

# ESG Product Framework

ESG Product Report



NatWest

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# ESG Product Report

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## 1. Introduction

At NatWest Markets (NWM)<sup>1</sup>, Environmental, Social and Governance (**ESG**) considerations are central in delivering our sustainability and business objectives and in July 2019 NatWest Markets developed the NatWest Markets ESG Product Framework (the **Framework**)<sup>2</sup> to facilitate the raising of funding to purchase assets of issuers, rated “ESG Prime” by ISS-ESG (formerly ISS-oekom) contributing to the work already undertaken by NatWest Markets and NatWest Group to further our positive impact within the sustainable finance sector. Please refer to “Climate, Purpose and ESG measures H1 2021 Supplement” at NatWest Group – [ESG Disclosures](#) for further information regarding the Group’s progress in the ESG space<sup>3</sup>.

NWM has continued to support customers with innovative financial solutions while delivering on plans to become a more sustainable part of NatWest Group. We continued to build momentum and grow our Climate and Sustainable Financing and Funding<sup>4</sup>, delivering £6.3 billion during the first half of 2021 (Full Year 2020: £7.2 billion) towards NatWest Group’s 2020 to 2021 target of £20 billion.

## 2. ESG Product Report

As per our commitments under the Framework, we are pleased to share our second ESG Product Report. This report details how we used the Framework during its second year, covering the period from and including 1 July 2020 to and including 30 June 2021 (the **Reporting Period**).

### Funding received under the ESG Product Framework

As at 30 June 2021 the amount outstanding under the Framework was £154,570,199.

This was raised through deposits from NWM customers.

## 3. Use of proceeds

Amounts equivalent to the proceeds of customer deposits under the Framework are allocated to ESG Assets.

**ESG Assets** are financial institution and agency bonds issued by borrowers marked as “ESG Prime” by ISS-ESG, where the Exclusion does not apply.

The ESG Assets represent liabilities of issuers who are assessed by ISS-ESG to have met a certain standard in ESG performance and reporting according to their methodology rather than focusing on bonds where the use of proceeds is earmarked for projects with green and/or social benefits<sup>5</sup>.

Note: (1) NatWest Markets means both NatWest Markets Plc and NatWest Markets N.V.

(2) <https://ci.natwest.com/meeting-your-needs/sustainable-finance/>

(3) This supplement is referred to for information only and is not, and should not be deemed to be, incorporated in, and/or form part of, this Report. NatWest Markets is solely responsible for the Framework, the deposits taken under it and the use of proceeds to purchase ESG Assets. References to NatWest Group should not imply any involvement of NatWest Group in the activities under the Framework and NatWest Group does not provide any representation, warranty, assurance, guarantee or any other support with respect to the Framework, the deposits or the ESG Assets purchased under the Framework

(4) Climate-related funding and financing: Assets and transactions which meet the Climate and Sustainable Finance Inclusion Criteria for funding and financing of assets, activities and companies that are to be counted towards the current Climate and Sustainable Finance Target focused on supporting a transition towards a low carbon and climate resilient economy

(5) The Framework relies exclusively on ISS-ESG’s methodology and rating of issuers without any verification by, or recourse to, NatWest Markets or NatWest Group regarding such methodology or ratings, or the ESG aims, strategy, commitments, credentials, reporting or performance of the selected issuers (other than regarding the Exclusion). Currently, in common with other providers of ESG ratings, opinions and certifications, ISS-ESG is not subject to any specific regulatory or other regime or oversight. No assurance or representation is or can be given by NatWest Markets or NatWest Group that any “Prime” rating assigned by ISS-ESG will reflect any present or future client expectations or requirements as regards any investment criteria or guidelines with which such client or its deposits are required to comply (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, the so called EU Taxonomy). The ESG Assets chosen do not take into account the EU criteria for environmentally sustainable economic activities

The **Exclusion** applies where the bond or issuer does not meet NatWest Group's environmental, social and ethical risk management standards or energy lending policies (as described in the Introduction to the Framework).

### ESG Asset Portfolio

During the Reporting Period, amounts equivalent to the proceeds raised under the Framework was allocated to ESG Assets. Portfolio composition on 30 June 2021 was as follows:

Issuer Name	Sector	Geography
International Finance Corporation	Supranational	Supranational
International Bank for Reconstruction and Development	Supranational	Supranational
European Bank for Reconstruction and Development	Supranational	EMEA
European Investment Bank	Supranational	EMEA
European Stability Mechanism	Supranational	EMEA
European Union (SURE Programme <sup>6</sup> )	Supranational	EMEA
Kommuninvest	Agency	EMEA
KfW, Kreditanstalt für Wiederaufbau	Agency	EMEA
Asian Infrastructure Investment Bank	Supranational	APAC

## 4. Investment Evaluation and Selection process

### Day-to-day management

The NatWest Markets Treasury team manages day-to-day funding and liquidity needs for NatWest Markets. During the Reporting Period, the team was responsible for allocating proceeds through the selection of new ESG Assets added to the ESG Asset pool, and overseeing the processes to confirm that ESG Assets in the ESG Asset pool remained compliant with the criteria set out in the Framework.

### Oversight

Oversight of the Framework is managed by the NatWest Markets Treasurer supported by members of the NatWest Markets business, Treasury and Sustainable Finance teams. The Report has been considered by the NatWest Markets Climate & Sustainability Committee and reviewed and approved by the NatWest Markets Executive Disclosure Committee (in lieu of the NWM ESG Product Committee as stated in the Framework).

### Confirmation that the use of proceeds received conforms to the Framework

Statement from Rupert Mingay, NatWest Markets Treasurer

*"I have reviewed the Report and the processes undertaken by my team in allocating proceeds to ESG Assets under the Framework and am happy to confirm the use of proceeds received conforms to the NWM ESG Product Framework."*

## 5. Management of proceeds

NatWest Markets uses its internal treasury systems to track the use of proceeds through the selection of ESG Assets. These treasury systems are updated with ESG ratings provided by ISS-ESG to allow for regular confirmation that the assets continue to be eligible as ESG Assets. If an ESG Asset fails to meet the eligibility criteria following re-verification by ISS-ESG, it will be replaced with an alternative ESG Asset, and in the interim, any unallocated proceeds will be held in high quality assets as detailed in the Framework.

During the Reporting Period, no ESG Assets were removed for failing to meet the eligibility criteria and there were no unallocated proceeds.

## 6. Reporting

The Report and the Framework are available on [www.ci.natwest.com/sustainablefinance](http://www.ci.natwest.com/sustainablefinance).

NatWest Markets is committed to being transparent with its customers. Any specific questions relating to the Report or the Framework can be sent to our dedicated NatWest Markets mailbox: [ESGProductFramework@natwestmarkets.com](mailto:ESGProductFramework@natwestmarkets.com).

Note: (6) Support to mitigate Unemployment Risks in an Emergency (SURE)

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