
NatWest Group plc

Supplier Charter – Annual Review 2022

A message from our Head of Supply Chain Services

NatWest Group launched its purpose-led strategy in 2020, which continues to put sustainability at the heart of our future. We are building a more sustainable bank, bringing stronger governance, stronger policies, and a more sustainable framework at the centre of our strategy, creating a more sustainable value for a wider range of stakeholder groups.

Our Supplier Charter (which replaced our supplier code of conduct) sets out our aims and expectations in the areas of ethical business conduct, human rights, environmental sustainability, diversity and inclusion, the Living Wage and prompt payment. It details what we expect from our suppliers, but also outlines our own commitments in these key areas and the outcomes we aim to achieve by working together.

Working alongside the Group Chief People and Transformation Officer, the new Accountable Executive of our Supplier Charter, we have now completed our annual review of the Charter. As you will see it continues to help us become a more sustainable business, delivering better outcomes for our customers, our colleagues, our shareholders and the communities in which we operate.

Central to the aims of our supplier charter, we worked with EcoVadis – a leading organisation providing third-party evidence-based assessments of sustainability performance. EcoVadis are helping us to understand and measure our own performance and that of our suppliers against the charter, enabling us to identify social, environmental and ethical improvements.

NatWest Group has made significant progress in the first year of working with EcoVadis, with over 525 suppliers rated, representing c.88% of its in-scope 3rd party spend being assessed against ESG credentials. EcoVadis also conducted a sustainability assessment of NatWest Group, scoring 62% which is significantly higher than the global EcoVadis average of 49% for the financial services sector. This ranks NatWest Group in the 86th percentile.

If you have been invited to take part in our EcoVadis Sustainability assessment, I am delighted that you are coming on this journey with us. If this is your first time completing a sustainability assessment, you have made an excellent move in helping plan for a more sustainable future, and NatWest is proud to work with you.

Being purpose-led is not only the right thing to do, but it is increasingly important that we work collectively to help reduce carbon emissions. COP26 highlighted the urgency for action to reduce the impact of rising global temperatures and climate change, building on firms to use their carbon reduction actions to lead society in the move towards a sustainable future. Our supplier practices, and yours in turn have a fundamental impact on our products' and services' social, ethical and environmental footprint.

Alison Rose (CEO) and the NatWest Group Executive Committee have set an ambitious goal of reducing our scope 3 emissions by 50% by 2030, and 90% by 2050, so there is a huge focus on how we start to work with our suppliers and customers on their Scope 1 and 2 emissions and build the ability to measure and report it together. Your data



enables us to measure and monitor our own indirect climate impact which I'm sure you're aware is key contributor in achieving Net Zero. If you are able to report your Scope 1 and 2 Emissions data, then please do so through either the "CSR Metrics" module of the EcoVadis platform, or ensure it can be made available to us when requested. We are in the process of scoping out a multi-year programme to work with our supply chain to reduce carbon emissions, we look forward to engaging with you in the near future, to hopefully build a strong partnership to reduce our collective emissions.

We thank you for your continued engagement and are proud to have you as part of our diverse supply chain. Working together, towards common aims, will encourage and enable a supply chain that is sustainable and has a long-term positive impact on the global community.

If you have any questions then please reach out to your supply chain manager, who will be happy to assist you.

A handwritten signature in black ink that reads "John Hayes".

John Hayes,
Head of Supply Chain Services

Business Conduct - Procurement Processes and the Supply Chain

Our relationships with our suppliers are based on fairness, transparency and integrity. It is our desire to be part of a supply chain that is based on those values and, as such, we encourage our suppliers to engage with their suppliers on the same basis.

<p>We are committed to</p> <ul style="list-style-type: none"> • Complying with the highest standards of corporate governance, business integrity and professionalism in all our activities • Following our Supply Chain Policy; conducting our supplier tendering process in a fair and transparent manner and seeking to minimise barriers to working with us • Working collaboratively to encourage and support improvement throughout the supply chain, especially on Sustainability • Managing conflicts of interest fairly, effectively and efficiently • Carrying out due diligence and regular assessments of our key suppliers to identify and manage financial crime risk including tax evasion, sanctions, money laundering, bribery and corruption • Compliance with our legal & regulatory obligations in relation to the prevention of tax evasion, sanctions, money laundering, fraud, bribery and corruption • Welcoming whistleblowing reports from those acting on behalf of or representing the bank. The bank's whistleblowing reporting channels are operated independently and enable concerns to be reported in confidence, or anonymously if preferred via: https://natwestgroup.ethicspoint.com/ 	<p>Our expectations of suppliers</p> <ul style="list-style-type: none"> • Adhere to applicable national and international laws and regulations, including not providing services to the Group from a sanctioned territory • Carry out your own supplier tendering and assessment process in a transparent manner and with openness and integrity • Identify, prevent or manage conflicts of interest that might arise through the engagement with the Group, including any personal conflicts of interest that your staff may have • Comply with our financial crime due diligence, and eradicate corruption, extortion or bribery in your own organisation and supply chain • No engagement in the committing or facilitating of financial crime, including tax evasion • Provide a grievance and whistleblowing mechanism for your own workforce • Implement the standards of this Charter with your own suppliers
<p>What we will achieve</p> <p>Strong and secure supply chains that operate in line with best practice, free from corruption and wrongdoing</p>	

Prompt Payment

We are determined to pay our suppliers promptly for the services that they provide to us, and to make the process as easy as possible. Our standard payment terms are 30 days, however we have continued to maintain immediate payment on goods and services receipt, which supports our suppliers, and goes significantly beyond our commitment undertaken as a signatory to the Government's Prompt Payment Code, which requires payment to be made in 60 days.

We are committed to	Our expectations of suppliers
<ul style="list-style-type: none"> • Paying our suppliers on time or early and giving them clear guidance on our payment procedures • Transparent reporting of our compliance to on time payment under the Payment Practices and Performance reporting statutory requirement • Using electronic invoicing channels to simplify and speed up the payment process, in key regions. Including offering early payment discounts • Encouraging our suppliers to adopt best practice, paying their suppliers on time and within 60 days 	<ul style="list-style-type: none"> • Commitment to adopt the Prompt Payment benchmark of payment practice, paying 95% of invoices in 60 days, and businesses with less than 50 employees within 30 days • Consider paying suppliers early • Encourage your suppliers to adopt minimum standards of practice, paying 95% of invoices in 60 days
What we will achieve	
A financially healthy supply chain where payment is made on time from the first link in the chain to the last, including, better support for Small to Medium Enterprise (SME) suppliers through early payment	

Real Living Wage

We believe that it is important to go beyond the minimum government standards and to pay employees a wage that meets the true cost of living. As such, we have gained accreditation as a Living Wage Employer from the Living Wage Foundation. This means that as well as paying our own employees the Real Living Wage, we have extended this commitment to our contractors and suppliers across the UK.

We are committed to	Our expectations of Suppliers
<ul style="list-style-type: none"> • Extending the real living wage to our contractors and suppliers across the UK • Encouraging our suppliers to gain accreditation to the Living Wage Foundation 	<ul style="list-style-type: none"> • Meet Minimum and National Living Wage requirements and consider becoming accredited to the Living Wage Foundation • Apply the Real Living Wage to employees
What we will achieve	
A supply chain where employees feel valued and are paid a wage that supports the cost of living	

Environmental Sustainability

We view climate change, the continued significant global decline in nature and biodiversity, resource scarcity, 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.-Climate change and environmental degradation are inextricably linked, and each require immediate and significant action to avert potentially irreversible impacts. Our Purpose Led Strategy includes Climate Change as a key focus area.

We are committed to	Our expectations of suppliers
<ul style="list-style-type: none"> • Net Zero Ambitions: <ul style="list-style-type: none"> ➢ Net zero by 2050, includes financed emissions, assets under management and our operational value chain ➢ Wider operational value chain - reduce emissions by 50% by 2030, against a 2019 baseline. ➢ Direct own operations – reduce emissions by 50% by 2025, against a 2019 baseline. ➢ At least halve the climate impact of our financing activity by 2030 • Climate Group initiatives on energy productivity, electric vehicles, and renewable power (EP, EV & RE 100) • Increase resource efficiency and the circular economy to ensure resources are valued and nothing is wasted • Regenerate natural ecosystem and remove carbon from the atmosphere • Identify highest impact suppliers and compile carbon emissions data to support the setting of ambitious reduction targets • Working collaboratively with suppliers to quantify the impact of supplier activities and create a framework for engagement by 2022 • Collaborative innovation with select suppliers to develop products and services and improve our shared environmental performance by 2025 • Supporting <u>Sustainable Development Goals</u>. The focus area of Climate in our Purpose Led Strategy aligns with Goal 7 Affordable and Clean Energy, 13 Climate Action and 17, Partnering for the Goals 	<ul style="list-style-type: none"> • Abide by all legislation and regulation relating to the protection of the environment • Not cause environmental damage to nationally or internationally protected areas including UNESCO World Heritage sites, Ramsar sites, Man & Biosphere sites, Marine Protected Areas and FSC High Conservation Value Forests • Not damage plants and animals listed on the IUCN Red List of critically endangered species and be working to enhance biodiversity • Review appropriate body (FSC, PEFC, RTRS, RSPO, Rainforest Alliance, UTZ certification, Fairtrade, GRSB, LWG) when importing and sourcing deforestation risk related commodities, timber, paper & pulp, soy, palm oil, rubber, cocoa, beef & leather • In your sector and supply chain: identify the direct and associated environmental opportunities and risks to maximise benefits and avoid threats • Support Sustainable Development goals, take a proactive approach to demonstrate the organisations commitment (not just understanding) to improving environmental performance, demonstrating commitment towards environmental sustainability • Adopt a circular economy and environmental sustainability approach which endeavours to cover the whole life cycle of products: impacts from production processes, product use and end of life • Establish how your business could support the transition to net zero in line with the 2015 Paris Agreement and science-based targets initiative

<ul style="list-style-type: none">• We have a target to provide £100 billion Climate and Sustainable Funding and Financing between 1 July 2021 and the end of 2025.• Working proactively to fight against the illegal wildlife trade as a member of the United for Wildlife task force	<ul style="list-style-type: none">• Engage with us around how your business could support our transition to net zero by 2050• Measure performance and manage operations in accordance with good environmental practice and your own plans to become Net Zero, including policies and procedures to reduce greenhouse gas emissions, energy, travel, water, waste, paper, single use plastic and pollution of land, air and water• Collaborate with us and innovate to develop products and services which will help improve environmental performance• Collaborate and engage with us to understand the impact of your sustainability assessments
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What we will achieve

A supply chain which consistently upholds high standards in environmental protection and actively collaborates to maximise environmental benefit and mitigate environmental risks

Human Rights and Modern Slavery

We are committed to our responsibilities to respect and uphold human rights across our business and sphere of influence. The Modern Slavery Act 2015 (MSA) is integral to our approach to Human Rights.

<p>We are committed to</p> <ul style="list-style-type: none"> Aligning our approach to internationally accepted human rights standards, including the UN Guiding Principles on Business and Human Rights (UNGPs), The Equator Principles, International Labour Organisation's Declaration of Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises, United Nations Global Compact, Universal Declaration of Human Rights, Women Empowerment Principles and the Living Wage Foundation Meeting the requirements of the Modern Slavery Act 2015 (MSA), including the annual publication our MSA Statement Upholding the right to collective bargaining, freedom of association, safety in the workplace, freedom to work without being harassed. We do not tolerate or condone abuse of human rights which includes modern slavery (encompassing slavery, servitude and forced or compulsory labour, human trafficking, sexual exploitation, and child labour) and unacceptable working hours or conditions, Providing flexible working arrangements for the bank, employees, and workers. We do not offer zero hours contracts Supporting the <u>UN Sustainable Development Goals (SDGs)</u>, including SDG 16 and working with others to make progress towards the delivery of SDG 8.7, calling for the eradication of forced labour and modern slavery, including through promoting best practice in our own operations and extended supply chain 	<p>Our expectations of suppliers</p> <ul style="list-style-type: none"> Policies in place to identify and mitigate against modern slavery and comply with the Modern Slavery Act, which covers the offences of slavery, servitude, forced or compulsory labour, child labour, sexual exploitation and human trafficking Not to use child labour, including but not limited to Article 3 <u>ILO Convention 182</u>, or forced labour, as defined by the <u>ILO Convention C029</u> Ensure working hours are in accordance with local regulation & industry best practice and avoid zero hours contracts Uphold the freedom of association and the effective recognition of the right to collective bargaining Provide a healthy and safe working environment in accordance with national and international legislation and create a culture of wellbeing Respect the human rights of the local communities within your business operations Identify and help mitigate social and ethical risks that exist within your sector and your own supply chain Support SDGs including target 8.7
<p>What we will achieve</p> <p>A supply chain that upholds the highest possible standards in human rights, eradicating modern slavery</p>	

Diversity, Equity and Inclusion

We are proud to be building a diverse, equitable and inclusive bank which is a great place for all colleagues to work. In support of this we have inclusion guidelines and plans which apply to all our colleagues globally. We want to give everyone who works at NatWest, and every customer who comes into contact with us, the chance to succeed and the support to thrive.

We're doing this because we know it's right. We will stand up for people who are excluded, remove barriers that stop people progressing in their career and create a safe, happy and healthy environment for all. This is deep rooted, core to who we are and our purpose and values as a bank.

As suppliers to NatWest, we need your help. The table below highlights our commitments but also the expectations of suppliers who work with us to meet our vision.

We are committed to	Our expectations of suppliers
<ul style="list-style-type: none"> • Eliminating all forms of discrimination on the grounds of age, disability, gender reassignment, race/ethnicity, religion or belief, gender, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity • Ensuring that our people policies and processes are inclusive and accessible – from how we attract and recruit, to how we reward and engage colleagues • Adopt inclusive design principles and practices to create workplaces, products and services that are usable by diverse audiences and accessible for all • Supporting our strong colleague led networks and provide flexible working practices across the organisation • Providing diversity, equity and inclusion learning to create a solid platform for behavioural and cultural change • Treating our suppliers with integrity and respect. Promoting the principles of diversity, equity and inclusion throughout our supply chains • Having gender balanced in our global top three levels by 2030 and improving representation of colleagues from ethnic minority backgrounds in our top four leadership levels to 14% by 2025. 	<ul style="list-style-type: none"> • Meet the requirements of the Equality Act (2010) by ensuring that all products, services, devices and environments are fully inclusive • Ensure that accessibility is always front of mind for customers, colleagues and clients • Seek to eliminate all forms of discrimination on the grounds of age, disability, gender reassignment, race/ethnicity, religion or belief, gender, sex, sexual orientation, marriage and civil partnership, and pregnancy and maternity within their organisation and across their own supply chains • Develop a view on implementing diversity and inclusion metrics, for examples gender and ethnicity targets in leadership teams, measuring colleague sentiment on inclusivity • Consider making external commitments and communicating these publicly in relation to your organisation's own diversity, equity and inclusion agenda • Where possible, undertake regular DE&I education, awareness and training for your colleagues
What we will achieve	
Diverse, equitable and inclusive workplaces with environments that allow everyone to bring the best of themselves to work for our colleagues and our supply chain partners. Resulting in a stronger, better, supply chain, able to draw on varied resources for the benefit of all, representing and supporting local communities	