

### VOTE RECOMMENDATION:

#### Re-election of Rick Haythornthwaite as chair..... **AGAINST**

NatWest Group has abandoned some of the most material elements of its oil & gas restrictions and failed to provide adequate transparency while revising its climate targets. The changes made by the bank to its risk acceptance criteria for oil & gas clients removes constraints on the largest fossil fuel companies and gives the bank more freedom to support businesses pursuing oil & gas outside the UK. While the pros and cons of changes to the bank's targets are more nuanced, these are no substitute for robust redlines on fossil fuel development. Further support for the oil & gas sector could elevate the bank's exposure to transition risk and accelerate climate impacts on UK households—the core of NatWest Group's business. These changes to the bank's positioning signal a governance failure at board level. The chair has a responsibility to ensure the board diligently exercises oversight of climate risks in order to safeguard long-term shareholder value. We therefore recommend a vote against Mr Haythornthwaite's re-election at the bank's forthcoming AGM to restore confidence in both the board's oversight of climate risk and in NatWest Group's transition strategy.

### KEY TAKEAWAYS

#### Removing restrictions on international oil & gas companies

NatWest Group has removed its previous prohibition on supporting oil & gas companies where the majority of assets being financed are out of the UK. Following significant weakening last year, the bank also entirely removed its commitment not to finance oil & gas majors that had not established a credible transition plan.

#### Shale backtracking partially reversed, but concerns remain

NatWest Group initially dropped its commitment not to directly finance fracking projects, retaining only a pledge not to support onshore shale projects in the UK. It has since reversed this decision, committing not to support onshore shale projects regardless of jurisdiction. However, this does still leave open the possibility of supporting offshore projects using hydraulic fracturing techniques.

At the same time, NatWest Group has removed its clear commitment not to finance companies involved in fracking outside the UK with repeat compliance issues. The bank's reframed approach is less clear. Repeat compliance issues for any companies is treated as a risk concern, which may lead to prohibitions or restrictions as part of an enhanced due diligence process.

Finally, NatWest Group said in its sustainability report it had added a prohibition for companies deriving more than 10% of revenues through exploration, development, or production of oil & gas from onshore UK shale or oil sands. In reality, the bank's previous policy prohibited all support for these clients regardless of the share of revenue, as well as ruling out finance for any companies expanding these activities.

#### Target reset brings strengths and weaknesses

NatWest Group has undertaken a full revision of its sectoral decarbonisation targets, moving from SBTi-validated sector targets to targets focused on specific activities. On the one hand, the bank now benchmarks all of its financed emissions targets to 1.5C-aligned climate scenarios. On the other hand, it no longer covers aluminium, cement, iron & steel, or shipping with either a dedicated or 'other sectors' target. Crucially, it made these changes without providing any objective quantitative explanation for why these sectors are immaterial for the bank.

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## » PART 1 – BACKGROUND

The drivers for banks to act on climate change and the energy transition remain strong. Despite political turbulence, 89% of people around the world still support climate action.<sup>i</sup> Similarly, the economics of a just and orderly transition remain compelling. Investment in renewables continues to break records<sup>ii</sup>, with renewables capacity projected to grow faster between 2025 and 2030 than during the first half of this decade.<sup>iii</sup> The transition to a cleaner economy is not going away. This creates a significant risk of stranded assets, exposing lenders to potential losses, particularly from the fossil fuel sector. The European Central Bank has warned of a “non-negligible increase in credit risk impairments” in a disorderly transition<sup>iv</sup>, while the Bank of England warns impairment rates for fossil fuels could be twice as high as for other corporate portfolios.<sup>v</sup>

At the same time, banks need to be increasingly aware of the physical risks from a changing climate, and how these may impact broader economic conditions. Acute risks can emerge from extreme weather conditions. Notably, climate-related extremes across Europe caused more than twice as much damage during the period 2022-23 as in the entire preceding decade.<sup>vi</sup> Global losses from floods, cyclones, heatwaves, and droughts would double by 2050 compared to current levels were temperatures to rise by an average of 3C.<sup>vii</sup> At the same time, climate change presents chronic risks to profitability and prosperity. Central banks predict a 3C increase in temperatures would reduce global labour productivity by 10% and chronic physical risks would impose a 15% hit to GDP around the world.<sup>viii</sup>

This myriad of physical and transition risks not only raises the prospect of credit impairment, it will also result in economic conditions that are less predictable and less conducive to value creation. Banks need a plan to both manage and minimise these risks by adapting their business models and leveraging their position to advance the energy transition.

At the same time, the growing demand for sustainable financing presents considerable opportunities for banks. Already, the world’s largest banks are generating more from green syndication fees than fossil transactions.<sup>ix</sup> To compete for these opportunities in a crowded landscape, banks need plans now to invest in new products, develop expertise, initiate partnerships, and coordinate resources across the institution.

Policies restricting financing to fossil fuels and reducing financed emissions signal banks’ strategic alignment with the energy transition and demonstrate a concrete commitment to halt support for the expansion of fossil-based activities. Backtracking on these public commitments severely undermines the credibility of a bank’s climate strategy and increases its exposure to reputational, regulatory, and transition risks.

Effective oversight of climate- and transition-related risks is a well-established element of directors’ duties. Section 172 of the UK’s Companies Act 2006 requires directors act in good faith to promote the success of the company, which includes having regard the long-term consequences of any decision and the impact of the company’s operations on the community and environment.<sup>x</sup> While directors have considerable discretion when it comes to balancing the many factors determining the company’s success, there is widespread recognition in the UK that climate risk is financially material and something boards must actively manage.<sup>xi</sup> This expectation reflects a growing recognition globally that climate risk management is an important part of directors’ duties of care and

loyalty.<sup>xii</sup> Indeed, 89% of board directors surveyed by the Climate Governance Initiative in 2025 acknowledged that it is part of their role to influence their board on climate action.<sup>xiii</sup>

Board responsibility is also reflected in established supervisory guidance for banks. The UK’s Prudential Regulatory Authority expects boards act consistently “with the firm’s own safety and soundness and the continuing stability of the financial system.” This includes understanding climate-related risks so that the board can exercise its oversight function and ensure “such risks are effectively managed within the firm’s overall business strategy”.<sup>xiv</sup>

By allowing their bank to dilute fossil fuel policies or decarbonisation targets, directors may compromise their duty to protect shareholder value and manage long-term climate-related risks. Ultimately, the chair is responsible for ensuring the board executes its duties in a way that commands the confidence of shareholders. Where shareholders no longer have confidence that effective oversight of the bank’s climate strategy is being delivered by the board, they should seek to hold the chair accountable. While engagement remains a critical tool, a bank’s decision to materially backtrack on commitments developed over many years with the support of investors seriously impacts confidence in its climate strategy. In this case, shareholder action is justified in the immediate term to restore long-term confidence in the board’s engagement on climate risks and opportunities. This is particularly salient for NatWest Group, where, in 2022, 93% of shareholders explicitly approved the bank’s climate strategy as set out in its 2021 Climate-related Disclosures Report.<sup>xv</sup> The report included many tenets of the strategy that have been dropped in the last year, including the bank’s approach to major oil & gas companies.<sup>xvi</sup>

## >> PART 2 – SUPPORTING ANALYSIS

### 2.1 Oil & gas

#### Why this pillar matters

Further oil & gas development breaches planetary boundaries, risks creating a glut of fossil fuels, and undermines long-term financial stability. The IEA has said “no new long lead time conventional oil & gas projects are approved for development” under its 1.5C-compatible Net Zero Emissions by 2050 scenario (NZE).<sup>xvii</sup> In the latest World Energy Outlook 2025, the IEA again notes that “[a]s in previous editions of the NZE Scenario, upstream investment is directed towards maintaining the output of existing fields.”<sup>xviii</sup> Based on current expansion plans, the NZE would see significant numbers of oil & gas projects closing before the end of their technical lifetimes by the time we reach 2040, implying significant financial risks from stranded assets. Current trajectories for oil & gas supply greatly outstrip what is required in a 1.5C-compatible transition—a mismatch that would hit the profitability and valuation of oil & gas companies, as well as leading to large volumes of wasted investment. This financial risk could transfer to the banking sector either directly through impaired credit, or through more general macroeconomic and financial instability. Banks that are overly dependent on fees from oil & gas companies for capital markets services could also suffer from a disorderly loss of revenues, and should instead be planning a smooth transition to clients compatible with the emerging decarbonised economy.

#### Criteria

After updates to NatWest Group’s policy in February 2026, the bank no longer meets our climate criteria for ‘Corporate finance expansion (upstream)’ (OG.c). It has also weakened its position against the following criteria: ‘Dedicated finance (fracking)’ (UOG.F.a), ‘Corporate finance threshold (fracking)’ (UOG.F.b), ‘Corporate finance threshold (oil sands)’ (UOG.O.b).

Criteria	NatWest Group (old)	NatWest Group (new)	Barclays	Lloyds Banking Group
OG.a - Dedicated finance (upstream)	Y**	Y**	Y	Y*
OG.b - Dedicated finance (midstream)	N	N	Y**	N

<b>OG.c - Corporate finance expansion (upstream)</b>	No oil & gas majors without a credible transition plan in 2021 OR no upstream oil & gas companies where the majority of assets financed are based outside the UK**	↓N	Only finances non-diversified groups where >10% oil & gas capex is in long-lead expansion by exception; New clients where >10% of oil & gas capex is in expansion**	Only rules out new clients; does not apply to ringfenced sustainable activities. Alternatively, only rules out pureplay oil & gas exploration companies**
<b>OG.d - Products and services</b>	N	↑Y	Y	N
<b>UOG.A.a - Dedicated finance (Arctic)</b>	Y	Y	Y	Y
<b>UOG.A.b - Corporate finance threshold (Arctic)</b>	N	N	20% of total oil & gas production*	Only applies to new clients; does not apply to ringfenced sustainable activities**
<b>UOG.A.c - Products and services</b>	N	↑Y	Y	N
<b>UOG.F.a - Dedicated finance (fracking)</b>	Y	↓Y**	Y**	Y**
<b>UOG.F.b - Corporate finance threshold (fracking)</b>	Companies involved in onshore exploration, extraction, or expansion of fracking in the UK OR companies involved in fracking outside the UK without a license to operate or with repeat compliance issues**	↓Companies who generate more than 10% of revenues from onshore exploration, development, or production of fracking in the UK**	20% of total oil & gas production (UK/EU only)**	Only applies to new clients; does not apply to ringfenced sustainable activities**
<b>UOG.F.c - Products and services</b>	N	↑Y	Y	N
<b>UOG.O.a - Dedicated finance (oil sands)</b>	Y	Y	Y**	Y

<b>UOG.O.b - Corporate finance threshold (oil sands)</b>	Companies undertaking exploration, extraction, or expansion of oil sands	↓ Companies who generate more than 10% of revenues from exploration, development, or production of oil sands	10% of revenue (majority owners/operators of oil sands assets)*	Only applies to new clients; does not apply to ringfenced sustainable activities. Alternatively, rules out finance for clients exploring or developing oil sands outside of fields approved for development as of 2021**
<b>UOG.O.c - Products and services</b>	N	↑Y	Y	N
<b>UOG.U.a- Dedicated finance (ultra-deepwater)</b>	Y	Y	Y	Y
<b>UOG.U.b - Corporate finance threshold (ultra-deepwater)</b>	N	N	N	Only applies to new clients; does not apply to ringfenced sustainable activities**
<b>UOG.U.c - Products and services</b>	N	↑Y	Y	N

<b>Y = Meets criteria</b>	<b>Y* = Meets criteria, with technical exceptions</b>	<b>Y** = Meets criteria, with material exceptions</b>	<b>N = Does not meet criteria</b>
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<b>OG.a - Dedicated finance (upstream)</b>	Does the bank exclude dedicated finance for new oil & gas projects?
<b>OG.b - Dedicated finance (midstream)</b>	Does the bank exclude dedicated finance for new infrastructure enabling the transport, liquefaction, or regasification of oil & gas?
<b>OG.c - Corporate finance expansion (upstream)</b>	Does the bank exclude general corporate purpose finance for companies engaged in new oil & gas projects?
<b>OG.d - Products and services</b>	Does the policy apply to all relevant products and services, and at a minimum to the bank's lending and capital markets facilitation activities?
<b>UOG.A/F/O/U.a - Dedicated finance (unconventional)</b>	Does the bank exclude dedicated finance for new Arctic oil & gas / fracking / oil sands / ultra-deepwater oil & gas projects or the expansion of existing projects?
<b>UOG.A/F/O/U.b - Corporate finance threshold (unconventional)</b>	Does the bank restrict general corporate purpose finance for companies that are exposed to Arctic oil & gas / fracking / oil sands / ultra-deepwater oil & gas based on a relative threshold, such as the percentage of oil & gas production or revenues derived from these segments?

### Changes to policy position

Revisions to its position on the oil & gas sector mean NatWest Group's only prohibitions on general purpose financing of oil & gas clients apply to specific unconventional segments. The bank has removed its commitment not to finance oil & gas majors who lacked a credible transition plan in 2021—the time the bank conducted its transition plan assessments. This marks a further weakening of NatWest Group's policy on oil & gas majors. The bank had already adjusted its risk acceptance criteria in February 2025 so majors were assessed on the basis of their 2021 transition plans, rather than their latest commitments. NatWest Group has also dropped its pledge not to finance oil & gas majors who fail to report the overall emissions of the assets they operate. Furthermore, it has decided to remove its commitment not to finance upstream oil & gas companies where the majority of assets being financed are outside of the UK.

Under the new Energy Supply Sectors Risk Acceptance Criteria, NatWest Group had initially removed its commitment not to support any projects involving hydraulic fracturing. Instead, it just prohibited finance to onshore shale oil & gas projects in the UK. This position has since been amended so that it now prohibits onshore exploration, development, or production of shale oil and gas regardless of jurisdiction. The bank has retained a more general commitment not to provide dedicated finance to the exploration of new oil and gas reserves; however, this does not impact the large reserves already identified by oil & gas companies.

Beyond project-specific financing, the bank previously prohibited support for companies exploring, extracting, or expanding shale oil & gas in the UK. Under the current policy, however, it has adjusted the position so that only companies deriving more than 10% of revenues from the exploration, development, or production of onshore shale in the UK are covered. While there is currently a moratorium on UK shale development, it is notable that NatWest Group's new policy gives some room to exposure and removes the bank's specific prohibition on expansion. From an international perspective, the bank has converted its previously clear commitment not to finance fracking companies with repeat compliance issues into to less clear "risk concern", which may be prohibited or restricted.

NatWest Group has also made some subtle adjustments to its oil sands prohibitions. As with onshore shale in the UK, the bank rules out support for all companies undertaking the exploration, extraction, or expansion of oil from oil sands. This appears in the new policy as a commitment not to finance companies deriving more than 10% of revenues from the exploration, development, or production of oil from oil sands—notably omitting reference to expansion.

The final changes made by the bank in the new risk acceptance criteria concern the policy's product coverage. The bank has said it will no longer set prohibitions and restrictions specific to reserve-based lending. However, the policy does now explicitly cover bond underwriting. This change would have been highly significant under the bank's old policy. However, the lack of restrictions on general corporate purpose financing under NatWest Group's new risk acceptance criteria means the number of potentially affected oil & gas bonds would now be limited.

**For a side-by-side comparison of the bank's old and new policies, see the appendix.**

### Analysis

#### Undermining efforts to reduce fossil fuel financing

NatWest Group has changed its Energy Supply Sectors Risk Acceptance Criteria in a context where the bank was already struggling to meaningfully drive down its fossil fuel financing. Support to companies listed on the Global Oil & Gas Exit List (GOGEL) and Global Coal Exit List (GCEL) fell from \$1.4 billion in 2021 to \$1.1 billion in 2022, but was still \$1.2 billion in 2024.<sup>xix</sup> NatWest Group's own reporting showed total on- and off-balance sheet exposure to oil & gas rose 31% between 2024 and 2025.<sup>xx</sup> Weakening its restrictions on oil & gas clients will do little to change this trend. Indeed, were ShareAction to undertake its benchmark of the 25 largest European banks again at the time of publication, NatWest's oil & gas policies would fall from the joint 13<sup>th</sup> strongest—almost level with Lloyds Banking Group—to 17<sup>th</sup>.

Any increase in engagement with the oil & gas sector would come with significant financial, reputational, and systemic risks for NatWest Group. Various studies put the potential value of stranded oil & gas assets at \$3-16 trillion, with an impact on fossil fuel profits of well over \$1 trillion over the next 15 years.<sup>xxi</sup> In the nearer term, Carbon Tracker has warned oil & gas companies could waste almost half a trillion of capex if they fail to curb planned overinvestment between 2023 and 2029.<sup>xxii</sup> There are also broad implications for the financial sector. The ECB finds that transition risk would cause a "non-negligible increase in credit risk impairments" in a short-term disorderly scenario, driven by the most carbon-emitting sectors including fossil fuels.<sup>xxiii</sup> Similarly, the Bank of England notes that impairment rates for fossil fuels would be twice as high on average compared to other corporate portfolios in an early and late action scenario.<sup>xxiv</sup>

### Abandoning all restrictions on oil & gas majors

Restrictions on major oil & gas companies without a transition plan had been a major feature of NatWest Group's risk acceptance criteria since 2022. Prior to that year, the bank had been involved in deals for companies including BP, Eni, Total, Repsol, and Petrobras.<sup>xxv</sup> These relationships tailed off through 2022 to now, except for some engagement with BP. However, as noted above, NatWest Group has been eroding the stringency of its transition plan requirement on majors for some time. Removing it entirely gives the bank a freer hand to engage with some of the largest expanders of fossil fuel production.

None of the world's major oil & gas producers have growth plans aligned with 1.5C of warming. Indeed, many have significant potential projects that would be incompatible with even a 2.4C scenario.<sup>xxvi</sup> At the same time, their investment in renewables has been meagre. The world's largest 250 oil & gas firms own just 1.5% of total renewable energy capacity and renewable power accounts for just 0.13% of the energy they produce.<sup>xxvii</sup> Not content with this level of ambition, majors like Shell, Equinor, and BP are scaling back their renewables investments even further.<sup>xxviii</sup> In fact, most of the oil & gas majors are scaling back their overall long-term capex—a tacit acknowledgement they are not destined to transform their business model, but rather to ride out the transition as long as they can and return value to shareholders.<sup>xxix</sup>

NatWest Group's rationale is hard to unpick. Oil & gas majors are playing little role in the energy transition and do not have a particularly compelling long-term growth story. Yet the bank was willing to take the risk of weakening its restrictions in ways that make it easier to build relationships with these specific companies.

### Out of step with the UK's transition

The bank's decision to drop restrictions on oil & gas companies where the majority of assets being financed are outside the UK is similarly perplexing. With IEA warning of both a glut in oil supply and an overprovision of LNG<sup>xxx</sup>, it's not clear how expanding fossil fuels abroad significantly helps the UK economy, where NatWest Group generates more than 90% of its income.<sup>xxxi</sup> Instead, recent modelling by the REA suggests by 2028-29 renewables will be the cheapest form of electricity for the UK even when one includes the added cost of grids, transmission, storage and system upgrades.<sup>xxxii</sup> The UK government has been clear in both its Clean Energy Industries Sector Plan and North Sea Future Plan that energy sector expertise is needed to help expand new transition-related industries and provide job opportunities for existing oil & gas workers.<sup>xxxiii</sup> NatWest Group would better serve its home market by directing its sectoral expertise wholly to these projects, rather than increasing the list of companies and projects it can support abroad.

### Welcome updates, but fracking policy remains weaker

NatWest Group took the positive step of returning to its new risk acceptance criteria following publication to fully rule out support for onshore fracking projects regardless of jurisdiction. This is a significant step, given the vast majority of shale projects are being developed in the US and other international markets, not the UK. The policy still does not proscribe the use of fracking as a technique in offshore settings—unless the project is in an ultra-deepwater environment, which is covered by another aspect of NatWest Group's policy. Fracking can be used in offshore operations to prepare wells, reach tight reservoirs, and enable enhanced oil recovery.<sup>xxxiv</sup> However, these techniques also come with significant risk to local environments through their use of chemicals and the release of produced water.<sup>xxxv</sup> Indeed, the risks of offshore fracking are such that the technique is banned in areas such as California.<sup>xxxvi</sup>

Aside from project financing, the bank's decision to drop the clear prohibition in its previous risk acceptance criteria against fracking companies with repeat compliance issues does not build confidence. Under the bank's new framework for managing these risks, all clients are expected to comply with applicable laws, regulations, and licensing conditions. Moreover, repeated non-compliance with environmental or health & safety legislation is flagged as a risk concern in the bank's enhanced due diligence process and can lead to prohibition and

restriction.<sup>xxxvii</sup> However, there is no longer a clear redline for this behaviour in the way we saw articulated in NatWest Group's previous risk acceptance criteria.

### Weak targets fail to mitigate policy changes

Against the weakening of its oil & gas prohibitions, NatWest Group might cite its financed emissions target for the sector, or even its sustainable financing commitments. However, neither of these provide sufficient mitigation. The bank's financed emissions target for the oil & gas sector is tied to emissions intensity, meaning it is not geared to reduce the bank's overall oil & gas financing. It also only covers the bank's lending, leaving NatWest Group free to pursue whatever trajectory it chooses for its capital markets activities. Even if the bank's oil & gas target were based on absolute emissions, there is a disconnect with the real world. NatWest Group could slash emissions on its balance sheet by 2030, but if it is financing or facilitating finance for companies expanding fossil fuels, those assets go on polluting.

NatWest Group is keen to highlight the target it set last year to provide £200 billion of climate and transition finance by the end of 2030—a target it says “expands our customer support to accelerate progress”.<sup>xxxviii</sup> However, it is not clear whether the bank expects this acceleration to continue. The bank provided £19 billion of climate and transition financing in H2 2025.<sup>xxxix</sup> If it just provided this same amount every half-year up to 2030, it would exceed its target. In fact, the amount of this financing the bank provides could fall at a compound annual growth rate (CAGR) of 1% and NatWest would still meet its target. Even accounting for fluctuations through the year and between years, it is evident that a large step up in sustainable financing is not implied by the target. It therefore serves more as a forecast than a stretching ambition.

### Wrong move at the wrong time

NatWest Group is moving backwards on its climate ambitions at a time when climate risks have never been more acute. While it retains systems for reviewing client transition plans and exercising advanced oversight, none of these mechanisms provide investors with a clear redline for what companies and activities the bank will and will not support. This is the role of the risk acceptance criteria, and it is a role that has been diminished following the bank's changes. As discussed throughout this analysis, the risks are potentially severe and the upsides uncertain. Shareholders need confidence that the bank and its board are sufficiently serious about transitioning away from fossil fuels. In light of the recent policy changes, immediate action is justified to restore that confidence.

## 2.3 Decarbonisation targets

### Why this pillar matters

Managing the risks and opportunities of the energy transition requires banks to make long term investments—not only in their analytical tools, expertise, products, and services, but also in their relationships with clients and policymakers. For these investments to successfully transform the bank's business model to compete in a changing economy, it needs clear and stable institutional incentives that guide decision-making. Decarbonisation targets help provide these incentives, easing coordination in an incredibly complex organisation and demonstrating the bank's direction of travel when the payoffs from current actions may be years ahead.

While the quality of target implementation varies considerably, research has shown that banks committed to the Science Based Target initiative (SBTi) charge polluting companies a higher interest rate than other banks, while offering a discount to borrowers that have made climate commitments.<sup>xl</sup> Similarly, ShareAction analysis suggests that banks with more robust climate targets increase financing for sustainable energy relative to fossil fuels at a faster pace.<sup>xli</sup>

To ensure banks are transitioning their business model, rather than engaging in piecemeal action, it is important decarbonisation targets cover all emissions-intensive sectors material to the bank's activities. The Net Zero Banking Alliance (NZBA) identified the relevant emission-intensive sectors for target setting as: aluminium; cement, coal; commercial real estate; residential real estate; iron & steel, oil & gas; power generation; and transportation.<sup>xlii</sup> While the NZBA has ceased to be a membership organisation, this standard remains a primary reference point for the banking sector. It is also incumbent on banks that choose not to cover sectors in this list to explain why they have deemed the sector immaterial.

Flaws in their design is an important reason why banks' targets may end up being less impactful than they need to be. In this respect, it is critical banks align the trajectory of their decarbonisation targets with the Paris

Agreement’s 1.5C temperature goal. Moreover, with 40% of global banks’ support for fossil fuels channelled through the underwriting of bonds and equity, it is important that decarbonisation targets not only cover lending but also the bank’s role as a facilitator of finance.<sup>xliii</sup>

### Criteria

After updates to NatWest Group’s policy in February 2026, the bank has weakened its targets in the following areas: ‘Sectoral decarbonisation targets’ (SD.a).

Criteria	NatWest Group (old)	NatWest Group (new)	Barclays	Lloyds Banking Group
<b>HD.a – Net zero commitment</b>				
<b>SD.a – Sectoral decarbonisation targets</b>	8 sectors covered. Aviation, agriculture, and shipping only covered through an ‘other sectors’ target	<b>↓7 sectors covered. No targets for aluminium, cement, iron &amp; steel, and shipping</b>	8 sectors covered. No targets for aluminium, shipping, and residential real estate	7 sectors covered. No targets for aluminium, cement, iron & steel, and shipping
<b>SD.b – Sectoral decarbonisation targets methodology</b>	3 sectoral targets 1.5C-aligned. Aluminium, automotive, cement, iron & steel, and residential real estate targets based on a well-below-2C scenario	<b>↑7 sectoral targets 1.5C-aligned</b>	4 sectoral targets 1.5C-aligned. Automotive, cement, iron & steel, and power generation targets use ranges where only upper end is 1.5C-aligned	6 sectoral targets 1.5C-aligned. Aviation target aligned to the IEA ETP B2C scenario
<b>SD.c – Sectoral decarbonisation targets products and services</b>			6 sectoral targets cover lending and capital markets. All others only cover lending	

Fully compliant

Partially compliant /only compliant for some targets

Not compliant

**HD.a – Net zero commitment**

Has the bank set a high-level target to align its financing with net-zero emissions by 2050 at the latest?

**SD.a – Sectoral decarbonisation targets**

Has the bank set interim decarbonisation targets to reduce emissions connected with agriculture, aluminium, cement, commercial real estate, residential real estate, iron & steel, oil & gas, power generation, and transportation (automotive/road transport, aviation, shipping) by 2030 or earlier?

**SD.b – Sectoral decarbonisation targets methodology**

Does the bank rely on 1.5C-aligned climate scenarios to set sectoral decarbonisation targets?

**SD.c – Sectoral decarbonisation targets products and services**

Does the bank cover all relevant financing activities in sectoral decarbonation targets?

## Changes to policy position

NatWest Group has shifted its entire financed emissions target setting framework from SBTi-validated sector targets to targets focused on specific activities. At the same time, it remains committed to halving the climate impact of its financing by 2030.

Under the previous system, eight of the climate-critical sectors tracked by ShareAction were covered by dedicated targets: aluminium, automotive, cement, commercial real estate, iron and steel, power generation, and residential real estate. The targets for the automotive sector were split across freight road, passenger road, and automotive manufacturing. Moreover, NatWest Group targeted financed emission reductions under an 'other sectors' target, which encompassed agriculture, aviation, and shipping. In the bank's 2024 Sustainability Report, it reported the economic emissions intensity for agriculture separately. It also disclosed the specific emissions reduction for agriculture implied by the 'other sectors' target.

Under NatWest Group's new target setting framework, the bank has retained dedicated targets covering the automotive, commercial real estate, oil & gas, power generation, and residential real estate sectors. As before, targets for the automotive sector are split across freight road, passenger road, and automotive manufacturing. In addition, agriculture and aviation sectors, which were previously only covered through the 'other sectors' target, now have dedicated emission reduction targets. On the other hand, the bank no longer has any targets covering aluminium, cement, iron & steel, and shipping.

At the same time as it adjusted the scope of its targets, NatWest Group also amended the scenarios against which it benchmarked its objectives. Before, targets covering aluminium, automotive, cement, iron & steel, and residential real estate sectors were benchmarked against the IEA's Energy Technology Perspectives Below 2C scenario (IEA ETP B2DS). Three of these targets have now been dropped. However, the bank's remaining targets for the automotive sector (freight road, passenger, and manufacturing) and residential real estate are benchmarked against the UK Climate Change Committee's 1.5C-aligned Seventh Carbon Budget (UK CCC CB7).

**For a side-by-side comparison of the bank's old and new targets, see the appendix.**

## Analysis

### Strengths and weaknesses, but a lack of transparency

The changes NatWest Group has made to its decarbonisation targets send mixed signals about the bank's climate ambitions. On the one hand, the re-benchmarking of automotive and residential real estate targets is a step forwards. As is the decision to set dedicated targets for agriculture and aviation.

On the other hand, the bank has removed targets for sectors critical to the energy transition without providing any objective quantitative explanation for why these sectors are immaterial for the bank. Collectively, the aluminium, cement, iron & steel, and shipping sectors are responsible for just under 10% of global greenhouse gas emissions.<sup>xliv</sup> While figures are not publicly available for more recent years, these four sectors represented just over 1% of NatWest's total financed emissions in 2023.

While NatWest Group's portfolios in dropped sectors are clearly small relative to activities like mortgages or car loans, it still has a record of working with significant clients. Notably, these include ArcelorMittal, the world's second largest steelmaker, and CRH, the 13<sup>th</sup> largest cement producer. Another of the bank's building material clients, Xella, was recently acquired by Holcim, the world's 3<sup>rd</sup> largest cement producer.<sup>xlv</sup> NatWest Group therefore has the opportunity to work with companies in these high-emitting sectors to meaningfully advance the transition. Retaining its targets would have provided a useful benchmark for the bank's teams to guide their engagement and for investors to understand the profile of clients that would fit into NatWest Group's portfolio. Of course, resources need to be prioritised, but if the bank feels a sector is not sufficiently important, it is incumbent on the bank to set a quantitative standard against which it can consistently justify this decision.

Aside from these changes, NatWest Group has failed to address two critical flaws in its target setting approach. The first is the choice of a physical emissions intensity target for the oil & gas sector. The impact of burning a barrel of oil cannot be decarbonised, so the appropriate goal for the oil & gas sector is an absolute reduction in financing or emissions, not an intensity-based metric. Second is the bank's continued failure to set targets covering capital markets activities such as bond underwriting and the arranging of syndicated loans. Data from Banking on Climate Chaos suggests underwriting of bonds alone represents 45% of NatWest's contribution to fossil fuel clients.<sup>xlvi</sup>

## >> PART 3 – CONCLUSION

### Climate ambitions and oversight weaken in parallel

In his foreword to NatWest Group’s latest annual report, the bank’s chair, Rick Haythornthwaite declared: “As a board, our role is to work with the executive team to ensure we have a strategy that delivers value today and positions NatWest Group for sustainable success in the years ahead”. This neatly reflects the bank’s strategy for “disciplined growth”, which it says involves “sustainably growing by building stronger and deeper relationships, whilst attracting new customers”.<sup>xlvii</sup>

Unfortunately, the bank seems to have the balance wrong. The changes it has made to its climate strategy make it easier of the bank to accept new oil & gas clients, particularly major international producers and those developing projects outside the UK. New oil & gas clients are not compelling candidates for stronger and deeper relationships, given their incompatibility with a climate-safe energy transition. Facilitating expansion by these high-polluting companies also seems antithetical to NatWest Group’s hopes of sustainable success. As the lender responsible for one in every eight UK mortgages, NatWest Group is considerably exposed to the physical risks of climate change and knock-on effects for British households.<sup>xlviii</sup> Already, 3.4% of the bank’s home loans are at high flood risk, while more than one in ten new homes built in the UK between 2022 and 2024 are now in areas with medium to high flooding exposure.<sup>xlix</sup>

Decisions to weaken climate commitments come on the back of NatWest Group ceasing its Group Sustainable Banking Committee, which had advised the board on ESG matters. The bank says responsibility for ESG has been reallocated to the board as a whole. Given the concerns raised regarding the bank’s changed positioning on climate issues, it is incumbent on NatWest Group to show that this new institutional arrangement is an improvement on what came before. On the one hand, we can see the board engaging in discussions on climate ambitions and targets that previously had been allocated to the Sustainable Banking Committee.<sup>1</sup> On the other hand, removing the Sustainable Banking Committee means ESG matters now need to be fit into the many other items dealt with on the board’s agenda rather than handled by a dedicated group of directors.

At the same time, the willingness of board members to accept reassurances from management on sustainability issues is concerning. In its annual report, the bank’s risk committee said it challenged “management to review whether climate and nature risk appetite continued to reflect NatWest Group’s evolving climate strategy and received assurance from management that risk appetite remained appropriate.” Furthermore, it “was pleased to receive confirmation from management that the reputational risk profile was stable and that the reputational risk framework was operating effectively.”

The changes NatWest has made to its climate ambitions suggest a greater tolerance for transition risk around the world and physical risk at home. The board is responsible for ensuring the bank effectively manages these long-term risks. Its failure to prevent the leadership of NatWest Group diluting the bank’s commitments calls into question the efficacy of its oversight function. Responsibility ultimately lies with the chair, whose role it is to ensure robust assessments of climate risks and opportunities translate into a comprehensive, coherent, and ambitious strategy. As this analysis has set out, there are many issues on which investors would be right to seek sustained engagement with NatWest Group. However, given both the significance of changes to the bank’s risk acceptance criteria and concerns over its ESG governance, shareholder action is required in the immediate term to restore confidence in the board’s capacity and commitment to oversee a stable, robust, and ambitious climate strategy.

## >> PART 4 – APPENDIX

### 4.1 Oil & gas – February 2025 vs. February 2026

Previous policy

New policy

OG.c

OG.c

- “Prohibited:  
Upstream oil and gas companies where the majority (>51%) of their assets being financed are not based in the UK (onshore or offshore UK Continental shelf).  
[...]  
Oil and gas majors, unless they had a credible transition plan aligned with the 2015 Paris Agreement in place\*.  
[...]  
\* as assessed by our point in time credible transition plan assessment methodology undertaken in 2021.” [p2-3]
- “Oil and Gas major: Large corporate customers with gross lending exposure of £2 billion at December 2020 who were identified as requiring a Paris aligned Credible Transition Plan by the end of 2021.” [p5]
- **Material exceptions:** Only applies to oil & gas majors; does not apply if majors had a credible transition plan in 2021. Alternatively, only applies to companies with the majority of assets outside of the UK; only applies to upstream companies.

#### UOG.F.a

- “Prohibited:  
[...]  
Projects involving hydraulic fracturing ('fracking') for oil and gas.” [p3]
- **Material exceptions:** N/A

#### UOG.F.b

- “Prohibited:  
[...]  
Upstream oil and gas companies where the majority (>51%) of their assets being financed are not based in the UK (onshore or offshore UK Continental shelf).  
Companies involved in onshore exploration, extraction or expansion of oil & gas in the UK using hydraulic fracturing methods ('fracking').  
[...]  
Oil and gas majors, unless they had a credible transition plan aligned with the 2015 Paris Agreement in place\*.  
[...]  
Companies involved in onshore or offshore exploration, extraction or expansion of oil and gas facilities outside the UK using hydraulic fracturing methods where the company does not have a licence to operate by the relevant authority or there are repeat compliance issues associated with operations.”

- No commitment in place.
- **Material exceptions:** N/A

#### UOG.F.a

- “We do not provide direct Financing (including Project Finance) for the specific purpose of: Onshore Exploration, Development, or Production of shale oil and gas” [p2]
- **Material exceptions:** Only applies to onshore shale oil and gas.

#### UOG.F.b

- “We do not provide Financing for general corporate purposes to companies who generate more than 10% of their revenues from any combination of activities below at the point of Financing: onshore Exploration, Development or Production of shale oil and gas in the UK.” [p2]
- **Material exceptions:** Only applies to onshore shale oil & gas in the UK.

[...]

\* as assessed by our point in time credible transition plan assessment methodology undertaken in 2021.” [p2-3]

- “Oil and Gas major: Large corporate customers with gross lending exposure of £2 billion at December 2020 who were identified as requiring a Paris aligned Credible Transition Plan by the end of 2021.” [p5]
- **Material exceptions:** Only applies to onshore shale oil & gas in the UK. Alternatively, only applies to oil & gas majors; does not apply if majors had a credible transition plan in 2021. Or, only applies to companies with the majority of assets outside of the UK; only applies to upstream companies.

#### UOG.O.b

- “Prohibited:  
[...]  
Companies undertaking the exploration, extraction or expansion of oil from Oil Sands (Existing NatWest Group exposure to these activities will only be accepted if it has been assessed as part of the company’s credible transition plan).” [p3]
- **Material exceptions:** N/A

#### UOG.O.b

- “We do not provide Financing for general corporate purposes to companies who generate more than 10% of their revenues from any combination of activities below at the point of Financing: Exploration, development or production of oil from oil sands.” [p2]
- **Material exceptions:** N/A

### 4.3 Decarbonisation targets – February 2025 vs. February 2026

#### Previous targets

##### SD.a

- The bank has set 2030 targets for aluminium, automotive, cement, commercial real estate, iron & steel, oil & gas, power generation, and residential real estate based on physical emissions intensity. The bank has also set a temperature alignment target for corporate loans covering 'other sectors' including aviation, shipping, and agriculture primary farming, but the pathways are not defined at the sectoral level.

#### New targets

##### SD.a

- The bank has set 2030 targets for agriculture primary farming, automotive, aviation, commercial real estate, oil & gas, power generation, and residential real estate based on physical emissions intensity.

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