

Alison Rose
Group Chief Executive Officer
NatWest Group



Ms Jeanne Martin
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13th August 2021

Dear Ms Martin,

Thank you for your letter regarding how NatWest Group is planning to align its financing activities with the 1.5°C goal of the Paris agreement.

We recognise that climate change is a critical global issue which has significant implications for our customers, employees, suppliers, partners and therefore NatWest Group itself. Climate is a key area of focus in the bank's Purpose-led strategy, alongside Enterprise and Learning.

I will now address the specific calls within your letter.

1. Publish short-term (5-10 years) climate-related targets covering all relevant financial services ahead of your 2022 AGM.

In February 2020, we set ourselves the challenge to at least halve the climate impact of our financing activity by 2030. To embed climate into culture and decision making we are quantifying our total climate impact and intend to define sector-level targets. We have also revised executive remuneration to reflect achieving climate targets. NatWest Group are signatories of both the Net-Zero Banking Alliance (NZBA) and the Collective Commitment to Climate Action (CCCA).

Our climate strategy sets out ambitious targets including to:

- At least halve the climate impact of our financing activity by 2030 and intend to do what is necessary to achieve alignment with the 2015 Paris agreement.
- Reach net zero carbon on our financed emissions by 2050 at the latest, in line with our commitment as one of the founding members of Net Zero Banking Alliance and as a signatory to the 'Business Ambition for 1.5C'.
- Provide over £20bn additional funding and financing for climate and sustainable finance by 2021.
- Make our own operations climate positive by 2025, having already achieved our ambition to make them net carbon zero by the end of 2020.

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NatWest Group has already published a number of short-term targets to help to end the most harmful activity, accelerate the speed of transition, champion climate solutions and to make our own operations climate positive by 2025. Please refer to our [Climate page](#) on natwestgroup.com or our [Climate-related disclosures report](#) for more details.

2. Integrate the findings of the IEA Net-Zero scenario and/or another 1.5C scenario with low overshoot and minimal reliance on Negative Emission Technologies into your climate strategy.

We have joined the 'Business Ambition to 1.5C', cementing our ambition to reach net zero before 2050. As disclosed in our 2020 Climate-related disclosures report, NatWest Group used scenarios developed by NGFS for scenario analysis and risk assessment: then IEA and CCC for estimates of missions intensity. Scenario selection was guided by a number of measures including alignment with NatWest Group climate strategy, availability and granularity of data available which reflects our customer base and geographical coverage. For example, last year we used the IEA Beyond 2°C Scenario (B2DS) from the Energy Technology Perspectives (ETP) report for assessing indicative emissions estimates for automotive manufacturing. Our use of the NGFS scenarios is in line with the approach that the Bank of England is taking for its CBES stress test, which leverages the NGFS reference scenarios. While we use different scenarios, we ensure that there is overall consistency between them. Our overall aim is to align our operations with the 2015 Paris Agreement target of well below 2°C warming by the end of the century. As per the above, we are now focused on 'Business Ambition to 1.5C'.

3. Phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest.

As at December 2020, NatWest Group's exposure to customers engaged in coal (thermal and lignite) related mining, power generation and trading activities was £0.6 billion. These customers have been identified based on having 15% or more EBITDA related to thermal and lignite coal activities, as reported in their most recent audited accounts.

We are helping to end the most harmful activities by stopping lending and underwriting to mining companies with greater than 15% of activities related to thermal and/or lignite coal, unless they have a credible transition plan, in line with the 2015 Paris Agreement, in place by the end of 2021. We plan a full phase out from coal by 2030.

Our market leading policies on reducing the most harmful activities, include prohibitions on project financing for coal power plants and thermal coal mines. In 2020, as part of the Environmental, Social and Ethical (ESE) Risk Management Framework, coal lending thresholds for the mining and metals, and power generation sectors were reduced from 40% to 15%.

4. Ensure your financial statements are drawn up in alignment with a 1.5C-pathway.

We are working to incorporate climate and broader Purpose considerations in our financial planning processes. Work in 2020 involved developing measurement capabilities across NatWest Group as part of the opportunities, financed emissions estimates and scenario analysis work. Qualitative considerations related to climate, based on the climate-related risks and opportunities

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work, were incorporated in the 2021 financial planning cycle. Work in 2021 will include developing forward looking quantitative considerations linked to business actions identified based on preliminary financed emissions estimates, insights from scenario analysis as well as progress on climate related opportunities, including launch of new products and initiatives.

5. Commit to protect and restore biodiversity.

We understand that our business, including our customers and the society we operate in, is all part of the natural world. We all benefit from natural resources and ecosystem services; they enable us to conduct our business activities. It is essential for NatWest Group, our customers and wider society that these resources are managed in a sustainable way. We view climate change, resource scarcity and biodiversity loss, and their associated impacts as significant dangers to the livelihoods of our customers and society at large, both currently and in the years to come.

We have already taken a number of steps to protect biodiversity. Within NatWest Group, we have an established Environmental, Social, Ethical (ESE) risk management framework which has been live since 2011. As part of this process, we conduct due diligence on customers, projects and transactions that present heightened ESE risk. We also expect our customers to adhere to environmental, social and human rights standards. NatWest Group has developed a number of ESE sector Risk Appetite Criteria which present heightened ESE risk and require enhanced due diligence. Our [ESE Risk Policy Summary for Forestry, Fisheries and Agribusiness Sectors](#) covers activities including but not limited to timber, palm oil or soy production and plantations, and management of peat lands. Our policies are reviewed and evaluated regularly.

We are a member of an Informal Working Group, tasked with establishing a detailed work plan for the Taskforce for Nature Related Disclosures (TNFD) when it launches in 2021. The TNFD will build awareness and capacity to reduce the negative impacts of the financial sector on nature and biodiversity.

We are part of the overall Banking Environment Initiative (BEI) working group and have participated in projects including the Soft Commodities Compact and BEI Financial Risks arising from Biodiversity Loss and Land Degradation. We have been a founding member of the Compact, led by the Consumer Goods Forum and the BEI, since its inception in 2014. In 2020, we reported against the Compact for the first time, detailing the extent to which our customers are certified against palm oil, soy and timber standards. We expect our customers to commit to responsible practice frameworks such as the Roundtable on Sustainable Palm Oil, Roundtable on Responsible Soy, Forestry Stewardship Council or the Programme for the Endorsement of Forest Certification.



In addition, in 2020, we created a new relationship working with EcoVadis, a leading organisation in providing companies with independent, third-party evidence-based assessments of an organisation's sustainability performance. EcoVadis will help us to understand and measure our performance and the performance of our suppliers against the [NatWest Group Supplier Charter](#), which sets out the sustainability requirements that suppliers must meet in order to do business with us, enabling us to identify social, environmental and ethical improvements.

You may be interested to know that the NatWest Group India Foundation was formed to contribute to India's UN Sustainable Development Goals with a focus at the intersection of critical natural ecosystems and excluded communities. The Foundation has positively impacted over 182,000 families, across 13 states and 2,100 villages since its inception in 2007. Through its 23 ongoing projects, the Foundation has restored over 130,000 hectares of degraded land through community support.

Thank you for writing to us. We will take the points you have raised into consideration and keep you updated on the development of future policy.

For further information, please visit natwestgroup.com and review our [Climate-related disclosure report](#).

Yours sincerely,

A handwritten signature in black ink, appearing to read "Alison Rose", written in a cursive style.

Alison Rose