

Climate and Sustainable Funding and Financing Inclusion Criteria




In October 2021, NatWest Group plc together with its subsidiaries ('NatWest Group') announced that it would provide £100 billion (including lending and underwriting but excluding M&A advisory activities) for Climate and Sustainable Funding and Financing by the end of 2025 (from 1 July 2021). This document outlines NatWest Group's eligibility criteria (the 'Criteria') for funding and financing of assets, activities, targets and companies that are to be included towards the reporting of the £100 billion Climate and Sustainable Funding and Financing Target (as of 1 January 2024).

These Criteria focus on supporting a transition towards a net zero, climate and environmentally resilient and sustainable economy. The assets, activities, targets and companies which are eligible to be considered in scope of this Criteria are informed by the UK Government's strategy for transitioning to a net-zero economy, the various industry standards and taxonomies¹ including any one of the International Capital Market Association's ('ICMA') Green Bond Principles, the UK Green Gilt Framework, the ICMA Climate Transition Finance Handbook the Loan Markets Association ('LMA') Green Loan Principles, and relevant transactions (that include a specific carbon, climate, or environmental related metric) under the LMA's Sustainability Linked Loan Principles and ICMA's Sustainability Linked Bond Principles) and ICMA's Sustainability Bond Guidelines.

We intend to review and update the Criteria to take account of required or relevant developments of the existing and/or new external standards, taxonomies and eligibility criteria. The relevant assessment of whether a financing satisfies the eligibility Criteria is to be made, for example in the case of underwriting, on the date that the transaction is closed or, for example in the case of lending, at the point of commitment² unless otherwise required by law or reassessed by Natwest, for example, if it is subsequently declassified under its terms.

All transactions are also subject to NatWest Group's environmental, social and ethical (ESE) risk policies.³

If, and to the extent that, transactions may be eligible under the CSFF criteria and any other criteria that is the subject of an externally reported target or ambition e.g. transition finance, transactions may only be reported under one criteria.

Criteria category ^Δ	Criteria description	United Nations Sustainable Development Goals ⁴
Built environment	<ul style="list-style-type: none"> New and existing UK domestic property which scores A or B according to its Energy Performance Certificate ("EPC"), or equivalent Standard Assessment Procedure (SAP) score including but not limited to green purchase and green re-mortgage products. Retrofits for residential, commercial, and public buildings: including, but not limited to, onsite renewable energy generation, insulation of walls and roofs and heat loss reduction, LED lighting, replacement of boilers and other heating/cooling systems, implementation of energy management systems, refurbishment of heating, ventilation and air conditioning systems. Activities that maximise environmental net gains by promoting biodiversity and nature-based solutions in the built environment. 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  11: Sustainable Cities and Communities

¹ The principles may be amended from time to time

² 'Commitment' refers to when the limit has been approved and offered to the customer




³ Available at <https://www.natwestgroup.com/our-purpose/downloads.html>

⁴ The Sustainable Development Goals (SDGs) are a collection of non-legally binding 17 interlinked global goals set forth by the UN for countries and governments. These are included only as indicative guidance as for the proposed aim of each "Criteria Category" and NatWest Group 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 Criteria Category furthers the objective or achieves the purpose of the indicated SDG.

	<ul style="list-style-type: none"> Development of new or retrofit of existing buildings to improve overall building stock. These buildings must possess specific recognised environmental certifications* New, commercial and public buildings that are built to high energy standards. These buildings must possess specific recognised environmental certifications* <p>*1. For new property: that which are being developed as UK domestic property with an average project rating of EPC B (SAP 86+), or that which are existing built stock and scores B or greater according to its UK domestic (or UK non-domestic) Energy Performance Certificate or; that which is rated at least "Very Good" according to BREEAM, or that which is rated at least BRE Home Quality Mark 4*, or "Gold" according to LEED , or any other comparable certification where available2. Renovation of existing buildings which meet the following criteria: Energy savings of at least 30% in comparison to the baseline performance of the building before the renovation, measured in kWh/m2 per year.</p>	 13: Climate Action
Sustainable Agriculture	<ul style="list-style-type: none"> Sustainable waste management practices, including but not limited to: slurry store cover, anaerobic digester, construct sprayer wash bay and dirty water treatment system, waste to be used for new products (e.g aviation fuel): organic fertiliser, composting. Precision and low emission application of organic manures (e.g. slurry dribble bars, soil injection) Sustainable water management systems, examples include by not limited to precision irrigation technologies (e.g., drip water), water recycling systems, rainwater collection systems, constructing water reservoirs Sustainable fuel use and generation, such as biofuels, electric, hydrogen (except when produced from unabated fossils fuels), solar / wind. Sustainable fertiliser and pesticides like precision fertiliser / pesticide application technologies, crop sensors Sustainable and/or regenerative farming practices for example, paddock grazing systems, introduction of livestock into arable rotations to include necessary infrastructure for example, fencing temporary and permanent, drinking water systems; Rotational farming that pays to leave fields fallow/ grow cover crops. Practices to grow crops that fix nitrates in soil (e.g., clover), companion cropping, crop, and livestock sensors. Investment in different equipment (moving away from plough based) e.g., minimum tillage cultivations and sowing, direct drilling, that enable regenerative farming practice to be adopted. Sustainable fishing practices such as change fishing to aquaculture, fishing, trawlers at sea, fish farms that use new technologies. Sustainable landscape management and agro-forestry for example, hedgerow (re)planting and planting trees. Sustainable and/or regenerative farming methods , for example vertical farms or greenhouses with sustainable practices with regards to energy, air and carbon management, water use, hydroponics or aeroponics 	 15. Life on Land
Energy Efficiency	<ul style="list-style-type: none"> Development, manufacture and/or installation of energy efficiency technologies, products and systems but not limited to energy efficient appliances, smart meters, lighting, smart grid technologies, distributed generation, peak demand management. Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of industrial processes. Installation, maintenance, and repair of energy efficiency equipment. 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  13: Climate Action
Environmental Impacts	<ul style="list-style-type: none"> Environmental consultancy, groups, and services, conducted in line with best available industry standards. Environmental monitoring, instrumentation, and analysis. Air, soil, and water pollution control. Creation, protection, management, and restoration of biodiversity, habitat, and ecosystems by taking mitigation and compensation measures. 	 13: Climate Action  15: Life on land

	<p>Including, but not limited to, soil, peatland, saltmarsh and pasture remediation, agriculture (crop and livestock production), rewilding, forestry (afforestation and reforestation), renewable energy generation, water (supply and waste) and non-fossil fuel transport.</p> <ul style="list-style-type: none"> Climate change adaptation and mitigation solutions and initiatives; including, but not limited to sustainable coastal zone management and, flood defence and early warning systems, water resource management, extreme weather management, natural resource management and agrobiodiversity, hydroculture, hydroponics, aquaculture. 	
Information Technology	<ul style="list-style-type: none"> Activities that facilitate and develop data-driven sustainable climate and environmental solutions that reduce GHG emissions, improve water management and protection or reverse environmental degradation. Activities that facilitate and develop energy efficient data networks. 	 13: Climate Action
Low Carbon* & offsetting technology	<ul style="list-style-type: none"> Low carbon energy sources: including, but not limited to, alternative low carbon fuels such as hydrogen (except when produced from unabated fossil fuels) anaerobic digestion, agri and biofuels. Technologies that substantially reduce carbon emission: including, but not limited to carbon management, heat pumps or that manufacture, install and operate carbon capture and storage equipment including associated value chain activities e.g. transportation Activities that facilitate innovative and sustainable low carbon technologies, systems, and processes, including but not limited to research & development and the manufacture of synthetic E-fuels from renewable, or from fully abated fossil fuels, hydrogen and hydrogen-based technologies. 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  13: Climate Action
Renewable Energy	<ul style="list-style-type: none"> Generation of energy from renewable sources: including, but not limited to, wind, solar, biogas, biomass, geothermal, hydroelectric, wave & tidal. Manufacture of components of renewable energy technology including equipment for renewable energy generation and energy storage: including, but not limited to, wind turbines, solar panels, photovoltaic energy projects and battery storage. Manufacture, sale, lease of battery and storage systems / solutions for energy, transport and other relevant sectors. Electricity transmission and distribution grids or projects, including, but not limited to cables, storage units and interconnectors and investments to improve the capacity and energy efficiency of such assets. Renewable energy consultancy and sector groups, conducted in line with best available industry standards 	 7: Affordable and Clean Energy  9: Industry, innovation, and infrastructure  13: Climate Action
Sustainable Transport	<ul style="list-style-type: none"> Sustainable low carbon transportation: including, but not limited to, hybrid/electric/alternatively fuelled cars, buses, micromobility (including e-cargo) trucks, trains, aviation, shipping, inland freight water transportation etc. Development, operation, and upgrade of low carbon transportation infrastructure, including but not limited to electric vehicles charging infrastructure. Electric material handling equipment and access equipment including but not limited to forklift trucks and scissor lifts. Sustainable transportation methods, systems and providers which contribute to reducing the circulation of vehicles, including, but not limited to buses and trains. Activities or infrastructure that promote “non-motorised” or “active” mobility modes. For example, urban planning and development that leads to a reduction in the use of passenger cars, including but not limited to creating walking communities, shared bike schemes, improving transit connectivity, facilitating multiple land-use or developing car-free city areas. Transportation infrastructure manufacturers of components above. 	 9: Industry, innovation and infrastructure  11: Sustainable Cities and Communities  13: Climate Action  3: Good Health and Wellbeing

* An activity or technology which is expected to deliver substantial full life cycle net GHG emissions reduction

<p>Water & Waste Management</p>	<ul style="list-style-type: none"> • Water collection saving, treatment, recycling, re-use, upgrades, technologies, and related infrastructure: including, but not limited to, anaerobic digestion of sewage, sludge, and bio-waste. • Activities that improve water and soil quality and increase water use efficiency: including but not limited to water treatment facilities and water metering. • Non-conventional waste management, disposal, and circular economy activities: including, but not limited to, source reduction, in-process recycling, reuse, sorting projects, resource recovery and treatment. 	 6: Clean Water and Sanitation  12: Responsible Consumption and Production  13: Climate Action
--	--	---

Δ Organised alphabetically

Additional funding and financing under the Criteria	Criteria description
<p>Finance of eligible transactions</p>	<p>The £100 billion Climate and Sustainable Funding and Financing will include transactions:</p> <ul style="list-style-type: none"> • which meet the use of proceeds eligibility criteria of one or more of: <ul style="list-style-type: none"> ○ the ICMA Green Bond Principles; ○ the ICMA’s Sustainability Bond Guidelines; ○ the ICMA Climate Transition Finance Handbook; or ○ the LMA Green Loan Principles; or ○ the ICMA Observations and categorisation relating to sustainability in the repo market; or ○ • that include a specific carbon or climate or environmental related metrics and which meet the eligibility criteria of one or more of the LMA’s Sustainability Linked Loan Principles or the ICMA’s Sustainability Linked Bond Principles.
<p>Finance or funding for businesses and organisations principally engaged in activities</p>	<p>The £100 billion Climate and Sustainable Funding and Financing will also include any general-purpose lending or wider financing to customers who can evidence (to NatWest Group’s satisfaction through review of the issuer’s or borrower’s most recent annual audited financial statement, if available) that:</p> <ul style="list-style-type: none"> • 90% or more of their revenues, are in the categories and sectors outlined in the Criteria; or • 90% or more of their assets are in the categories and sectors outlined in the Criteria; or • 90% of Assets under Management (in the case of a fund client) are invested in, or, as evidenced by the fund strategy (as stated in the fund’s prospectus or analogous document), are expected to invest in, activities outlined in the Criteria, at the time of reporting.

CONTACT: climate@natwest.com

These Criteria have been prepared by NatWest Group plc and its subsidiaries (“NatWest Group”) and are provided for information purposes only and may be subsequently amended, superseded or replaced, no reliance should be placed on any information contained herein.

There is currently no single globally recognised or accepted, consistent and comparable set of definitions or standards (legal, regulatory or otherwise) as to (i) what constitutes ‘green’, ‘social’ or ‘sustainable’ for funding or financing activities; or (ii) what precise attributes are required for a particular activity, product or asset to be defined as ‘green’, ‘social’ or ‘sustainable’ or such other equivalent label. Therefore, the activities, products or assets that are eligible under these Criteria may not be the same as those that are eligible under comparable or analogous criteria or framework of other financial institutions. Further, the reporting of climate and sustainability-related funding and financing in our industry is not yet subject to the same globally recognised or accepted reporting or accounting principles and rules as traditional financial reporting. Accordingly, there is a lack of commonly accepted reporting practices for NatWest Group to follow or align to and climate and sustainability-related measures between organisations in our industry and between reporting periods within organisations may be non-comparable as methodologies develop.

The quality of the data relied upon for the purposes of climate and sustainability-related reporting is often not yet of the same standard as more traditional financial reporting and the systems and controls that support non-financial reporting is generally considerably less sophisticated than the systems and internal controls for financial reporting and it also includes manual processes.

This Criteria shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any financial instrument that may reference these Criteria, which shall be subject to NatWest Group’s internal approvals. No transaction or service related thereto is contemplated without NatWest Group’s subsequent formal agreement.

NatWest Group plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number is 114724). NatWest Group plc. Registered in Scotland No 83026. Registered Office: 36 St Andrew Square, Edinburgh EH2 2YB