. In 2021, NatWest Markets continued to support financial institutions who were increasing their GSS issuance as a proportion of their overall funding, acting as bookrunner on 23 transactions which included 9 customers with their debut green and social issuance, and a further 6 who accessed a new currency or asset class within the green and social bond market. We also supported the corporate and public sector, as well as housing associations, with ESG structuring.

As a result of our performance, NatWest Markets has been awarded the following awards by Environmental Finance:

- 2021 “Lead manager of the year, sustainability bonds – Local authority/municipality”
- 2021 “Lead manager of the year, green bonds – Supranational, sub-sovereign”
- 2022 “Lead manager of the year, social bonds – Local authority/municipality”

During H1 2021, the Group exceeded its 2020–21 target of providing £20 billion of Climate and Sustainable Funding and Financing in the two years ended 2021. In October 2021, it announced a new target to provide an additional £100 billion Climate and Sustainable Funding and Financing between 1 July 2021 and the end of 2025.

In the full year ended 31 December 2021, the Group completed £17.5 billion of such funding and financing. NatWest Markets contributed £9.7 billion of apportioned value to this total from 71 transactions. Of these, 53 were green bonds and private placements totalling a notional amount of £38.7 billion which accounts for c.16% of the total volume of lead managed transactions by NatWest Markets during this period².

Supporting the development of carbon markets

NatWest Markets has also been active in the voluntary carbon market where individuals, companies or governments can purchase carbon credits to mitigate or offset their own emissions. In 2021, we supported the Group in establishing Carbonplace, a technology-based exchange platform for trading high-quality carbon credits, aligned with the Taskforce for Scaling Voluntary Carbon Markets (TSVCM).

(1) Source: Dealogic, January 2022. As disclosed in NatWest Markets Plc 2021 Annual Report and Accounts (page 26);

(2) As disclosed in NatWest Markets Plc 2021 Annual Report and Accounts (page 32). Amounts represent the NWM Group share of the notional (total underwriting amount lead managed or placed by NWM Group), based on the number of underwriters within a specific deal. The NatWest Group 2021 CSFI criteria published in February 2021 has been used to determine the assets, activities and companies that are eligible to be counted. The revised CSFF criteria published in October 2021 has been used from 1 January 2022. Full details of the CSFF criteria can be found at natwestgroup.com

Thought leadership and influence

NatWest Markets' subject matter experts delivered 108 articles and 53 events throughout 2021 across many ESG themes aimed at supporting our customers' learning journeys.

NatWest Markets plays an active role in industry-wide sustainable finance-related forums to support the transition to net zero by developing a strong and robust market for all participants, sharing thought leadership and helping to shape and influence climate-related developments externally.

We are a Board Member of both the Global Financial Markets Association (**GFMA**) and the Association for Financial Markets in Europe (**AFME**) and are active on a number of committees at the International Capital Market Association (**ICMA**), organisations which have been central to building market momentum and developing standardised frameworks and products.

NatWest Markets co-sponsored a report by Boston Consulting Group and Global Financial Markets Association, "Unlocking the Potential of Carbon Markets to Achieve Global Net Zero", which provides an overview of the developing carbon market and describes the evolving carbon ecosystem which contains both compliance and voluntary market alternatives.

NatWest Markets' representatives also attend:

- ICMA Advisory Council of the Green Bonds Principles and Social Bond Principles Executive Committee
- AFME Social & Expanded Taxonomy Working Group
- GFMA Sustainable Finance Steering Committee
- UK Sustainable Investment and Finance Association
- London Stock Exchange Sustainable Bond Market Advisory Group
- FICC Markets Standards Board ESG Ratings working group
- Securities Industry and Financial Markets Association and Asia Securities Industry and Financial Markets Association Sustainable Finance working groups

Purpose of the Framework

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

NatWest Markets may raise funding through deposits, and in due course commercial paper or certificates of deposits under this Framework. We will apply such funds to acquire securities issued by supranational or agency issuers (including regional governments) rated “Prime” by ISS ESG Corporate Rating and/or green, sustainable or social bonds issued by sovereign issuers also rated “Prime” by the ISS ESG Country Rating, together the **ESG Assets**.

Rationale for the Framework³

This Framework allows us to:

- Support a portfolio of recognised ESG Assets as part of our overall portfolios of debt securities held within NatWest Markets;
- Offer NatWest Markets’ clients the ability to hold products that consider ESG factors while meeting their liquidity requirements; and
- Promote ESG commitments by increasing liquidity for “Prime” rated organisations, as assessed through the ISS ESG Corporate and Country Ratings.

Key elements of the Framework

The following chapters cover key aspects of the workings of this Framework, based on the components set out in the ICMA Green Bond Principles to the extent relevant:

1. ESG Short-term Products
2. ESG Assets
3. Asset Evaluation and Selection Process
4. Management of Proceeds
5. Reporting
6. External Review

(3) This Framework does not constitute a public offer of securities under any applicable legislation. Nothing in this document shall constitute, nor form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of the Group or NatWest Markets, nor any of their subsidiaries or affiliates, nor any other entity or issuer

1. ESG Short-term Products

Deposits

Clients of NatWest Markets Plc who are **Qualifying Organisations**, **Qualifying Group Members** or **Relevant Financial Institutions**, each as defined in the UK ring-fencing legislation and clients of NatWest Markets N.V. who are **Professional Market Parties** (professionele marktpartijen) as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht) may deposit a principal cash amount (the **Deposits**) in Sterling, Euro, US Dollars, or other currencies into a designated NatWest Markets account with a fixed interest rate (which may be negative) or floating rate until the designated maturity date (which is typically expected to be for a term of 24 months or less), on the terms and conditions to be set out in a cash deposit confirmation between the client (the **Deposit Maker**) and NatWest Markets Plc or NatWest Markets N.V. (the **Deposit Taker**) to be governed by English or Dutch law according to the jurisdiction of the Deposit Taker.

Commercial Paper and Certificates of Deposit

In due course, NatWest Markets may also issue short-term notes to investors under its relevant Commercial Paper programmes, or issue Certificates of Deposit, and apply the proceeds in accordance with the Framework.

The Deposits and any Commercial Paper Notes or Certificates of Deposit are together, the **ESG Products**.

NatWest Markets will allocate an amount equal to the total notional amount of the ESG Products raised under the Framework to acquire ESG Assets or allocate to existing ESG Assets in the securities portfolios (as defined in Section 2).

2. ESG Assets

Securities are eligible as ESG Assets 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 ⁴	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)

Sourcing of ESG Assets

NatWest Markets will allocate an amount equal to the total notional amount of the ESG Products raised under the Framework to acquire ESG Assets or allocate to existing ESG Assets in the securities portfolios.

ESG Assets may be sourced by NatWest Markets for two reasons:

1. **Treasury:** to manage liquidity and regulatory requirements undertaken in the liquid asset buffer (LAB) portfolio, through purchasing securities in the primary and secondary market, or acquiring securities through reverse repo transactions.
2. **Portfolio Credit Management:** to manage counterparty and liquidity requirements under our derivative portfolios, through posting of securities purchased in the primary and secondary market, and acquired through reverse repo transactions.

While the ESG Assets are typically held to maturity, it may be necessary at any time to sell them or reduce our holding for portfolio or risk management, operational liquidity or regulatory reasons. If this occurs, any unallocated proceeds will be applied in line with the criteria set out in the Management of Proceeds section (Section 4).

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

ISS ESG Corporate Rating Methodology (applicable to suprationals, agencies and regional governments)

In selecting ESG Assets for Category A, NatWest Markets relies exclusively on an assessment by ISS ESG, a third-party ESG research and data provider, that issuers have met a certain standard in ESG performance under its Corporate Ratings methodology. This considers an organisation's holistic application of ESG standards across its operations, rather than focusing on earmarked projects with green and/or social benefits. This section provides further context to the ISS ESG Corporate Rating methodology, as set out in their Rating Process Manual for Rated Entities, August 2021, for which ISS ESG Corporate Rating is solely responsible⁵.

ISS ESG Corporate Rating gives a detailed assessment of a company's ESG performance. The areas and indicators assessed in the Corporate Rating are influenced by several factors such as international norms and conventions, social debate, regulatory changes and technological progress. In order to analyse a company's management of ESG issues within its core business, ISS ESG Corporate Rating's sector specialists select a set of about 100 criteria from the pool of indicators available in its database. To ensure that the most material issues have an appropriately high influence on the overall rating result, four to five industry specific key issues are defined for every sector and are given cumulative weighting of more than 50% in the overall company rating. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance). Ratings are based on a numeric score from 1(D-) to 4 (A+). Rating results can also be delivered on a 0–100 scale.

Prime status is awarded to companies with an ESG performance above the sector-specific Prime threshold, which means that the ISS ESG Corporate Rating approach considers that they fulfil ambitious performance requirements.

An analyst opinion complements each ISS ESG Corporate Rating, providing a qualitative summary and analysis of central rating results in three dimensions: sustainability opportunities, sustainability risks and governance. The agency's indicators, rating structures and results are regularly reviewed by an internal methodology board. In addition, methodology and results are regularly discussed with an external rating committee which consists of recognised ESG experts.

The ISS ESG Corporate Rating universe covers more than 12,000 issuers (as of September, 2022), with coverage including major stock indices of developed and emerging markets as well as small and mid-caps indices in developed markets and important non-listed bond issuers.

ISS ESG Country Rating Methodology (applicable to Sovereigns)

In selecting ESG Assets for Category B, NatWest Markets relies on ISS ESG Country Rating and its Country Rating methodology. This section provides further context to their methodology, as set out in the ISS ESG Country Rating methodology, June 2022, for which ISS ESG Country Rating is solely responsible⁶.

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 of investments.

(5) ISS ESG Corporate Rating methodology - <https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

(6) ISS ESG Country Rating methodology - <https://www.issgovernance.com/file/publications/methodology/Country-Rating-Methodology.pdf>

The rating comprises three dimensions – Environment, Social, and Governance – and a maximum of 107 indicators per rated country that assess the legislative as well as factual situation in a country. The main topics in the Environment dimension are: land use, biodiversity, water, climate change, energy, agriculture, industry, transport, and private consumption. The Social dimension consists of the following six topics: health, education and communication, basic labour rights and working conditions, employment, as well as social cohesion and inequality. The Governance dimension comprises topics such as political system, political stability, corruption and money laundering, safeguarding of civil and political rights, discrimination, and gender equality.

The ISS ESG Country Rating provides a qualitative assessment of sovereign issuers' readiness to manage ESG risks and comprises a range of complementary outputs. The rating applies a twelve-point grading system from A+/4.00 (excellent performance) to D-/1.00 (poor performance). All indicators are individually assessed based on clearly defined absolute performance expectations. Based on individual scores and weightings at the indicator level, results are aggregated to yield data on the topic level as well as an overall score (rating). Prime status is attributed to those countries that achieve or exceed the Prime threshold of B-/2.50, which means they meet, according to ISS ESG Country Rating, "ambitious absolute performance requirements" and are thus "well positioned to adequately manage ESG risks".

ICMA Principles

In selecting ESG Assets from Category B, NatWest Markets relies on the sovereign issuer of the GSS Bond adhering to the ICMA Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines as applicable (2018 or 2021 editions, as amended from time to time and together, the Principles), applying the proceeds of the relevant GSS Bond as intended and fulfilling on-going reporting obligations. The Principles are backed by a global market initiative bringing together a range of market participants and stakeholders from the private and official sectors. The Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the GSS Bond market by clarifying the approach pre and post issuance.

In order to designate a GSS Bond, sovereigns should have a sustainability financing framework aligned to the core components of the ICMA Principles: 1. Use of Proceeds, 2. Process for Project Evaluation and Selection, 3. Management of Proceeds and 4. Reporting. The Principles also recommend that issuers appoint an external reviewer or second party opinion provider to assess alignment through a pre-issuance external review, where the opinion, review or assessment is made publicly available. Post issuance, it is recommended that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the GSS Bond proceeds to eligible projects.

IMPORTANT CAUTION

The Framework relies on ISS ESG Corporate and Country Ratings' methodology and rating of issuers which are subject to change without notice, and in the case of Category B assets, sovereign issuers' implementation of their sustainability financing frameworks. There is no verification by, nor recourse to, NatWest Markets or the Group, regarding such ratings, frameworks or ESG aims, strategy, commitments, credentials, reporting or performance of the selected issuers. ESG rating agencies are not subject to any specific regulatory or other regime or oversight. Harm may arise from potential conflicts of interest within ESG rating and review or opinion providers and there is a lack of transparency in methodologies and data points, which render ratings and reviews incomparable between agencies or providers. Other rating agencies may rate the selected issuers differently from ISS ESG Corporate and Country Ratings. There is currently no binding market consensus on what precise attributes are required for a particular asset to be classified as "ESG" and no assurance or representation is or can be given by NatWest Markets or the Group that any "Prime" rating, or green, social or sustainability designation will reflect any present or future client expectations or requirements as regards any investment criteria or guidelines.

Neither NatWest Markets nor the Group is responsible for the use of proceeds of any securities designated as green, social or sustainable nor the impact or monitoring of such use of proceeds. No representation or assurance is given by NatWest Market or the Group as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of securities designated green, social or sustainable. Accordingly, no assurance is or can be given to prospective Deposit Takers or any Commercial Paper or Certificate of Deposit holders that the ESG Assets will meet any or all its expectations for ESG performance objectives or that any adverse environmental, social, ethical and/or other impacts will not occur in relation to, any ESG Asset.

The Principles are not legally binding and the terms and conditions of a GSS Bond do not oblige an issuer to observe the Principles, nor apply the proceeds of a GSS Bond as intended. The Principles do not create any rights in, or liability to, any person, public or private. Issuers may adopt or apply the Principles voluntarily, and if they do, they do so independently and are solely responsible for their GSS Bonds. Bondholders have no, or limited, recourse if issuers do not comply with the Principles or the use of the proceeds. Neither NatWest Markets nor the Group has any responsibilities for the selected issuers' performance or for the issuer's allocation, tracking, management of and reporting on the use of proceeds of their GSS bonds or for their ESG impact, or otherwise.

3. Asset Evaluation and Selection Process

Strategic oversight and governance

NatWest Markets continues to embed its approach to climate governance, including the broader scope of ESG into its processes. A key focus has been to ensure clarity of responsibility of climate and ESG matters between NatWest Markets Plc Board, Board Committees, management forums and teams across the business and functions. The Board and senior management intend to continue to focus on the integration of climate into risk appetite while embedding climate and ESG within established governance operating rhythms.

The CEO of NatWest Markets Plc holds the Senior Management Function to be accountable for identifying and managing financial risks and opportunities arising from climate change, ESG and sustainability developments, delegated by the NatWest Group CEO. They are supported in discharging this function by the Climate & Sustainability Committee (**CSC**) which has been established as the senior NatWest Markets forum to assess and manage climate and ESG-related risks and opportunities.

The CSC includes senior representatives of a variety of functions, including

- Finance and Financial Controls Team
- Credit Risk and Portfolio Credit Management
- Legal
- Audit
- Sales & Trading
- Capital Markets, including Climate & ESG Capital Markets

CSC has oversight of the Framework which is discussed quarterly to consider:

- The application of the Framework and potential new products to incorporate in future updates
- Alignment of the Framework with the overall sustainability objectives of NatWest Markets influenced by NatWest Group
- Regular/annual reporting under the Framework
- The selection and monitoring of ESG Assets by Treasury and Portfolio Credit Management
- The effect of the ESG Products and the ESG Assets on the composition of NatWest Markets' balance sheet

Day to day management

ESG Products

The NatWest Markets Treasury team is accountable for our day-to-day funding and liquidity needs. They are responsible for raising ESG Products and ensuring terms are aligned with the Framework. Prior to receipt of funds, NatWest Markets Treasury will confirm with the NatWest Markets Financial Controls team if there are sufficient ESG Assets available to apply the proceeds of a new ESG Product or whether additional ESG Assets need to be acquired.

The NatWest Markets Financial Controls team is responsible for reporting on the ESG Product portfolio, liaising with NatWest Markets Treasury and Portfolio Credit Management in the first instance, as well as Short Term Market Sales and other relevant stakeholders. They provide a report on the size and make-up of the ESG Product portfolio on at least a monthly basis to Treasury and Portfolio Credit Management, as well as a quarterly report to CSC.

ESG Assets

The securities pools from which ESG Assets are selected are managed by NatWest Markets Treasury and Portfolio Credit Management in accordance with their respective responsibilities (see Section 2). Both areas may acquire securities⁷ to increase the securities pools, including the ESG Assets portion of these pools. They are also responsible for any changes to the make-up of their respective portfolios, such as selling specific holdings.

The NatWest Markets Financial Controls team is responsible for assessing and overseeing the ESG Asset base within the securities pools. They ascertain which of these securities qualify as ESG Assets, by reference to the ISS ESG Corporate and Country Ratings online portal, designation of GSS Bonds and ICMA Principles Aligned Indicator in Bloomberg. The Financial Controls team will update Treasury, Portfolio Credit Management and other internal stakeholders on the size and make-up of the ESG Asset pool on at least a monthly basis.

Should ISS ESG Corporate or Country Ratings discontinue its Prime evaluation or should NatWest Markets deem the evaluation to no longer be suitable, NatWest Markets will review the Asset Evaluation and Selection Process as defined in section 3 and find a suitable third party replacement. We will endeavour to promptly publish an update to the Framework in such circumstances.

(7) This may include purchases in the primary and secondary market, and reverse repo transactions

4. Management of Proceeds

Using internal finance and reporting systems managed by the Financial Controls team, NatWest Markets tracks the total proceeds raised from the ESG Products, as well as the amount of ESG Assets acquired by the Treasury and Portfolio Credit Management teams.

We will apply an amount equal to the total notional amount of ESG Products raised under the Framework to acquire new ESG Assets or allocate to existing ESG Assets in the securities portfolios.

However, there may be circumstances where proceeds from ESG Products are unallocated, or need to be reallocated, for example, but not limited to:

- A qualifying security is not immediately available
- An existing Prime-rated or sovereign GSS Bond is redeemed
- An existing Prime-rated issuer is downgraded below the Prime threshold
- A sovereign GSS Bond ceases to be designated as ICMA aligned on Bloomberg or outlined in the second party opinion
- We are required to liquidate a holding for portfolio management, operational liquidity, risk management or regulatory reasons

In such instances, the resulting unallocated amount of ESG Product proceeds will be held for a limited period, until alternative ESG Assets become available:

- in Deposits with central banks, where the respective sovereign is rated Prime by ISS ESG Country Rating; or
- in Cash or other short-term assets.

There may also be circumstances where an ESG Asset fails to meet the eligibility criteria following an ISS ESG Corporate or Country Ratings methodological change. In these circumstances, the security will be replaced with an alternative ESG Asset, as soon as possible, and any interim unallocated proceeds will be managed as set out above.

5. Reporting

We will provide a Framework Report on or about an annual basis setting out:

1. ESG Product funds raised under the Framework, which includes:
 - Average amount of ESG Products outstanding during the reporting period
 - Total amount of ESG Products outstanding at the reporting date
 - % split of allocated and unallocated proceeds to ESG Assets
 - % split between Deposits, Certificates of Deposit and Commercial Paper
2. ESG Asset portfolio split by at the reporting date:
 - % split of debt securities held by Treasury and Portfolio Credit Management
 - % split of Category A assets and Category B assets
 - % type split of issuer (sovereign/supranational/agency/regional government)
 - % geographic split of issuers
 - % split between GSS Bonds and conventional
 - % split of maturity breakdown (in appropriate maturity buckets)
 - % of currency split
3. Confirmation from CSC that the ESG Asset portfolio conforms to the Framework

The Framework Report will be available on www.natwest.com/esgproductframework

Any specific questions relating to the Framework can be sent to our dedicated NatWest Markets' mailbox: ESGShort-termProductsFramework@natwestmarkets.com

We intend to review the Framework periodically and to amend, update or supplement it as required to ensure it meets our needs and those of our clients, as well as market standards for ESG funding, as they each evolve. The Framework as amended, updated or supplemented will be available on www.natwest.com/esgproductframework

6. External review

NatWest Markets has appointed ISS ESG to provide a second party opinion on the Framework, which in summary, assesses that the Framework:

- reflects best market practices, considering amongst other things, the best-in-class ESG rating approach, internal procedures for ESG Assets selection and governance, and reporting commitment; and
- is consistent with NatWest Markets' and the Group's overall sustainability strategy.

For full details of the verification, the opinion is available on www.natwest.com/esgproductframework

No assurance or representation is given by NatWest Markets or the Group as to the suitability or reliability of the second party opinion or any other opinion or certification of any third party (whether or not solicited by NatWest Markets or the Group which may be made available in connection with the Framework or any ESG Asset). Any such opinion or certification is only current as of its date. Prospective Deposit Makers and any note or certificate holders must determine for themselves the relevance of any such opinion or certification. Currently, the providers of such opinions and certifications are not subject to any binding regulatory or other regime or oversight. No assurance or representation is or can be given by NatWest Markets or the Group that any such opinion or certification will reflect any present or future expectations or requirements as regards any investment criteria or guidelines. Deposit Makers and any note or certificate holders have no recourse against NatWest Markets, the Group or the provider of any such opinion or certification for the contents of any such opinion or certification.

Disclaimer

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