

**NatWest Group Retirement Savings Plan
(formerly known as
Royal Bank of Scotland Group Retirement Savings Plan)**

Annual Report and Financial Statements

**for the year ended
30 September 2022**

Registration number 10276594

Table of Contents

| | |
|--|----|
| TRUSTEE, ADMINISTRATION AND ADVISERS | 2 |
| REPORT OF THE TRUSTEE..... | 4 |
| INDEPENDENT AUDITOR’S REPORT | 9 |
| INDEPENDENT AUDITOR’S STATEMENT ABOUT CONTRIBUTIONS..... | 12 |
| SUMMARY OF CONTRIBUTIONS | 13 |
| FUND ACCOUNT..... | 14 |
| STATEMENT OF NET ASSETS | 15 |
| NOTES TO THE FINANCIAL STATEMENTS | 16 |
| CHAIRMAN’S GOVERNANCE STATEMENT..... | 25 |
| APPENDIX A – STATEMENT OF INVESTMENT PRINCIPLES | 39 |
| APPENDIX B – IMPLEMENTATION STATEMENT | 57 |

Trustee, Administration and Advisers

| | | | | | | | | | | | | | |
|---|--|---|------------------------------|--------------------|---------------------------------|-------------|-----------------------------------|-----------------|---------------------------------|-----------|-----------------------------------|-------------|---------------------------------|
| Principal Employer | NatWest Markets plc | | | | | | | | | | | | |
| Corporate Trustee | NatWest Group Retirement Savings Trustee Limited (formerly known as RBS Retirement Savings Trustee Limited) 250 Bishopsgate London EC2M 4AA Company registration number 05868655 | | | | | | | | | | | | |
| Trustee Directors | <table><tr><td>Church End Independent Services Limited, represented by Andrew Cox (Chairman)</td><td>Independent Trustee Director</td></tr><tr><td>Sebastian Burnside</td><td>Bank appointed Trustee Director</td></tr><tr><td>Alison Robb</td><td>Member nominated Trustee Director</td></tr><tr><td>Michael Watkins</td><td>Bank appointed Trustee Director</td></tr><tr><td>Ross Wood</td><td>Member nominated Trustee Director</td></tr><tr><td>Carol Young</td><td>Bank appointed Trustee Director</td></tr></table> | Church End Independent Services Limited, represented by Andrew Cox (Chairman) | Independent Trustee Director | Sebastian Burnside | Bank appointed Trustee Director | Alison Robb | Member nominated Trustee Director | Michael Watkins | Bank appointed Trustee Director | Ross Wood | Member nominated Trustee Director | Carol Young | Bank appointed Trustee Director |
| Church End Independent Services Limited, represented by Andrew Cox (Chairman) | Independent Trustee Director | | | | | | | | | | | | |
| Sebastian Burnside | Bank appointed Trustee Director | | | | | | | | | | | | |
| Alison Robb | Member nominated Trustee Director | | | | | | | | | | | | |
| Michael Watkins | Bank appointed Trustee Director | | | | | | | | | | | | |
| Ross Wood | Member nominated Trustee Director | | | | | | | | | | | | |
| Carol Young | Bank appointed Trustee Director | | | | | | | | | | | | |
| Secretary to the Trustee | Manisha Srivastava and Vicki Roscoe (Appointed 20 January 2023) Trustee Solutions Limited (From 16 August 2022 to 31 January 2023) Kate Smith (Resigned 16 August 2022) | | | | | | | | | | | | |
| Administrator | Legal & General Assurance Society (Legal & General) One Coleman Street London EC2R 5AA Any member who has questions about the NatWest Group Retirement Savings Plan ("the Plan"), their pension benefits or who require more information should contact Legal & General via e-mail at rbsrsp@landg.com or by writing to: Legal & General Workplace DC Pensions Legal & General Investment Management Knox Court 10 Fitzalan Road Cardiff CF24 0TL | | | | | | | | | | | | |
| Independent Auditor | Deloitte LLP Abbots House Abbey Street Reading RG1 3BD | | | | | | | | | | | | |
| Accounts Preparer | Crowe U.K. LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG | | | | | | | | | | | | |

Trustee, Administration and Advisers (continued)

| | |
|-------------------------------------|---|
| Banker | National Westminster Bank plc City of London Office PO Box 12258 1 Princes Street London EC2R 8PA |
| Legal Advisers | Carey Olson Jersey LLP 47 Esplanade St Helier Jersey JE1 0BD Hassans International Law Firm Limited PO Box 199 Madison Building Midtown Queensway Gibraltar GX11 1AA Keystone Law Limited Athol Street Douglas Isle of Man IM1 1JD Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES |
| Investment Consultant | Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ |
| Asset Manager | RBS Investment Executive Limited (RIEL) (Appointed under an Investment Advisory and Management Agreement (IAMA)) RBS Gogarburn 175 Glasgow Road Edinburgh Scotland EH12 1HQ |
| Investment Platform Provider | Legal & General Assurance Society (Legal & General) One Coleman Street London EC2R 5AA Funds held on the investment platform are managed by Legal & General Investment Management Limited. |
| Legacy AVC Provider | Standard Life Assurance Limited Standard Life House 30 Lothian Road Edinburgh EH1 2DH |

Report of the Trustee

Introduction

The Directors of NatWest Group Retirement Savings Trustee Limited (formerly known as RBS Retirement Savings Trustee Limited), have pleasure in submitting this report which covers the year ended 30 September 2022. The purpose of the report is to describe how the NatWest Group Retirement Savings Plan (formerly known as the Royal Bank of Scotland Group Retirement Savings Plan), (“the Plan”) has been managed during the year, and to advise members of any significant changes that have been introduced during the year.

The name of the Corporate Trustee was changed with effect from 17 November 2021, and the Plan name changed with effect from 1 December 2021.

Constitution and Management of the Plan

The Plan is a Defined Contribution Plan set up under trust to provide benefits for eligible employees of the NatWest Group. It is governed by the Trust Deed and Rules dated 1 October 2006 and subsequent amendments.

Subject to the requirements of the Pensions Act 2004 in relation to member-nominated directors, the power to appoint or remove the Trustee of the Plan rests with NatWest Markets plc. The power of appointing and removing Trustee Directors is contained in the Articles of Association of NatWest Group Retirement Savings Trustee Limited. Three directors are appointed by NatWest Markets plc and two directors are selected from the membership of the Plan. NatWest Markets plc have also appointed an independent Trustee Director in order to take advantage of the broad experience offered by an independent trustee and further enhance the good governance of the Plan. The Trustee Board met regularly during the year under review to discuss the ongoing management of the Plan.

The Trustee has appointed professional organisations to support them in delivering the Plan’s objectives. These organisations are listed on pages 2 and 3. The Trustee has written agreements in place with each of them.

Financial Review

The Financial Statements set out on pages 14 to 24, provide an overview of the income, expenditure and investments of the Plan and, have been prepared and audited in accordance with the regulations made under sections 41(1) and (6) of the Pensions Act 1995.

During the year under review, the net assets of the Plan decreased by £40,799k from £1,705,030k to £1,664,231k. Contributions, transfers in and other income were £164,185k (2021: £147,801k). Benefits payable, transfers out, payments to leavers and other expenses were £76,766k (2021: £78,484k). Net returns on investments led to a decrease in funds of £128,218k (2021: increase of £266,984k).

Investment strategy and principles

The Trustee is responsible for the Plan’s investment arrangements and aims to provide a range of investments that are suitable for meeting both the long and short term investment objectives of members.

There is an agreed Statement of Investment Principles (SIP) which has been drawn up by the Trustee in accordance with, and which complies with, Section 35 of the Pensions Act 1995. A copy of the latest SIP can be found in Appendix A.

Management and custody of investments

The Trustee offers a number of unit-linked investment options (the investment ‘funds’) through the Legal & General platform. Each investment fund is linked to one or more underlying investment vehicles chosen by the Trustee; these underlying investment vehicles include both active and passive management strategies. As the investments are held in pooled funds the Trustee does not separately appoint a custodian, the manager makes its own arrangements for custody of the underlying investments.

Report of the Trustee (continued)

Management and custody of investments (continued)

There were a number of changes to the Diversified Growth Fund during the year:

- A 6% allocation to Global Small Cap equity, funded from Developed Global equities.
- A 5% allocation to Emerging Market debt, funded from global credit.
- The holdings of passive global and emerging market equities were switched into passive funds which exclude some companies which fail to meet certain criteria with respect to cluster munitions, coal mining or adherence to the UN Global Compact.

The Trustee has also introduced a new fund; the International Equity Sharia Fund.

Asset Manager, RBS Investment Executive Limited (RIEL), manages the underlying funds offered to members under delegated authority as set out in the Investment Advisory and Management Agreement (IAMA). The Asset Manager supports the Trustee in accordance with the terms of the IAMA to provide investment advisory and management services.

The Asset Manager regularly reviews the strategic asset allocation (SAA) of the Diversified Growth Fund and Lump Sum Fund. The Investment Adviser regularly reviews the SAA of the primary default investment strategy (the Drawdown Lifestyle Option) and the continuing appropriateness of the de-risking strategy underpinning the Drawdown Lifestyle Option.

In addition to the Drawdown Lifestyle Option, which is designed for members who intend to take a flexible retirement income, the Plan offers a Lump Sum Lifestyle Option for those targeting a cash lump sum at retirement and an Annuity Lifestyle Option for those members targeting a fixed income annuity in retirement. Further, the Plan has a range of 13 Self-Select funds so that members are able to self-select their own strategic asset allocation.

Two of the Self-Select funds, the UK Equity Tracker Fund and the Cash Fund, are treated as additional defaults of the Plan. In each case, this is due to some members' assets being invested in these funds following the closure or suspension of another fund. These funds are not used as a default investment arrangement for new joiners to the Plan.

The Trustee's policies in relation to financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments are set out in the SIP included in Appendix A, 'Financially material considerations' section.

The Trustee's policies in relation to the extent to which non-financial matters are taken into account in the selection, retention and realisation of investments are set out in the SIP included in Appendix A, 'Non-financially material considerations' section.

The Trustee's policies in relation to the exercise of the rights attaching to the investments and undertaking engagement activities in respect of the investments are set out in the SIP included in Appendix A, 'Stewardship & Voting rights' section.

The Trustee's policies in relation to their arrangement with any asset manager are set out in the SIP included in Appendix A, 'Asset manager arrangements' section.

Implementation statement

The Trustee has produced an annual Implementation Statement which covers the Plan year. The Implementation Statement sets out how, and the extent to which, the Trustee has followed its SIP during the year, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

The Implementation Statement also includes a description of the voting behaviour by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year and states any use of the services of a proxy voter during that year.

The full Implementation Statement, which forms part of this report, is included in Appendix B.

Report of the Trustee (continued)

Fund performance

Performance against the benchmark for the funds available for investment by members at the year end are set out below.

| Fund | 12 months to 30 September 2022 | | | 3 years to 30 September 2022 | | | 5 years to 30 September 2022 | | |
|---------------------------------|-----------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|--------------------|
| | Fund % p.a. | Bench mark % p.a. | Relative % p.a. | Fund % p.a. | Bench mark % p.a. | Relative % p.a. | Fund % p.a. | Bench mark % p.a. | Relative % p.a. |
| Diversified Growth | (7.86) | (4.40) | (3.46) | 4.62 | 5.20 | (0.58) | 4.84 | 5.66 | (0.82) |
| UK Equity Tracker | (4.32) | (4.41) | 0.09 | 0.89 | 0.82 | 0.07 | 2.23 | 2.18 | 0.05 |
| International Equity Tracker | (2.58) | (2.53) | (0.05) | 9.33 | 9.38 | (0.05) | 10.24 | 10.26 | (0.02) |
| Emerging Markets Equity Tracker | (8.59) | (8.21) | (0.38) | 2.56 | 2.92 | (0.36) | 3.18 | 3.49 | (0.31) |
| Property | 7.43 | 6.93 | 0.50 | 4.64 | 4.80 | (0.16) | 5.61 | 6.03 | (0.42) |
| UK Gilts Over 15 Year Tracker | (36.46) | (36.43) | (0.03) | (15.79) | (15.75) | (0.04) | (5.76) | (5.72) | (0.04) |
| Index-Linked Gilts Tracker | (32.06) | (32.03) | (0.03) | (11.78) | (11.75) | (0.03) | (3.42) | (3.40) | (0.02) |
| Corporate Bond | (33.62) | (34.51) | 0.89 | (11.09) | (12.01) | 0.92 | (3.91) | (4.48) | 0.57 |
| Annuity Pre-retirement | (30.96) | (30.33) | (0.63) | (11.39) | (11.18) | (0.21) | (4.21) | (4.56) | 0.35 |
| Cash | 0.60 | 0.71 | (0.11) | 0.31 | 0.34 | (0.03) | 0.40 | 0.39 | 0.01 |
| Lump Sum | (2.18) | 1.73 | (3.91) | 0.72 | 1.39 | (0.67) | 0.91 | 1.48 | (0.57) |
| Income Drawdown | (9.11) | 4.27 | (13.38) | 0.18 | 3.93 | (3.75) | 2.19 | 4.01 | (1.82) |
| International Sharia Equity* | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

All fund performance is shown net of fees.

Source: Legal and General

*The International Sharia Equity fund was introduced in August 2022 therefore there is no performance data available.

Individual members' units are held either in the default investment arrangement or in self-select funds. Therefore, the performance of each fund has more relevance for members than an overall Plan return.

Equity and bond markets produced negative returns for the 1 year period to the 30 September 2022. Inflation expectations rose during the year which forced central banks to raise interest rates and began to unwind some of the emergency monetary tools that had been implemented to deal with the slow-down in economic activity from Covid lock-downs. Governments in many markets also put in place additional fiscal measures to mitigate some of the effects of higher energy prices on households.

This additional government borrowing at a time of higher inflation and tightening in monetary policy resulted in a significant increase in long-term interest rate expectations and negative returns for bond markets.

Equity markets also performed poorly, despite corporate earnings remaining robust in many sectors. The rise in interest rate expectations increased risk-free rates against which equity valuations need to compete. This resulted in a fall in valuation multiples (such as price / earnings ratios) that investors were prepared to pay to own equity assets and therefore equity markets generated negative returns.

Corporate bond markets also performed poorly. The unwinding of some of the emergency monetary tools reduced liquidity. This encouraged investors to require a higher prospective return to invest in more illiquid assets such as corporate bonds.

The DGF has a high allocation to equity and corporate bond markets and therefore it generated negative returns during the year.

The Trustee has considered the nature, disposition, marketability, security and valuation of the Plan's investments and considers them to be appropriate relative to the reasons for holding each fund. More details about investments are given in the notes to the Financial Statements.

Report of the Trustee (continued)

Going concern

The Trustee, in conjunction with their advisers, monitors the impact of national and global events and the effects they have on the operation and financial position of the Plan. There has been no disruption to the operation of the Plan, and no interruption to receipt of contributions or payment of benefits. The Trustee is confident that it is appropriate to prepare the Financial Statements on the going concern basis.

Employer-related investments

Details of any employer-related investments are disclosed in note 21 to the Financial Statements.

Membership Statistics

The following table shows the changes in the membership of the Plan during the year ended 30 September 2022:

| | At 30 September 2021 | Changes in year | At 30 September 2022 |
|-------------------------|---------------------------------|----------------------------|---------------------------------|
| Active Members | 30,928 | (732) | 30,196 |
| Deferred Members | 41,259 | 4,006 | 45,265 |
| Total members | <u>72,187</u> | <u>3,274</u> | <u>75,461</u> |

Registration

All the relevant details of the Plan and the Trustee Directors have been passed to the Pension Tracing Service which may be able to help anyone trying to trace pension rights.

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

Transfer Values

Members leaving service can transfer the value of their Plan savings to another retirement savings arrangement. The transfer values paid during the year were calculated and verified in accordance with regulations under Section 97 of the Pensions Act 1993. Discretionary benefits may be included in the calculation of transfer values at the direction of the Sponsoring Employer. No discretionary benefits were included in the calculation of transfer values paid during the year.

Tax Status

The Plan is registered under the Finance Act 2004 and is therefore exempt from UK Income and Capital Gains Tax.

DC Code of Practice

The Pensions Regulator's Code of Practice sets out the standards of conduct and practice that the Regulator expects trustee boards of occupational schemes providing money purchase benefits to meet in order to comply with their legal duties. The Trustee's confirmation of the Plan's compliance with the Pensions Regulator's Code of Practice and regulatory guidance can be found in the Chairman's Governance Statement on page 25.

Report of the Trustee (continued)

Statement of the Trustee's Responsibilities

The Financial Statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those Financial Statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparing of the Financial Statements on a going concern basis unless it is appropriate to presume that the Plan will be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Plan's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Trustee Responsibilities in Respect of Contributions

The Trustee is responsible under pensions legislation for securing that a Payment Schedule is prepared, maintained and from time to time revised, showing the rates of contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the Employer in accordance with the Payment Schedule. Where breaches of the Payment Schedule occur, the Trustee is required by the Pensions Act 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Approval of the Trustee Report

Approved by the Directors of NatWest Group Retirement Savings Trustee Limited and signed on their behalf by:

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Date:

Independent Auditor's Report to the Trustee of the NatWest Group Retirement Savings Plan

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements of the NatWest Group Retirement Savings Plan ('the Plan'):

- show a true and fair view of the financial transactions of the Plan during the year ended 30 September 2022 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the Financial Statements which comprise:

- the Fund Account;
- the Statement of Net Assets (available for benefits); and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report to the Trustee of the NatWest Group Retirement Savings Plan (continued)

Other information (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Plan or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Plan's industry and its control environment, and reviewed the Plan's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Plan operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Financial Statements. These included the Pension Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996; and
- do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Plan's ability to operate or to avoid a material penalty. These included the Plan's regulatory requirements.

Independent Auditor's Report to the Trustee of the NatWest Group Retirement Savings Plan (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the Financial Statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Plan's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP
Statutory Auditor
Reading, United Kingdom
Date: 14 April 2023

Independent Auditor's Statement about Contributions to the Trustee of the NatWest Group Retirement Savings Plan

We have examined the summary of contributions to the NatWest Group Retirement Savings Plan ('the Plan') for the Plan year ended 30 September 2022 to which this statement is attached.

In our opinion contributions for the Plan year ended 30 September 2022 as reported in the summary of contributions and payable under the Payment Schedule have in all material respects been paid at least in accordance with the Payment Schedule.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Payment Schedule.

Respective responsibilities of the Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for securing that a Payment Schedule is prepared, maintained and from time to time revised, and for monitoring whether contributions are made to the Plan by the Employer in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid under the Payment Schedule and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.



Deloitte LLP
Statutory Auditor
Reading, United Kingdom

Date: 14 April 2023

Summary of Contributions

During the year ended 30 September 2022 the contributions payable to the Plan by the Employer under the Payment Schedule were as follows:

| | 2022 £'000 |
|--|-----------------------------|
| Employer normal contributions | 142,756 |
| Total contributions payable under the Payment Schedule (as reported on by the Plan Auditor) | 142,756 |
| In addition, further employer contributions were payable: | |
| Augmentations (redundancy pay waivers) | 4,025 |
| Bonus waivers | 8,019 |
| Total employer contributions | 154,800 |
| Employee additional voluntary contributions | 413 |
| Total contributions reported in the Financial Statements | 155,213 |

Approved by the Directors of NatWest Group Retirement Savings Trustee Limited and signed on their behalf by:

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Date:

Fund Account for the year ended 30 September 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|------------------|------------------|
| Contributions and benefits | | | |
| Employer contributions | 5 | 154,800 | 133,779 |
| Employee contributions | 5 | 413 | 506 |
| Total contributions | | <u>155,213</u> | <u>134,285</u> |
| Transfers in | 6 | 3,438 | 8,171 |
| Other income | 7 | 5,534 | 5,345 |
| | | <u>164,185</u> | <u>147,801</u> |
| Benefits paid or payable | 8 | (12,133) | (9,897) |
| Payments to and on account of leavers | 9 | (62,211) | (66,494) |
| Administrative expenses | 10 | (2,422) | (2,093) |
| | | <u>(76,766)</u> | <u>(78,484)</u> |
| Net additions from dealings with members | | <u>87,419</u> | <u>69,317</u> |
| Returns on investments | | | |
| Change in market value of investments | 12 | (128,047) | 267,160 |
| Investment management fees | | (171) | (176) |
| Net returns on investments | | <u>(128,218)</u> | <u>266,984</u> |
| Net (decrease)/increase in the Plan during the year | | (40,799) | 336,301 |
| Net assets of the Plan at the beginning of the year | | 1,705,030 | 1,368,729 |
| Net assets of the Plan at the end of the year | | <u>1,664,231</u> | <u>1,705,030</u> |

The accompanying notes on pages 16 to 24 are an integral part of these Financial Statements.

Statement of Net Assets (available for benefits) as at 30 September 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|------------------|------------------|
| Investment assets | | | |
| Pooled investment vehicles | 13 | 1,663,090 | 1,693,449 |
| Legacy AVC investments | 14 | 1,639 | 1,617 |
| Unsettled transactions | 12 | 13 | 262 |
| | 12 | <u>1,664,742</u> | <u>1,695,328</u> |
| Current assets | 18 | 2,508 | 12,552 |
| Current liabilities | 19 | (3,019) | (2,850) |
| Net assets of the Plan at the end of the year | | <u>1,664,231</u> | <u>1,705,030</u> |

The Financial Statements summarise the transactions of the Plan and deal with the net assets at the disposal of NatWest Group Retirement Savings Trustee Limited. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year.

The accompanying notes on pages 16 to 24 are an integral part of these Financial Statements.

These Financial Statements were approved by the Directors NatWest Group Retirement Savings Trustee Limited and signed on behalf of NatWest Group Retirement Savings Trustee Limited by:

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Name:
Director - NatWest Group Retirement Savings
Trustee Limited

Date:

6 Basis of preparation

The Financial Statements have been prepared on a going concern basis and in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK & Republic of Ireland issued by the Financial Reporting Council (FRS 102), and the guidance set out in the Statement of Recommended Practice; "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP").

7 Identification of the Financial Statements

The Plan is established as a trust under English law. The address for enquiries to the Plan is included on page 2.

8 Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

8.1 Currency

The Plan's functional currency and presentational currency is Pounds Sterling (GBP).

8.2 Contributions

Normal contributions from the Employer have been made in accordance with the Payment Schedule in force for the Plan year and have been accounted for on an accruals basis in the payroll period to which they relate. Contributions paid under salary sacrifice arrangements are classified as employer contributions.

Employer augmentations and bonus waivers, and members' additional voluntary contributions, have been accounted for in the period to which they relate.

8.3 Transfers to and from the Plan

Individual transfer values are accounted for on the date the trustees of the receiving scheme accept the liability. This is normally when the payment of the transfer value is made.

8.4 Benefits and payments to and on account of leavers

Where members have a choice over the benefits they take, such benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

Opt-outs are accounted for when the Trustee is notified of the member's decision to leave the Plan.

Lifetime or annual allowance tax liabilities settled on behalf of a member are accounted for on the same basis as the event giving rise to the tax liability and shown separately within benefits.

8.5 Administrative, investment management and other expenses

Administrative expenses disclosed in note 10 are borne by the Plan from the Trustee Reserve and are accounted for on an accruals basis, with the exception of Legal & General's administration charge (Annual Management Charge), also disclosed in note 10, which is met by the deduction of units from member funds. Legal & General's Fund Management Charge is reflected in the unit price of funds. All other costs of administration are borne by NatWest Markets plc.

Notes to the Financial Statements (continued)

3 Accounting Policies (continued)

3.6 Investment income

The change in market value of investments during the year comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and unrealised changes in market value.

Income from pooled investment vehicles is accumulated within the assets of the investment holding and is reflected in the unit price of the investment vehicle.

3.7 Valuation of investments

Investments in pooled investment vehicles are stated at the bid price determined by the investment manager.

Legacy AVC investments are reported at the policy value provided by the insurer. With-profits funds are based on the value of guaranteed benefits. Unit-linked funds are based on bid price.

4 Taxation

The Plan is an exempt approved scheme under Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988. As such its assets are allowed to accumulate free of income and capital gains tax.

| 5 Contributions | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Employer: | | |
| Normal | 142,756 | 122,773 |
| Augmentations | 4,025 | 6,729 |
| Bonus waivers | 8,019 | 4,277 |
| | <hr/> | <hr/> |
| | 154,800 | 133,779 |
| Employee: | | |
| Additional Voluntary Contributions (AVCs) | 413 | 506 |
| | <hr/> | <hr/> |
| | 155,213 | 134,285 |

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to members by the Employer.

Augmentations are paid into the Plan by the Employer in relation to members who have elected to use part or all of an ex gratia redundancy payment they have been granted to enhance their benefits.

Bonus waivers relate to members who have elected to pay part or all of a bonus payment into the Plan to enhance their benefits.

AVCs relate to one-off payments made by members directly into the Plan.

Notes to the Financial Statements (continued)

| 6 Transfers in | 2022 | 2021 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Individual transfers in from other schemes | 3,438 | 8,171 |
| 7 Other income | 2022 | 2021 |
| | £'000 | £'000 |
| Claims on term insurance policies | 5,534 | 5,345 |
| 8 Benefits paid or payable | 2022 | 2021 |
| | £'000 | £'000 |
| Lump sum retirement benefits | 4,518 | 3,246 |
| Purchase of annuities | 361 | 247 |
| Lump sum death benefits | 7,235 | 6,373 |
| Taxation where lifetime or annual allowance exceeded | 19 | 31 |
| | <u>12,133</u> | <u>9,897</u> |
| 9 Payments to and on account of leavers | 2022 | 2021 |
| | £'000 | £'000 |
| Individual transfers out to other schemes | 62,096 | 66,466 |
| Refund of contributions in respect of members opting out | 115 | 28 |
| | <u>62,211</u> | <u>66,494</u> |
| 10 Administrative expenses | 2022 | 2021 |
| | £'000 | £'000 |
| Professional fees | 292 | 339 |
| Communication fees | 161 | 74 |
| Legal fees | 223 | 188 |
| Secretarial & administrative fees | 189 | 163 |
| Legal & General's Annual Management Charge | 1,196 | 1,069 |
| Trustee fees | 56 | 46 |
| Audit fees | 28 | 31 |
| Accountancy fees | 50 | 49 |
| Bank charges | 3 | 2 |
| TPR/FRC Levy | 209 | 121 |
| Facilitated adviser charge | 15 | 11 |
| | <u>2,422</u> | <u>2,093</u> |

The administrative expenses above have been borne by the Plan and have been paid utilising assets of the Plan that are not attributable to members, with the exception of Legal & General's Annual Management Charge and facilitated adviser charges, which are met by the deduction of units from member funds.

Notes to the Financial Statements (continued)

11 Transaction costs

No direct transaction costs (which include fees, commissions, stamp duty and other duties) are paid by the Plan. Indirect transaction costs are incurred on investments within the pooled investment vehicles. It is not practical to quantify the indirect transaction costs paid by the Plan during the year. However, an indication of the level of transactions costs borne by members is provided in the Chairman's annual governance statement.

12 Reconciliation of investments

| | Value at 1 October 2021 £'000 | Purchases at cost £'000 | Sales proceeds £'000 | Change in Market Value £'000 | Value at 30 September 2022 £'000 |
|----------------------------------|--|-------------------------------|----------------------------|---------------------------------------|---|
| Pooled investment vehicles | 1,693,449 | 232,548 | (134,824) | (128,083) | 1,663,090 |
| Legacy AVC investments | 1,617 | - | (14) | 36 | 1,639 |
| | <u>1,695,066</u> | <u>232,548</u> | <u>(134,838)</u> | <u>(128,047)</u> | <u>1,664,729</u> |
| Unsettled transactions | 262 | | | | 13 |
| | <u>1,695,328</u> | | | | <u>1,664,742</u> |

Unsettled transactions at 30 September 2022 relate to contributions totalling £1k received by the Plan which were not matched to a member's policy until post year end (2021: £1k); and £12k relates to disinvestments paid by Legal & General pre year end, but received into the Plan's bank account post year end (2021: Nil). Unsettled transactions at 30 September 2021 also included contributions totalling £261k paid to Legal & General pre year end but not invested in units until post year end.

Investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf the corresponding contributions were paid. Legal & General holds the investment units and allocates them to members.

The Trustee holds investment units not allocated to members, which represent the value of employer contributions that have been retained by the Plan relating to members leaving the Plan prior to vesting. The value of units not allocated to members was £6,490k as at 30 September 2022 (2021: £8,434k).

13 Pooled investment vehicles

| | 2022 £'000 | 2021 £'000 |
|-------------|------------------|------------------|
| Multi asset | 1,174,852 | 1,183,689 |
| Equity | 380,072 | 390,609 |
| Bonds | 37,288 | 53,971 |
| Cash | 48,769 | 45,034 |
| Property | 22,109 | 20,146 |
| | <u>1,663,090</u> | <u>1,693,449</u> |

Notes to the Financial Statements (continued)

| | | |
|----------------------------------|--------------|--------------|
| 14 Legacy AVC investments | 2022 | 2021 |
| | £'000 | £'000 |
| Standard Life Assurance Limited | <u>1,639</u> | <u>1,617</u> |

The Trustee holds assets in with profits and unit linked funds, securing additional benefits on a money purchase basis. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the change in market value during the year.

These funds are closed to ongoing additional voluntary contributions. Members can make additional voluntary contributions through the NatWest Benefits Hub, which are invested with their normal contributions in pooled investment vehicles.

15 Investment fair value hierarchy

The fair value of investments has been determined using valuation techniques that utilised various inputs and these inputs have been categorised as set out below:

- Level 1 – the unadjusted quoted price in an active market for identical assets.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data).
- Level 3 – inputs are unobservable (i.e. for which market data is unavailable).

The Plan's investments assets and liabilities have been fair valued using the above hierarchy categories as follows:

| | Level 1 | Level 2 | Level 3 | 2022 Total |
|----------------------------|----------------|------------------|----------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Pooled investment vehicles | - | 1,663,090 | - | 1,663,090 |
| Legacy AVC policies | - | 18 | 1,621 | 1,639 |
| Unsettled transactions | 13 | - | - | 13 |
| | <u>13</u> | <u>1,663,108</u> | <u>1,621</u> | <u>1,664,742</u> |

Analysis for the prior year is as follows:

| | Level 1 | Level 2 | Level 3 | 2021 Total |
|----------------------------|----------------|------------------|----------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Pooled investment vehicles | - | 1,693,449 | - | 1,693,449 |
| Legacy AVC policies | - | 16 | 1,601 | 1,617 |
| Unsettled transactions | 262 | - | - | 262 |
| | <u>262</u> | <u>1,693,465</u> | <u>1,601</u> | <u>1,695,328</u> |

16 Investment risks

FRS 102 requires the disclosure of information relating to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Plan has exposure to these risks because of the investments it makes available to members in pooled investment vehicles.

The Trustee's objective is to make available to members of the Plan an appropriate range of investment options that will generate income and capital growth which, together with new contributions in respect of these members if applicable, will provide an appropriate fund at retirement. The range of investment options is designed to be wide enough to allow members to manage changes in investment risk throughout their working life.

The Plan is structured as a number of white-labelled investment funds from which members can select investment options. Legal & General provides the unit linked investment options and each investment fund is linked to one or more underlying investment vehicles chosen by the Trustee. Each investment fund and its underlying investment vehicle(s) has a specific set of performance objectives.

The risks disclosed here relate to the Plan's investments as a whole. Members are able to choose their own investments from the range of funds offered by the Plan and therefore may face a different profile of risks from their individual choices compared to the Plan as a whole.

The Trustee monitors the underlying risks by quarterly investment reviews.

Further information of the Plan's exposures to credit and market risks are set out below.

16.1 Direct credit risk

The Plan is subject to direct credit risk in relation to its holdings in pooled funds provided by Legal & General, the legal structure of which is unit linked insurance policies.

Legal & General is authorised and regulated by the FCA. In the event of a default by Legal & General the Plan may be able to claim compensation from the Financial Services Compensation Scheme.

16.2 Indirect credit risk and market risk

The Plan is also subject to indirect credit and market risk arising from the underlying investments held in the pooled investment vehicles.

Notes to the Financial Statements (continued)

16.2 Indirect credit risk and market risk (continued)

The funds (excluding the Legacy AVC policies) which have exposure to these indirect risks are set out below:

| Fund | Value at 30 September 2022 £'000 | Value at 30 September 2021 £'000 | Currency risk | Interest rate risk | Credit risk | Other price risk |
|---------------------------------|---|---|------------------|--------------------------|----------------|------------------------|
| Diversified Growth | 1,090,605 | 1,104,039 | ✓ | ✓ | ✓ | ✓ |
| UK Equity Tracker | 117,721 | 121,764 | - | - | - | ✓ |
| International Equity Tracker | 230,656 | 234,619 | ✓ | - | - | ✓ |
| Emerging Markets Equity Tracker | 31,677 | 34,227 | ✓ | - | - | ✓ |
| Property | 22,109 | 20,146 | ✓ | - | - | ✓ |
| UK Gilts Over 15 year Tracker | 4,738 | 7,260 | - | ✓ | ✓ | - |
| Index-Linked Gilts Tracker | 15,069 | 21,865 | - | ✓ | ✓ | - |
| Corporate Bond | 7,230 | 10,402 | - | ✓ | ✓ | - |
| Annuity Pre-retirement | 6,838 | 10,792 | - | ✓ | ✓ | - |
| Cash | 48,769 | 45,034 | - | - | ✓ | - |
| Lump Sum | 3,413 | 3,651 | ✓ | ✓ | ✓ | - |
| Income Drawdown | 84,247 | 79,646 | ✓ | ✓ | ✓ | ✓ |
| Multi-Asset 3 | - | 4 | ✓ | ✓ | ✓ | ✓ |
| International Equity Sharia | 18 | - | ✓ | - | - | ✓ |
| | <u>1,663,090</u> | <u>1,693,449</u> | | | | |

The Trustee recognises the risk involved in the investment of the assets of the Plan and manages these risks as follows:

- Diversification: The investment strategy is designed to ensure that the Plan's investments are adequately diversified and to avoid undue concentration at a stock selection level.
- Monitoring the actual deviation of returns relative to benchmarks and by offering index tracking options.
- Taking advice from the investment consultant to ensure that the underlying investment vehicles are suitable unit linked investments.

Notes to the Financial Statements (continued)

17 Concentration of investment

The following investments represent more than 5% of the net asset value of the Plan as at the current or prior year end.

| Fund | 2022 | | 2021 | |
|------------------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Market Value £'000 | % of Net Assets | Market Value £'000 | % of Net Assets |
| Diversified Growth | 1,090,605 | 65.53 | 1,104,039 | 64.75 |
| International Equity Tracker | 230,656 | 13.86 | 234,619 | 13.76 |
| UK Equity Tracker | 117,721 | 7.07 | 121,764 | 7.14 |
| Income Drawdown Fund | 84,247 | 5.06 | 79,646 | 4.67 |

18 Current assets

| | 2022 £'000 | 2021 £'000 |
|---------------------------------------|---------------|---------------|
| Cash balance | 2,434 | - |
| Claims on term insurance policies due | - | 1,868 |
| Contributions due from employer | 74 | 10,684 |
| | <u>2,508</u> | <u>12,552</u> |

Included in the cash balance is £247k which was not allocated to members (2021: Nil).

Employer contributions due at the year end have been paid into the Plan in accordance with the timescales set out in the Payment Schedule.

19 Current liabilities

| | 2022 £'000 | 2021 £'000 |
|------------------|---------------|---------------|
| Bank overdraft | - | 235 |
| Unpaid benefits | 2,670 | 2,152 |
| Accrued expenses | 349 | 463 |
| | <u>3,019</u> | <u>2,850</u> |

20 Related party transactions

The following information is provided in accordance with Financial Reporting Standard 102, Section 33, "Related Party Disclosures":

- a) During the year the Plan collected contributions in respect of certain Trustee Directors, these are in accordance with the Plan Rules.
- b) Remuneration paid to Trustee Directors for their services to the Plan is disclosed in note 10.
- c) During the year, some of the costs of administering the Plan were borne directly by NatWest Markets plc, with the exception of the costs disclosed in note 10.
- d) The Plan operates a bank account held with National Westminster Bank plc. At 30 September 2022 this balance amounted to positive £2,434k (2021: negative £235k).
- e) On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of NatWest Markets plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Plan. In the ordinary course of business, the Plan had transactions with UK Government bodies on an arms' length basis and investments in government securities (held as part of a pooled fund) during the current and prior year, and are included in notes 12 and 13. The volume and diversity of such transactions in the Plan is such that disclosure of their amounts is impractical. On 28 March 2022, the UK Government's shareholding fell below 50% so that it is no longer the ultimate controlling party of NatWest Markets plc, and the UK Government and UK Government controlled bodies are no longer related parties of the Plan.

21 Employer-related investments

The Plan had no material employer-related investments in the current or preceding year.

Chair's DC Governance Statement, covering 1 October 2021 to 30 September 2022

1. Introduction and members' summary

The **NatWest Group Retirement Savings Plan** (the "Plan") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, which may include use of a default investment, but bears the investment risk).

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Directors of the Trustee company of the Plan, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments).
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions).
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in.
- an illustration of the cumulative effect of these costs and charges.
- net returns of the investment options.
- how the value members obtain from the Plan is assessed.
- Trustee knowledge and understanding.

A copy of this Statement can be found at <https://www.legalandgeneral.com/workplace/n/natwest-group/>.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the default and other investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year. The overall administration performance has generally improved since the end of the 2020/21 Plan Year. We will continue to monitor the administrator's performance to ensure it continues to be within target in future quarters.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- Please rest assured that we are looking after your interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. Members who join the Plan and who do not choose an investment option are placed into the Drawdown Lifestyle, (the "Default"). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

A number of other funds are also classified as defaults for some members following past investment changes where members' funds have been transferred without the members expressing a choice. These are:

- the RSP UK Equity Tracker Fund (the "UK Equity Default").
- the RSP Cash Fund (the "Cash Default").

Details of the objectives and our policies regarding the default arrangements are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the default arrangements is attached to this Statement as an Appendix.

The aims and objectives of the Default, as stated in the SIP, are as follows:

- to provide a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions; and
- to generate returns of CPI + 3 – 5% per annum whilst members are more than 7 years from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.

The UK Equity Default has the aim and objective of providing a return in line with a broad UK equity index.

The Cash Default has the aim and objective of providing a stable return whilst preserving capital.

We are responsible for investment governance. The default arrangements were not reviewed during the period covered by this statement. The last review was carried out by way of a process that completed on 27 February 2020.

A review of the default arrangement was initiated in December 2022 wherein the Trustee reviewed member demographics and considered their implications for the most appropriate default arrangement. The second stage of the review, which looks at the appropriateness of the funds used in the Default, UK Equity Default and self-select range, will happen in February 2023. This review will be detailed in the next Chair's Statement, once completed.

In addition to triennial strategy reviews, we also review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Plan year concluded that the default arrangements were performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, Legal & General (“L&G”). Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, switches of assets between different investments within the Plan, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from L&G that there are adequate internal controls to support prompt and accurate processing of core financial transactions. We are satisfied that this is the case based on our monitoring and review process.

L&G operates a formal governance structure that includes delegated authorities, decision making protocols and oversight Committees. This generally helps to ensure no issues arise. Processes in place include daily monitoring of bank accounts and two individuals checking all contribution, investment, and banking transactions to monitor when the Company’s contributions are received and ensure timely investment for the members.

A third-party review of the core financial transactions for the Plan is presented to the Trustee each quarter, at the board meeting, by the Plan’s external management accountants. The Plan has a Service Level Agreement (“SLA”) in place with the administrator, which covers the accuracy and timeliness of all core financial transactions. L&G’s standard target is to aim for 95% of all requests to be completed within the defined SLAs.

The SLA performance for the year, by quarter, is set out in the table below.

| Process | SLA | Average last Plan Year | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|---------------|----------|------------------------|---------|---------|---------|---------|
| Joiner Files | 24 hours | 100% | 100% | 100% | 100% | 100% |
| Death Payment | 5 days | 92% | 100% | 60% | 100% | 100% |
| Death Quote | 5 days | 75% | 67% | 100% | 100% | 57% |

Chairman's Governance Statement (continued)

| Process | SLA | Average last Plan Year | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|------------------------------|--------|------------------------|---------|---------|---------|---------|
| Divorce Payment | 5 days | 69% | 100% | 100% | 100% | 100% |
| Divorce Quote | 5 days | 90% | 100% | 100% | 100% | 100% |
| Ill Health Payment | 5 days | 100% | 100% | - | 100% | - |
| Ill Health Quote | 5 days | 67% | 100% | - | 100% | - |
| Lump Sum Payment | 5 days | 72% | 83% | 97% | 96% | 98% |
| Lump Sum Quote | 5 days | 69% | 70% | 99% | 100% | 98% |
| Maturity Pack | 5 days | 83% | 88% | 99% | 100% | 100% |
| Retirement Payment | 5 days | 75% | 100% | 100% | 100% | - |
| Retirement Quote | 5 days | 94% | - | 100% | - | - |
| Serious Ill Health Payment | 5 days | - | 100% | - | 100% | - |
| Serious Ill Health Quote | 5 days | 100% | 100% | - | 100% | - |
| Surrender | 5 days | 88% | 100% | 100% | 100% | 100% |
| Transfer Payment | 5 days | 79% | 95% | 87% | 87% | 95% |
| Transfer Quote | 5 days | 92% | 99% | 89% | 100% | 95% |
| Drawdown Quote | 9 days | 92% | 100% | 100% | 100% | 96% |
| Customer updates & enquiries | 5 days | 94% | 94% | 77% | 95% | 99% |
| Statements | 5 days | 100% | 91% | 94% | 100% | 100% |

| Process | SLA | Average last Plan Year | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
|-----------------------|----------|------------------------|---------|---------|---------|---------|
| Cash allocation | 24 hours | 100% | 100% | 100% | 100% | 100% |
| Investment switches | 24 hours | 100% | 100% | 100% | 100% | 100% |
| Contribution files | 24 hours | 100% | 100% | 100% | - | 100% |
| Leaver Options | 5 days | 100% | 100% | 100% | 100% | 100% |
| Short Service Refunds | 5 days | - | - | - | - | - |
| Transfer In | 5 days | 99% | 100% | 100% | 100% | 100% |

Chairman's Governance Statement (continued)

SLA performance for individual tasks in each quarter of the Plan Year was generally above L&G's target of 95%. However, service levels in some areas fell below L&G's target in individual quarters (eg. death quotes, lump sum payments, transfer payments, etc.), though there does not appear to be a pattern of underperformance in any of these areas.

To help us monitor whether service levels are being met, we receive monthly reports about the administrator's performance and compliance with the SLA. At board meetings, representatives from L&G and the RSP Trustee support team examine these reports and provide updates on the related activities to improve service. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues. L&G confirmed there were no administration issues over the Plan Year.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA.
- there have been no material administration issues in relation to processing core financial transactions.
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan Year.

L&G provided an AAF 01/20 Assurance Report on Internal Controls Pension Administration Services for the period covering 1 October 2020 to 30 September 2021. This report gives a description of its investment management services, suitability of design and operating effectiveness of controls and the report of independent service auditors therein. Whilst this report was qualified, we don't believe this has an impact on the administration of the Plan. The relevant report for the period covering 1 October 2021 to 30 September 2022 will be published shortly. An accompanying letter was also provided stating that there was no change to the position as at 12 January 2023.

L&G measures Net Promoter Scores ("NPS"), which is a member satisfaction benchmark that measures how likely members are to recommend the service provider to a friend. It is used as a proxy for gauging the member's overall satisfaction. NPS was relatively stable over the Plan Year, apart from Q2 2022, but it improved by the end of the Plan Year. We use NPS as one of a number of measures with which to monitor member satisfaction. We will continue to monitor the results closely to make sure feedback remains positive and consistent in future quarters.

4. Member borne charges and transaction costs

We are required to set out the ongoing charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the ongoing charges figure ("OCF"). The OCF is paid by the members and is reflected in the unit price of the funds. The OCF also includes a 0.07% pa administration cost applied to each fund since members incur these costs. Over the Plan Year there were no other member borne charges. Members can also pay to receive retirement advice through the Plan if they choose but these costs are not in scope for this Statement. In preparing this section of the Statement, we had regard to the relevant statutory guidance.

We are also required to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs shown may not account for all costs incurred when transacting but the figures are calculated using the slippage cost methodology prescribed under regulation. Transaction costs are borne by members.

The charges and transaction costs have been supplied by L&G who are the Plan's investment platform provider. All relevant information has been obtained. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market

Chairman's Governance Statement (continued)

movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (i.e. we would not expect transaction costs to be negative over the long term).

Default arrangements

The main Default arrangement is the Drawdown Lifestyle (the "Default"). The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested. The UK Equity Default and the Cash Default are standalone funds and members invested in these pay the same charges no matter their proximity to their target retirement age.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

The Default (Drawdown Lifestyle) charges and transaction costs (% per annum)

| Years to target retirement date | OCF (% pa) | Transaction costs (% pa) |
|---------------------------------|---------------|-----------------------------|
| 7 or more years to retirement | 0.36 | 0.06 |
| 4 years to retirement | 0.37 | 0.12 |
| At retirement | 0.33 | 0.17 |

Additional Defaults charges and transaction costs

| Default fund | OCF (% pa) | Transaction costs (% pa) |
|-------------------|---------------|-----------------------------|
| UK Equity Default | 0.11 | 0.03 |
| Cash Default | 0.13 | 0.03 |

Self-select options

In addition to the default arrangement, members also have the option to invest in two other lifestyles, targeting annuity purchase and cash withdrawal and several other self-select funds. The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

Annuity Lifestyle charges and transaction costs

| Years to target retirement date | OCF (% pa) | Transaction costs (% pa) |
|---------------------------------|------------|-----------------------------|
| 7 or more years to retirement | 0.36 | 0.06 |
| 4 years to retirement | 0.28 | 0.03 |
| At retirement | 0.17 | 0.01 |

Lump Sum Lifestyle charges and transaction costs

| Years to target retirement date | OCF (% pa) | Transaction costs (% pa) |
|---------------------------------|------------|--------------------------|
| 7 or more years to retirement | 0.36 | 0.06 |
| 4 years to retirement | 0.31 | 0.05 |
| At retirement | 0.23 | 0.04 |

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs (% per annum)

| Fund name | OCF | Transaction costs |
|--------------------------------------|-------|-------------------|
| UK Equity Tracker Fund | 0.11 | 0.03 |
| International Equity Tracker Fund | 0.12 | 0.01 |
| Emerging Markets Equity Tracker Fund | 0.36 | 0.04 |
| Income Drawdown Fund | 0.40 | 0.21 |
| Diversified Growth Fund | 0.36 | 0.06 |
| Lump sum Fund | 0.26 | 0.04 |
| Annuity Pre-Retirement Fund | 0.18 | 0.00 |
| Index-Linked Gilts Tracker Fund | 0.11 | 0.06 |
| Corporate Bond Fund | 0.29 | 0.15 |
| UK Gilts Over 15 Year Tracker Fund | 0.11 | 0.16 |
| Cash Fund | 0.13 | 0.03 |
| Property Fund | 0.94* | 0.00 |

| Fund name | OCF | Transaction costs |
|----------------------------------|------|-------------------|
| International Equity Sharia Fund | 0.41 | 0.02 |

*The Property Management Expenses are now included in the Property Fund OCF

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member’s pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past five years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past five years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the Default (the Drawdown lifestyle), as well as the Cash Fund and the UK Equity Tracker Fund and two funds from the Plan’s self-select fund range. The two self-select funds shown in the illustration are:
 - the fund with highest annual member borne costs (TER plus Plan Year transaction costs) – this is the **RSP Property Fund**.

Chairman's Governance Statement (continued)

- the fund with lowest annual member borne costs – this is the **RSP International Equity Tracker Fund**.

Projected pension pot in today's money

| Years Invested | Default option | | RBS Cash Fund (Cash Default) | | RBS UK Equity Tracker Fund (UK Equity Default) | | RBS Property Fund | | RBS International Equity Tracker Fund | |
|----------------|----------------|-------------|------------------------------|-------------|--|-------------|-------------------|-------------|---------------------------------------|-------------|
| | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs | Before costs | After costs |
| 1 | £2,500 | £2,500 | £2,400 | £2,400 | £2,500 | £2,500 | £2,500 | £2,500 | £2,500 | £2,500 |
| 3 | £7,800 | £7,700 | £7,300 | £7,300 | £7,700 | £7,700 | £7,700 | £7,600 | £7,700 | £7,700 |
| 5 | £13,600 | £13,400 | £12,300 | £12,300 | £13,300 | £13,300 | £13,300 | £13,000 | £13,500 | £13,500 |
| 10 | £30,700 | £29,900 | £25,000 | £24,900 | £29,400 | £29,300 | £29,600 | £28,200 | £30,300 | £30,200 |
| 15 | £52,200 | £50,200 | £38,200 | £37,800 | £48,900 | £48,500 | £49,300 | £45,800 | £51,300 | £50,800 |
| 20 | £79,200 | £75,200 | £51,800 | £51,100 | £72,600 | £71,700 | £73,400 | £66,300 | £77,500 | £76,500 |
| 25 | £113,200 | £106,000 | £66,000 | £64,800 | £101,200 | £99,600 | £102,600 | £90,100 | £110,100 | £108,200 |
| 30 | £156,000 | £143,800 | £80,600 | £79,000 | £135,800 | £133,300 | £138,200 | £117,800 | £150,700 | £147,500 |
| 35 | £209,000 | £189,500 | £95,800 | £93,500 | £177,800 | £173,800 | £181,500 | £150,000 | £201,300 | £196,300 |
| 40 | £262,400 | £234,600 | £111,500 | £108,400 | £228,600 | £222,600 | £234,100 | £187,500 | £264,300 | £256,600 |

The illustration above shows the impact of charges and investment performance for a new joiner who remains in the Plan until retirement at age 65. It assumes that the new joiner is 25 and starts with a pot size of £0. However, other members can still use the illustration to get a sense of how pension savings grow over a longer period.

For example, if you have a pot size of around £12,000 to £13,000, the table shows how this might grow in the rows from 5 years invested. Similarly, if you have a pot size of around £40,000, the table shows how this might grow in the rows from 15 or 20 years invested. This is different to the approach taken in a sample DWP illustration, but we consider it to be more helpful to the Plan's members. Do please note, however, that these are just illustrations and should not be relied upon to determine a particular outcome. In particular, your personal outcome could be quite different, especially if your salary and contributions are higher or lower than the assumptions noted below.

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation. The long-term annual inflation assumption used is 2.5%.
- Annual salary growth is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £0 as this is representative of a new joiner with 40 years until the Plan's Normal Retirement Age ("NRA").
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £25,700 as this is representative of the Value Account for younger members in the Plan.
- Total contributions (employee plus employer) are assumed to be 9.4% of salary per year.
- The projected annual returns used are as follows:
 - Default: 4.7% above inflation for the initial years, gradually reducing to a return of 3.0% above inflation at the ending point of the lifestyle.
 - RSP International Equity Tracker Fund: 4.5% above inflation

Chairman's Governance Statement (continued)

- RSP Cash Fund (Cash Default): 0.7% above inflation
- RSP Property Fund: 4.0% above inflation
- RSP UK Equity Tracker Fund (UK Equity Default): 3.9% above inflation
- No allowance for active management outperformance has been made.

5. Investment returns

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the Plan Year. We have taken account of statutory guidance when preparing this.

For arrangements where returns vary with age, such as for the default strategy, returns are shown over the various periods for a member aged 25, 45 and 55 at the start of the period the returns are shown over.

Drawdown Lifestyle strategy net returns over periods to Plan year end

| Age of member at the start of the period | 1 year (%) | 5 years ¹ (% pa) |
|--|------------|-----------------------------|
| 25 | -7.9% | 4.8% |
| 45 | -7.9% | 4.8% |
| 55 | -7.9% | 4.4% |

¹Calculations are based on member age at the start of the period, rolling forward five years. For example, the five year return for a member aged 55 at the start of the period covers the lifestyle strategy that applies for five years from age 55 onwards.

Annuity Lifestyle strategy net returns over periods to Plan year end

| Age of member at the start of the period | 1 year (%) | 5 years (% pa) |
|--|------------|----------------|
| 25 | -7.9% | 4.8% |
| 45 | -7.9% | 4.8% |
| 55 | -7.9% | 2.5% |

Lump Sum Lifestyle strategy net returns over periods to Plan year end

| Age of member at the start of the period | 1 year (%) | 5 years (% pa) |
|--|------------|----------------|
| 25 | -7.9% | 4.8% |
| 45 | -7.9% | 4.8% |
| 55 | -7.9% | 4.7% |

Self-select fund net returns over periods to Plan year end

| Fund name | 1 year (%) | 5 years (% pa) |
|--------------------------------------|------------|----------------|
| UK Equity Tracker Fund | -4.32 | 2.23 |
| International Equity Tracker Fund | -2.58 | 10.24 |
| Emerging Markets Equity Tracker Fund | -8.59 | 3.18 |
| Income Drawdown Fund | -9.11 | 2.19 |
| Diversified Growth Fund | -7.86 | 4.84 |
| Lump Sum Fund | -2.18 | 0.91 |
| Annuity Pre-Retirement Fund | -30.96 | -4.21 |
| Index-Linked Gilts Tracker Fund | -32.06 | -3.42 |
| Corporate Bond Fund | -33.62 | -3.91 |
| UK Gilts Over 15 Year Tracker Fund | -36.46 | -5.76 |
| Cash Fund | 0.60 | 0.40 |

| Fund name | 1 year (%) | 5 years (% pa) |
|---|------------|----------------|
| Property Fund | 7.43 | 5.61 |
| International Equity Sharia Fund ² | N/A | N/A |

²This fund was added to the investment range during the Plan Year to cater to members who invest in line with certain religious beliefs. As a result, returns for one and five years are not available.

6. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of ‘good value’, which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was 13 January 2023. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the performance of the Plan’s investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives. The benchmarks of some of the investment funds available to members (e.g. the Diversified Growth Fund) are linked to inflation, so we note that performance may not always meet these objectives over the shorter term, for example in periods of falling markets where inflation is positive.

In carrying out the assessment, we also consider the other benefits members receive from the Plan, which include:

- our oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members.
- the design of the default arrangements and how this reflects the interests of the membership as a whole.
- the range of investment options and strategies.
- the quality of communications delivered to members.

Chairman's Governance Statement (continued)

- the quality of support services, such as the Plan website where members can access fund information online.
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

The summary below sets out the Trustee's rating and the high-level rationale behind it. The Trustee has chosen a rating system ranging across poor, fair, good and very good.

| Assessment area | Rating | Comments |
|-------------------|-----------|--|
| Costs and charges | Very good | The costs and charges for the default investment strategy range from 0.33% pa to 0.37% pa depending on where a member is in the strategy. Costs and charges of the self-select fund range have been compared with other schemes where administration charges are included. Overall, the fees offered on all funds are highly competitive and represent very good value for money for members. |
| Default strategy | Very good | The Trustee believes the current Strategic Asset Allocation of the default investment and life-styling provides an appropriate level of expected return while protecting, to a sufficient degree, the interests of different cohorts of members. It provides a de-risking strategy in line with how the Trustee believes the majority of members will take benefits. Over the 5 years to September 2022, the growth phase of the default achieved a positive annualised return, but underperformed its CPI comparator. The Trustee has compared the risk adjusted investment return of the default against appropriate comparators and concluded |

Chairman's Governance Statement (continued)

| Assessment area | Rating | Comments |
|--------------------------------|-----------|---|
| | | that returns relative to risk compare favourably to the market. |
| Alternative investment options | Very good | Other de-risking strategies and a carefully selected range of individual investment options are available for members to select as an alternative to the default arrangement if they wish. The Trustee has compared the individual mandates and individual fund options against appropriate benchmarks and concluded that returns relative to risk compare favourably to the market. |
| Administration | Good | Administration services are generally of a good standard and have improved since the last Plan Year. SLA performance, call waiting times, and Net Promoter Scores all improved during the Plan Year, supporting a better administration experience for members. However, some tasks continue to be below SLAs. |
| Communications | Good | The Trustee has a communications plan which covers all the key activities for the coming year. A wide range of communications are undertaken, in conjunction with the Bank and L&G. The breadth of approach caters for different types of members (eg those accumulating pots and those looking to access their benefits) and there have been developments ongoing, including a refreshed newsletter, L&G webinars, and plans for an enhanced website. Members receive significant support and encouragement to take ownership of their retirement savings and make the key decisions to get good outcomes. |
| Governance | Very good | The Board has an appropriate number of Trustee Directors for the size and complexity of the Plan. The composition of the Board is broadly comparable to other larger defined contribution schemes, such as master trusts. Following a review, a new Governance structure was implemented in October 2020 to move from quarterly to monthly Trustee Board meetings and remove sub-committees with a view to streamlining governance and making the Trustee more responsive. |

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Plan are receiving very good value for money for the charges and cost that they incur, for the reasons set out in this section.

7. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension, and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other

Chairman's Governance Statement (continued)

relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, we received training on the following topics: pensions dashboards, climate and ESG beliefs, and nature-related risks and opportunities.

We have also maintained appropriate levels of knowledge and understanding over the Plan Year by testing our understanding with advisers at monthly Trustee meetings and taking advice accordingly, and receiving briefings on regulatory updates and changes in the Defined Contribution market from advisers.

Each year, we attend a strategy day (which itself includes topical external training sessions) to review and agree current and future business plans. The business plan included confirmation of the following:

- Trustee training plan in place.
- Skills matrix maintained.
- Annual Board and adviser evaluation process.

We also reviewed the progress of the 2021 business plan and agreed on next year's plan in September 2022.

We are familiar with and have access to copies of the Plan's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters) through regular use, review, and comment from our advisers. In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Furthermore, through discussion, questioning, and adviser support at regular meetings (and outside of the meeting cycle) we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

We are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured induction process for new trustee Directors, which includes meeting all of the Plan's advisers and service providers; this introduces new Trustee Directors to the Plan's governing documentation and policies, SIP and investment options together with pension and trust law. They are expected to complete the Pensions Regulator online Trustee Toolkit within six months of appointment, as part of the thorough induction process for new Trustee Directors.

A questionnaire is used to conduct an annual evaluation of our knowledge and to help to identify training needs. We also conduct an annual evaluation of the performance and effectiveness of the Trustee Board as a whole is measured against the objectives of the Plan's business plan.

Moreover, we have put in place arrangements to ensure that we take personal responsibility for keeping ourselves up to date with relevant developments and carry out self-assessment of training needs. In this way, knowledge gaps are identified and addressed as reviewed as part of the training log review annually.

The Trustee Directors undertake an annual evaluation of the performance and effectiveness of the board as a whole, measured against the objectives of the Plan's business plan. During the Plan year, this was undertaken at the September 2022 Board meeting and a number of actions were identified and taken forward including increasing the length of meetings to ensure sufficient time for discussion of all agenda items.

Chairman's Governance Statement (continued)

Our combined knowledge and understanding, together with available advice, enables us to exercise our functions in the following ways:

- to manage the affairs of the Trustee and its service providers in an effective manner.
- to meet compliance requirements in relation to administration and reporting.
- to invest the Plan's assets effectively and in line with legal and regulatory standards.
- to make decisions on the correct legal footing.
- generally, to support good outcomes through engagement and communications exercises.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Plan properly and effectively.

A Cox Date: 27 March 2023

Signed by the Chair of Trustees of the NatWest Group Retirement Savings Plan

The NatWest Group Retirement Savings Plan (the Plan)

Statement of Investment Principles as at March 2022

BACKGROUND

Introduction

1. Under Section 35 of the Pensions Act 1995, subsequently amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, trustees are required to prepare a statement of principles governing decisions about investments for their pension funds. This document contains that statement and describes the investment policy pursued by NatWest Group Retirement Savings Trustee Limited) in its capacity as the trustee (the '**Trustee**') of The NatWest Group Retirement Savings Plan (the '**Plan**').
2. The Trustee has given consideration to the principles of investment for defined contribution schemes, as contained in the Myners Review of Institutional Investment in the United Kingdom and is committed to adopting them where desirable and appropriate.
3. In preparing the Statement of Investment Principles (the '**SIP**'), the Trustee has consulted National Westminster Bank plc (company number **00929027**) (the '**employer**'), and the Trustee will consult the employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.
4. The Trustee takes written investment advice from appointed investment advisers ("**Investment Advisers**") which considers the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The Trustee has satisfied itself that its Investment Advisers are qualified in, and have appropriate knowledge and experience of, the management of the investments of schemes such as the Plan. Advice is taken in relation to the choosing and (at appropriate intervals) retention of investments.
5. The responsibilities under the remit of Trustee and other stakeholders are set out in **Appendix C: Roles & Responsibilities** and (particularly in relation to the RBS Investment Executive) the investment management and advisory agreement ("**IAMA**").
6. The Trustee will review the SIP, in consultation with its Investment Advisers, at least every three years; and without delay after any significant change in investment policy or the circumstances of the Plan (as described more particularly in the relevant legislation). In preparing the SIP the Trustee has had regard to the requirements of the Pensions Act 1995 (the "**1995 Act**") and any subsequent amendments / relevant statutory instruments and will consider those requirements on any review of this document or any change in its investment policy. The Trustee will refer to the SIP where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is practicable.
7. In accordance with the Financial Services and Markets Act 2000, the Trustee will set a general investment policy, but will delegate the responsibility for selection of specific investments either directly to an appointed investment manager or managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Plan competently and in accordance with the principles of this SIP. The Trustee has appointed RBS Investment Executive, an asset manager ("**Asset Manager**"), to manage the underlying funds offered to members under delegated authority as set out in the **IAMA**.
8. For completeness and to support the operation of the IAMA, **Appendix D: Investment Strategy** is appended to this SIP.
9. When choosing investments, the Trustee and the Asset Manager (to the extent delegated) is required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Scheme (Charges and Governance) Regulations 2015 and the principles contained in this statement.
10. In determining the investment arrangements, the Trustee also took into account the best interests of members and beneficiaries by considering;

Appendix A - Statement of Investment Principles (continued)

- i. the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- ii. the risks and rewards of a number of different lifestyle strategies; and
- iii. the need for appropriate diversification within the default strategy and between other investment options offered to members.

Structure of the Plan's Investment Arrangements

11. The Trustee decided to offer a number of unit-linked investment options (the investment 'Funds'), in which members' contributions will be invested. Each investment fund is linked to one or more underlying investment vehicle chosen by or under the authority of the Trustee; these underlying investment vehicles include both active and passive management strategies.
12. Each investment fund and its underlying investment vehicle(s) has a specific set of performance objectives, which are consistent with the overall objectives of the Plan, the level of skill and risk being exhibited by the managers and the overall risk tolerance of the Trustee. The SIP sets out the range of investment funds, their specific performance objectives and the current underlying investment(s).
13. The Trustee has entered into a contract with a platform provider, which makes available the range of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the investment funds. The Trustee has signed an agreement with a platform provider in respect of the Plan, setting out in detail the terms on which the platform operates. The Trustee also has a limited amount of Plan assets held outside of the platform, including a policy in place with Standard Life in relation to a with-profits policy, as a legacy of a transfer into the Plan.
14. Upon joining, members have the opportunity to self-select a Fund. Those that do not are allocated to the default investment arrangement ("**Default**") known as the "Drawdown Lifestyle Option". For technical reasons, the Plan has further defaults.
15. The UK Equity Tracker Fund (the "**UK Equity Default**") which only applies to small group of members historically and is not used as the default investment arrangement for new joiners to the Plan. The Cash Fund (the "Cash Default"), which received contributions intended for the Property Fund while the Property Fund was gated as a consequence of the COVID-19 pandemic. Given the structure of the Plan's investments, this SIP relates to the Drawdown Lifestyle Option except where specific reference is made to the UK Equity Default, the Cash Default and the self-select options or otherwise.
16. The day-to-day selection of investments in the Default is delegated to the Asset Manager, RBS Investment Executive and Legal & General. The Asset Manager is authorised and regulated by the Financial Conduct Authority.
17. Information which supplements the content of **GOVERNANCE: POLICIES** and **GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS** is set out in **Appendix A: INVESTMENT OPTIONS**.
18. In this SIP the aims and objectives of the Default and the policies together comprise "**the Default strategy**". Similar principles apply in relation to the strategy for the UK Equity Default and Cash Default.

GOVERNANCE: POLICIES

19. Under the Investment Regulations, the SIP is required to include policies relating to various aspects of investment. The following considerations, taken into account by the Trustee, form part of the policies in each case as appropriate:
 - i. the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
 - ii. the risks and rewards of a number of possible asset classes and different lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
 - iii. the need for appropriate diversification within the Default, UK Equity Default, Cash Default and between the other investment options offered to members to ensure that, for each such

Appendix A - Statement of Investment Principles (continued)

- option, both the overall level of investment risk and the balance of individual asset class risks are appropriate;
- iv. the need for appropriate diversification within the other investment options offered to members;
 - v. any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and
 - vi. the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.
20. The UK Equity Default is designed to provide a return in line with a broad UK Equity index. It is a default only on a technicality on the basis that it received assets from a closed actively managed UK equity where there was no alternative member investment instruction.
21. The Cash Default is designed to provide stability and capital preservation. It is a default only on a technicality and is intended, outside of a prior member instruction, only to have contributions allocated to it as a temporary measure during Property Fund gating. As the gating has now lifted, contributions allocated to the Cash Default in the meantime have been allocated to the Property Fund in accordance with member instructions. The Cash Default remains a default arrangement despite the movement of funds allocated to it moving back to the Property Fund.

Choosing investments

22. As required by Regulation 2(3)(a) of the Investment Regulations, the Trustee's policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments) is set out in this section.
23. The Trustee considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes, as well as how these risks can be mitigated where appropriate. The key financial assumption made by the Trustee in determining the investment arrangements for the Default and the UK Equity Default is that equity-type investments, over the long-term, will outperform gilts. The Cash Default is chosen since it offers stability and is expected to provide a return in line with the UK money market.

Kinds of investments

24. As required by Regulation 2(3)(b)(i) of the Investment Regulations, the Trustee's policy for the kinds of investment to be held is set out in this section.
25. The Asset Manager may invest in a wide range of investment instruments including equities, bonds and property. The investments in each fund will depend on the nature of the fund, its objective and benchmark and the risk controls which operate.

Balance between different kinds of investments

26. As required by Regulation 2(3)(b)(ii) of the Investment Regulations, the Trustee's policy for the balance between different kinds of investment is set out in this section.
27. When choosing the type of investments, consideration will be given to the Trustee's policy to ensure there is an appropriate balance between the different kinds of investments, in the Default, UK Equity Default, Cash Default and self-select Funds. General considerations set out in section 15 also apply.

Risks, including the ways in which risks are to be measured and managed

28. As required by Regulation 2(3)(b)(iii) of the Investment Regulations, the Trustee's policy for measurement and management of risk is set out in this section.
29. The Trustee recognises a number of risks involved in the investment of the assets of the Plan, and monitors these risks on a regular basis:
- i. Diversification - The choice of benchmarks is designed to ensure that the Plan's investments are adequately diversified. In addition, the specific investment objectives for each Fund ensure that the Plan avoids undue concentration at a stock selection level. The Trustee believes that the Plan's Default is adequately diversified between different asset classes and within each asset class and the fund options offered provide a suitably diversified range for

Appendix A - Statement of Investment Principles (continued)

- members to choose from. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustee on a regular basis. In addition, the Trustee believes that the UK Equity Default is adequately diversified within the UK equity asset class.
- ii. Underperformance and manager risk is managed by monitoring the actual deviation of returns relative to the benchmarks (taking into consideration factors that support the manager(s)' investment process) and by offering members index tracking options. As members' benefits are in part dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the Default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the Default a "lifestyle" strategy.
 - iii. Risk from excessive charges – if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Plan are in line with market practice and assesses regularly whether these represent good value for members.
 - iv. Political risk is the risk of an adverse influence on investment values arising from political intervention and it is managed and monitored by regular reviews of the investment processes adopted by the Asset Manager.
 - v. Suitability - The Trustee has taken advice from its investment consultant to ensure that the underlying investment vehicles are suitable as linked investments for the Plan's investment funds.
 - vi. The risk of fraud and/or dishonesty is mitigated through a crime insurance policy, and internal and external audit.
 - vii. Environmental, social and governance ("**ESG**") factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on its behalf. From time to time it reviews how these risks are being managed in practice.
30. In addition to these risks the Trustee recognises that members face four specific investment risks in a defined contribution arrangement; inflation, capital, sequencing and pension conversion. These risks and the Trustee's objective for each risk are considered below:
- i. Inflation risk is the risk that investments do not provide a return at least in line with inflation, such that the 'purchasing power' of the ultimate fund available to provide the benefits is not maintained. To mitigate this risk the Trustee provides investment options which are expected to provide longterm rates of return that match or exceed inflation.
 - ii. Capital risk is the risk that the monetary value of a member's account falls. To mitigate this risk the Trustee provides investment funds that offer different levels of capital protection, for example the Cash Fund. Early in the members' journey to retirement this risk is less significant and is managed in the Default strategy using diversification. As members in the Default strategy approach retirement, it becomes significantly more important and so the strategy de-risks over the 7 years prior to retirement to mitigate the risk of an expected loss close to retirement.
 - iii. Sequencing risk is the risk that a member is disadvantaged by the timing of their investments and disinvestments. For example, the member may contribute in times where market prices are high and withdraw benefits when prices are low. To mitigate this risk, the Default strategy uses a Diversified Growth Fund to reduce the amount of volatility compared to that of equity markets. This risk is also mitigated by member contributions being typically paid on a monthly basis.
 - iv. Pension conversion risk is the risk that assets held do not match fluctuations in annuity rates as a member approaches retirement. To manage this risk the Trustee provides two

Appendix A - Statement of Investment Principles (continued)

investment funds whose returns generally reflect changes in long term interest rates in the belief that the cost of many annuities will be based, at least in part, on these rates.

Expected return on investments

31. As required by Regulation 2(3)(b)(iv) of the Investment Regulations, the Trustee's policy expected return on investments is set out in this section.
32. The single most significant contributor to long term returns will be the strategic asset allocation. Within the Diversified Growth Fund ("DGF"), the Trustee should not seek to add value by making short term asset allocation changes. However, it can add value by making longer term asset allocation decisions, based on the appropriate advice.
33. Diversification is an important means of reducing risk to members and of reducing the disparity of outcomes between different cohorts of members. Within the DGF, this is achieved by investment in a wide range of asset classes and is monitored by sources of return, style, sector and geography as well as by asset type. Assets will be selected on the basis of a positive beta risk premium and the basis of their contribution to the total risk and expected return, not its expected risk and return in isolation. Within the UK Equity Default, diversification is achieved through investing in a wide range of companies from different geographical regions and different sectors of the market. The Cash Default is not chosen for expected returns, it is designed to offer stability.
34. The Trustee does not believe that leverage is appropriate within its strategic asset allocation or support the use of levered beta to achieve returns. The Trustee invests in some underlying funds which have leverage in order to seek to achieve their required returns or manage risk.
35. Asset classes exhibit a degree of mean reversion and, therefore, all other things being equal, rebalancing enhances returns. The Trustee seeks to use cash-flows to maintain alignment with the strategic benchmark in order to minimise transaction costs.
36. Whilst some active managers will outperform over long periods, the ability to spot these managers ex-ante is difficult and active fees make the net return for our members unlikely to exceed that of a passive alternative in the equity space.
37. The forward swap and gilt curves are the best estimates of the probability of the future course of inflation and interest rates.
38. Capitalisation weighted benchmarks are sub optimal and/or unnecessarily risky in the corporate bond space.
39. The Trustee does not seek to avoid owning assets that correlate with the employer / Bank in a stressed scenario as it believes that the majority of members of participating schemes may have more than one employer over their savings period.
40. Fees are a drag to performance and the Trustee should seek the lowest fee possible whilst taking into account the operational, business and investment risks of the underlying fund manager. Transaction costs are a drag on performance and all other things being equal should be minimised. The Trustee is comfortable with the vast majority of members investing in a lifestyle option. Investment outcomes are not necessarily improved by engagement with members. However, an accurate Target Retirement Date is an important influence in investment outcomes for members.

Realisation of investments

41. As required by Regulation 2(3) (b)(v) of the Investment Regulations, the Trustee's policy on realisation of investments is set out in this section.
42. The Trustee is aware of the importance of fund liquidity and the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds within the Default, UK Equity Default and diversifying the strategy across different types of investments. The Cash Default is more easily realisable.
43. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustee's policy is to allocate the majority of assets within the DGF in the Default to daily dealing funds with a small proportion of the DGF allocated to non-daily dealing funds. Cash flows are used to rebalance the DGF's assets towards the strategic asset allocation on a daily basis. This ensures that the DGF provides daily liquidity to members.

Appendix A - Statement of Investment Principles (continued)

44. As such the investment funds all provide daily liquidity. The members' accounts are held in funds that can be realised to provide pension benefits on retirement, death, or earlier on to transfer to another pension arrangement. The liquidity of the underlying assets of each fund, and how it is managed, is monitored by the investment consultant, in conjunction with the RBS Investment Executive, as part of its responsibilities.

Financially material considerations

45. As required by Regulation 2(3) (b)(vi) of the Investment Regulations, the Trustee's policy for financially material considerations is set out in this section. This is a requirement from 1 October 2019.
46. The Trustee has considered how financially material considerations (including ESG) and nonfinancially material considerations (e.g ethical factors) should be taken into account in the selection, retention and realisation of investments, over short-, medium- and long-term time horizons of the Plan and its members. The Trustee considers the appropriate long-term time horizon to be over 40 years in the circumstances of a defined contribution scheme with a wide age range of members.
47. The Trustee recognises that it has an important influence on the Plan's approach to ESG and other financially material considerations through its investment strategy and manager selection decisions. The extent to which ESG considerations are taken account of in the selection, retention and realisation of investments can be seen below.
48. Given that most of the Default's risk asset exposure is to passive equity, the Trustee believes that engaging with managers (who will in turn engage with investee companies) to reduce the potentially negative impact of ESG risks is the most effective way of improving expected risk adjusted returns in the portfolio. The Trustee believes that engagement can be more effective when accompanied by the threat of divestment if companies are engaged in certain business practices and do not respond to engagement on climate change.
49. Climate risk represents both a threat and an opportunity to the Plan and the Trustee would welcome the development of investment strategies to exploit this opportunity particularly within illiquid assets.
50. These financially material considerations are assessed and monitored with manager input and policies, as detailed below. The relative importance of these factors compared to other factors will depend on the asset class being considered.
51. The financially material considerations are taken into account in the selection, retention and realisation of investments by the Asset Manager. The Asset Manager does this in different ways depending on the mandate and the asset class as follows:
- i. Equity managers – those which invest in line with market capitalisation are expected use stewardship to influence companies to take account of this risk.
 - ii. Bond managers – where actively managed, these managers are expected to integrate the financially material considerations into their investment process.

Where passively managed, the bond managers are expected use stewardship to influence companies to take account of these risks.
 - iii. Alternative asset managers – these managers actively select investments based on their future risk and return potential and as such, consider the financially material risks as part of their investment process.
52. In general, the Trustee monitors and manages these financially material considerations by expecting all of its investment managers (including the Asset Manager and any underlying investment managers) to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.
53. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. It does this by writing to managers for further information and explanation when specific issues are highlighted by its Investment Advisers. If the Trustee does not receive a satisfactory response, the relevant investment manager will be invited to attend a Trustee Board meeting. Specific issues

Appendix A - Statement of Investment Principles (continued)

include: a poor voting record showing a lack of enforcement, a low number of engagements with companies or a lack of commitments to industry codes or organisations such as the UK Stewardship code.

Non-financially material considerations

54. As required by Regulation 2(3)(b)(vii) of the Investment Regulations, the Trustee's policy for nonfinancially material considerations is set out in this section. This is a requirement from 1 October 2019.
55. The Trustee notes empirical evidence from a number of sources that pension scheme members are likely to welcome the integration of ESG factors into portfolios. This includes evidence from a Deliberative Democracy exercise the Trustee carried out over the course of 2022, which involved a number of education and discussion sessions after which a small but representative group of members ranked sixteen beliefs around pension investment. The output of this exercise revealed a general preference from members to 'invest in a more resilient and positive future' and to 'engage actively, creating avenues for members to have more say in their pension and investments'.
56. The Trustee has decided not to take non-financial considerations into account in the selection, retention and realisation of investments, however the output of the Deliberative Democracy exercise has been taken into account in respect of stewardship and governance decisions. For this purpose, non-financial matters means the views of the individual members and beneficiaries. This includes (but is not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan. Whilst the Deliberative Democracy exercise shows a general preference to invest ethically, the Trustee is of the view that there's still a lack of consensus of ethical views amongst the member base. The Trustee will keep the incorporation of non-financial factors into its investment strategy under review.

Stewardship & Voting rights

57. As required by Regulation 2(3)(c) of the Investment Regulations, the Trustee's policy in relation to stewardship & voting rights is set out in this section. This is a requirement from 1 October 2019 duly updated for further requirements applicable from 1 October 2020.
58. The Trustee expects the underlying fund managers to follow best practice Engagement, Stewardship and Governance practices.
59. The Trustee recognises its responsibilities as an owner of capital. It believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and are the most effective way of mitigating systemic ESG risks. The Trustee has delegated to the Asset Manager the exercise of rights attaching to investments, including voting rights and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.
60. Where requested by its managers, the Trustee is prepared proportionately to engage directly with companies and other relevant parties, to improve the impact of engagement.
61. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice. It expects its investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.
62. The Trustee has considered both engagement and exclusion as means of integrating ESG factors into the passive equity exposure within the Default fund. It is strongly supportive of engagement as a means of improving the behaviour of market participants, thereby improving the returns delivered by the market as a whole. It is supportive of exclusions set out in Legal & General's Climate Impact Pledge where they are deemed to make engagement more effective. It is supportive of other exclusions where reputational and legal risks to financial value exist, including, for example, investment in controversial weapons systems like land mines and cluster munitions, investment in companies in perennial breach of UN Global Compact, and investment in thermal coal companies. It is not supportive of exclusions that simply result in the ESG problem being moved to different

Appendix A - Statement of Investment Principles (continued)

ownership, where scrutiny and challenge may be less robust. The Trustee will review other exclusions on a case by case basis.

63. The Trustee notes members can benefit from a secondary effect by simply relying on the efforts of other market participants. However, as one of the largest UK DC schemes, the Trustee believes it has an obligation to support market leading behaviours by helping to set an example. It believes that our members are more likely to enjoy stable incomes in retirement in a world where rises in global temperatures are limited and other ESG risks are well managed.
64. The above policies also apply to the UK Equity Default as a pooled fund which makes up part of the self-select range. There is no meaningful application to the Cash Default.

Asset manager arrangements

65. As required by Regulation 2(3)(d) of the Investment Regulations, the Trustee's policy in relation to asset manager arrangements is set out in this section. This is a requirement from 1 October 2020.
66. The Asset Manager and the platform provider are appointed by way of contractual terms. These contractual terms, the associated fee structures and accountability measures (eg performance and other reporting) essentially constitute the "arrangements" with asset managers (since there is no direct relationship between the Plan and the underlying investment managers of the DC investment funds).
67. When considering new investment funds or selecting direct investment options the Trustee's selection and de-selection criteria for assessing investment managers will include considerations set out in **Appendix B: Manager Selection and De-Selection**.
68. The Asset Manager has full discretion for undertaking engagement activities in respect of the investments and the Trustee adopts a monitoring and engagement role:
 - i. with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);
 - ii. about relevant matters includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.
69. Under the Investment Regulations the Trustee must document the methods by which and the circumstances under which the Trustee monitors and engages with the relevant persons about relevant matters.
70. The Trustee believes in the importance of monitoring the investment Funds and the underlying investment managers as a means of creating long term relationships which should increase the likelihood of meeting the performance objectives. The detailed monitoring responsibility is delegated to the Investment Advisers who meet with the underlying investment managers at regular intervals to review performance, investment policy and compliance.
71. Under the arrangement with the Asset Manager, the Trustee has limited influence over the underlying managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its underlying managers to improve their practices where appropriate. However the Trustee does have policies in relation to the underlying manager, as set out below.
72. The Trustee's view is that the fees paid to the Asset Manager and underlying managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice, underlying managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.
73. It is the Trustee's responsibility to ensure that the underlying managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects underlying managers, where appropriate, to make decisions based on assessments of the longer term financial and nonfinancial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring underlying managers.

Appendix A - Statement of Investment Principles (continued)

74. The Trustee evaluates underlying manager performance by considering performance over both shorter (quarterly) and longer-term periods (5 years and more) as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.
75. The Trustee's policy is to evaluate each of its underlying managers by reference to the relevant manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each underlying manager's remuneration, and the value for money it provides, is assessed in light of these considerations.
76. The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the underlying managers. The Trustee expects its Investment Advisers to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates. The Trustee then reviews these figures and monitors the level of the costs and turnover.

Regulation 2(3)(d)(i)

77. Asset managers are incentivised to align their investment strategies with the Trustee's policies mentioned in this SIP. There is no specific performance incentive. Instead, the Asset Manager is required to do this through the IAMA and in particular through the selection of the funds and associated reporting.

Regulation 2(3)(d)(ii)

78. The Trustee considers that performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. There is no specific incentive. Instead, the Asset Manager is required to do this through the IAMA and in particular through the selection of the funds and associated reporting.

Regulation 2(3)(d)(iii)

79. The performance of the Asset Managers is assessed and evaluated over the long-term (5 years or greater) by Investment Advisers through measurement of the DGF. The remuneration of asset managers is not based on performance fees but ad valorem. SIP policies (ie kinds of investment, balance of investment, risks, expected return, realisation and ESG (financial / non-financial factors) are taken into account in the measurement of the DGF and the ad valorem payment avoids the possibility of departing from the SIP policies to gain higher performance fees.

Regulation 2(3)(d)(iv)

80. The Trustee monitors the costs incurred by the Asset Manager in the buying, selling, lending or borrowing of investments by way of the annual transaction cost report and value for money statement. The Trustee does not have a targeted portfolio turnover - being the frequency with which the assets are expected to be bought/sold. The Trustee does not, therefore, have cause to monitor whether this targeted portfolio turnover (or turnover range – being the minimum and maximum frequency within which the assets of the scheme are expected to be bought or sold) is met. Instead the Trustee continues to monitor such costs and take account of them for governance purposes.

Regulation 2(3)(d)(v)

81. The duration of the arrangements with the Asset Manager and underlying managers have no specified contract length but can be terminated subject to the terms of the contract.

GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS

82. Under the Investment Regulations, the SIP is required to include content relating to default investment arrangements. To recap, the Plan has three such default investments arrangements, the latter two arising on a technicality due to circumstance:
 - i. the " Drawdown Lifestyle Option", referred to throughout as the **Default** which is the investment into which members are auto-enrolled unless they self-select an alternative;
 - ii. the "UK Equity Default", which is a pooled fund generally offered as a self-select option; and
 - iii. the "Cash Default" which is, a cash option also generally offered as a self-select option.

Appendix A - Statement of Investment Principles (continued)

Aims & Objectives

83. As required by Regulation 2A(1)(a) of the Investment Regulations, this section sets out the aims and objectives of the Trustee in respect of the default investment arrangements.
84. The Trustee's primary objective for the Default and self-select range is to provide members with access to a:
 - i. range of investment options that will generate income and capital growth which, together with new contributions from the members, will provide an appropriate fund at retirement. The range of investment options is designed to be wide enough to allow members to manage changes in investment risk tolerance throughout their working life; and
 - ii. default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the Default option is to generate returns of CPI + 3 – 5% whilst members are more than 7 years from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement.
85. The UK Equity Default is a technical default (having arisen by way of circumstance) and the objective for is to provide a return in line with a broad UK equity index. The Cash Fund has the objective of providing a return in line with the UK money market. This objective forms part of the range described above.

Default policies

86. As required by Regulation 2A(1)(b) of the Investment Regulations, the policies for the Default, UK Equity Default and the Cash Default are set out in **GOVERNANCE: POLICIES** above.
87. The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the Default, which is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to target retirement age).

Strategy & Member Best Interests

88. As required by Regulation 2A(1)(c) of the Investment Regulations, this section explains how the default strategy ensures that investment is in the best interests of members (and beneficiaries).
89. For these purposes, the Default strategy comprises the aims and objectives mentioned above and the policies mentioned in **GOVERNANCE: POLICIES** above.
90. The Default was designed to be in the best interests of the majority of the members. Members' best interests were established by reviewing the demographics of the Plan's membership and determining members' expected needs. It was found that members' investment needs change as they progress towards retirement age. Younger members and those with more than 7 years to retirement have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for fluctuations in returns, as they have both a longer time horizon and potentially greater human capital (human capital is the income or salary that a person will earn during their future working life; the higher the human capital the greater the tolerance for fluctuations in the accumulated benefit as the member can compensate for current falls with additional future contributions). On the other hand, members near to retirement need a greater level of stability in the value of their account.
91. The Default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form and if they don't, there is relatively little downside from this approach compared to alternative strategies. In the initial growth phase the Default option is invested in risky assets to target a return of CPI + 3 – 5%, and then in the 7 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.
92. To help manage the volatility that members' assets experience in the growth phase of the Default, the Trustee has constructed the Diversified Growth Fund, which over the long term has an aim of generating returns of CPI + 3 – 5%, but with lower volatility than equities.

Appendix A - Statement of Investment Principles (continued)

93. Regardless of age, different members also have different tolerances for the level of risk that is acceptable. Members should therefore have the facility to reflect their own preferences in this regard, whilst maintaining a suitable spread of investments.
94. The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.
95. The UK Equity Default was selected as a default for members who historically invested in the UK Equity – Active Fund and did not select an alternative investment choice when the fund was closed. The UK Equity Default has been selected to be in the best interest of members as it provides similar asset class exposure but is passively managed rather than actively managed. It is monitored in line with its objective regularly at Trustee Board meetings. The Cash Default was selected as the receiving fund for contributions intended for the Property Fund while it was subject to COVID-19 related gating. It was considered to be in the best interests of members to use the Cash Fund as a capital protection measure.

Appendix A - Statement of Investment Principles (continued)

APPENDIX A: INVESTMENT OPTIONS

1. The Trustee's policy is to seek to achieve its objectives through providing a suitable range of investment options that meets individual member needs. It recognises that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. The range of options provided allows members to diversify across asset classes, if they wish, which should provide the level of returns required by individual members at an acceptable level of risk.
2. The Trustee encourages its Investment Advisers to research and present proposals for investment in asset classes (or combinations of asset classes) that are not currently utilised within the Plan.
3. The Trustee offers white-labelled investment funds to members. Each investment Fund maintains a consistent objective whilst the underlying investment vehicles can be changed at the discretion of the RBS Investment Executive.
4. Whilst the Trustee is not involved in the funds' day to day method of operation and therefore cannot directly influence the performance target, it will assess performance and review the underlying investment vehicles on a quarterly basis.
5. The selected investment managers should achieve their principal objective in the majority of periods under consideration. It is not necessarily expected that the active managers will achieve their objective over every period. However, they should demonstrate that the skills they exercise on the funds are consistent with these targets, and that the level of risk is appropriate.
6. In addition to the individual white-labelled funds on offer to members, the Plan makes available three Lifestyle Options.

The Default Drawdown Lifestyle Option

7. The Default Drawdown Lifestyle Option uses Diversified Growth, Income Drawdown and Cash Funds to create an asset allocation strategy that changes during the member's working life. The current strategy involves a gradual switch from the DGF, when the member is more than 7 years from retirement, into the Income Drawdown and Cash Funds (split 75% Income Drawdown and 25% Cash) as retirement approaches. The aim of this strategy is to maintain exposure to growth assets at retirement to help members fund their drawdown income.
8. For each of the lifestyle options, when a member reaches their Target Retirement Age if they decide to continue to work and contribute into the Plan, their Plan savings will stay invested in the same allocations as they were at the point of their Target Retirement Age and will no longer be adjusted so the allocation percentages may drift over time.
9. The Drawdown Lifestyle Option was made the Default option following the transition of administration to L&G and following a full review of the Default Lifestyle including consideration of the capabilities of the administrator, membership behaviours generally and within the Plan post Freedom & Choice.

| Years | RSP DGF | RSP Income Drawdown | RSP Cash |
|-------|---------|---------------------|----------|
| 10+ | 100.00 | 0.00 | 0.00 |
| 9 | 100.00 | 0.00 | 0.00 |
| 8 | 100.00 | 0.00 | 0.00 |
| 7 | 100.00 | 0.00 | 0.00 |
| 6 | 84.00 | 16.00 | 0.00 |
| 5 | 70.00 | 30.00 | 0.00 |
| 4 | 56.00 | 43.00 | 1.00 |
| 3 | 42.00 | 51.00 | 7.00 |
| 2 | 28.00 | 59.00 | 13.00 |
| 1 | 14.00 | 67.00 | 19.00 |
| 0 | 0.00 | 75.00 | 25.00 |

Appendix A - Statement of Investment Principles (continued)

The Annuity Lifestyle Option

10. The Annuity Lifestyle Option uses Diversified Growth, Annuity Pre-Retirement and Cash Funds to create an asset allocation strategy that changes during the member's working life. The current strategy involves a gradual switch from the DGF, when the member is more than 7 years from retirement, into the Annuity Pre-Retirement and Cash Funds (split 75% Annuity Pre-Retirement and 25% Cash) as retirement approaches. The aim of this strategy is to broadly match changes in the value of a member's Plan savings with annuity prices and reduce conversion risk at retirement.

| Years | RSP DGF | RSP Pre-Retirement | RSP Cash |
|-------|---------|--------------------|----------|
| 10+ | 100.00 | 0.00 | 0.00 |
| 9 | 100.00 | 0.00 | 0.00 |
| 8 | 100.00 | 0.00 | 0.00 |
| 7 | 100.00 | 0.00 | 0.00 |
| 6 | 84.00 | 16.00 | 0.00 |
| 5 | 70.00 | 30.00 | 0.00 |
| 4 | 56.00 | 43.00 | 1.00 |
| 3 | 42.00 | 51.00 | 7.00 |
| 2 | 28.00 | 59.00 | 13.00 |
| 1 | 14.00 | 67.00 | 19.00 |
| 0 | 0.00 | 75.00 | 25.00 |

The Lump Sum Lifestyle Option

11. The Lump Sum Lifestyle Option uses Diversified Growth, Lump Sum and Cash Funds to create an asset allocation strategy that changes during the member's working life. The strategy involves a gradual switch from the DGF, when the member is more than 7 years from retirement, into the Lump Sum and Cash Funds (split 75% Lump Sum and 25% Cash) as retirement approaches. The aim of this strategy is increasing capital preservation for a member's Plan savings as retirement approaches.

| Years | RSP DGF | RSP Lump Sum | RSP Cash |
|-------|---------|--------------|----------|
| 10+ | 100.00 | 0.00 | 0.00 |
| 9 | 100.00 | 0.00 | 0.00 |
| 8 | 100.00 | 0.00 | 0.00 |
| 7 | 100.00 | 0.00 | 0.00 |
| 6 | 84.00 | 16.00 | 0.00 |
| 5 | 70.00 | 30.00 | 0.00 |
| 4 | 56.00 | 43.00 | 1.00 |
| 3 | 42.00 | 51.00 | 7.00 |
| 2 | 28.00 | 59.00 | 13.00 |
| 1 | 14.00 | 67.00 | 19.00 |
| 0 | 0.00 | 75.00 | 25.00 |

APPENDIX B: MANAGER SELECTION & DE-SELECTION

Pursuant to section 70 of the SIP, criteria considerations include:

Investment Manager Selection Criteria

Business

- supportive ownership from a parent committed to investment management
- evidence of clear strategic direction

People

- high calibre, experienced professionals
- relatively low staff turnover
- evidence of clear commitment to culture
- strong recruitment/training plans

Process

- effective approach to accessing/interpreting research
- robust, repeatable process
- process consistent with the stated philosophy

Performance

- acceptable variability in relation to manager's style
- takes account of financially material considerations (including climate change and other ESG considerations) as appropriate
- whilst past performance is a consideration in investment manager selection, it does not rank as importantly as the above criteria.

Investment Manager De-selection Criteria

Investment funds may be removed or managers may be replaced if:

- the Trustee believes that the investment manager is not capable of achieving the performance objectives (both return and volatility) in the future; and/or
- the Trustee considers that it is desirable in the interest of the Plan.

APPENDIX C: ROLES & RESPONSIBILITIES

This appendix sets out the roles and responsibilities of the various stakeholders in relation to the Plan's investments.

Division of Responsibilities

Specifically the Trustee is responsible for:

- setting the overall investment strategy of the Plan;
- determining the default lifestyle strategy for Plan members;
- determining the lifestyle options to offer to Plan members;
- selecting the range of investment options to offer to Plan members;
- determining the appointment and removal of the Investment Adviser(s);
- determining the appointment of the investment platform provider;
- determining the provider agreements including appropriate fee scales; and
- setting the overall investment objectives and benchmarks for the investment funds.
- deciding the asset allocation for the Default;
- setting objectives for the RBS Investment Executive to meet in relation to the performance of the RSP Diversified Growth Fund and the RSP Lump Sum Fund.
- reviewing the performance of the Plan via the regular performance reports provided by the RBS Investment Executive. The Trustee will take into consideration: whether the sub-funds or Default have outperformed their strategic benchmarks (annually); whether the Default remains appropriate and remains within the acceptable risk parameters; and whether RBS Investment Executive has met its objectives over the year.

The RBS Investment Executive will support the Trustee in accordance with the terms of the IAMA. In particular, the RBS Investment Executive will provide:

- advisory services: including without limitation self-select options, permitted assets and asset allocation ranges for the RSP DGF and the RSP Lump Sum Fund.
- assistance services: including without limitation reviews of investment objectives and asset allocation policy for the funds, monitoring the performance of any third party manager or platform provider and reporting the performance (and other relevant issues) of investment funds and underlying investment vehicles to the Trustee.
- management services: including without limitation manage the Investments on a discretionary basis.
- assistance with the review of the SIP least every three years and following any significant change in investment strategy and reporting requirements associated with the Plan's investments.

An investment consultant (LCP) will provide advisory services including (without limitation) written advice on DC compliance & regulation, investment beliefs, investment objectives and lifestyle.

The investment platform provider is responsible for:

- providing access to a range of funds managed by various investment managers; and
- providing the Trustee with regular information concerning the management and performance of the assets.

The investment managers of the underlying investment vehicles are responsible for:

- making tactical asset allocation decisions relative to their prescribed benchmarks within stated guidelines;
- making security selection decisions within each asset class;
- ensuring appropriate diversification of investments within their vehicles; and

Appendix A - Statement of Investment Principles (continued)

- providing the RBS Investment Executive with a quarterly report on actions and future intentions, and any changes to the processes applied to the investment vehicles.

The Trustee considers that this division of responsibility has the following advantages for the proper management of the Plan's assets:

- the Trustee maintains control (either directly for key decisions or through the support of the RBS Investment Executive) of the major Plan strategies;
- clear accountability for investment performance;
- provides a focus on investment objectives and on the provision of investment options that allow members to manage their investment risk in an appropriate way;
- encourages the identification of potential new asset classes for investment; and
- the policy is in compliance with s36 of the Pensions Act 1995 on the selecting of investments.

Fee Structure

The investment managers, the RBS Investment Executive and the fund platform provider selected by the Trustee are remunerated by a fee related to the value of the assets under management.

Any party appointed solely as Investment Advisers is remunerated by a mix of time-based fees and fixed fees for specific projects.

These fee structures are considered by the Trustee to be in line with best market practice and are reviewed from time to time to ensure they continue to be appropriate.

Appendix A - Statement of Investment Principles (continued)

APPENDIX D: INVESTMENT STRATEGY

Background

Clause 3.7.5 of the Amended and Restated Investment Advisory and Management Agreement (**IAMA**) between the NatWest Group Retirement Savings Trustee Limited (**the Trustee**) and RBS Investment Executive Limited (**RIEL**) dated 1 June 2020 requires RIEL to manage investments in accordance with (amongst other things) the Investment Strategy as determined by the Trustee from time to time and confirmed in writing to RIEL.

This document sets out the Trustee's current Investment Strategy for these purposes.

Meaning of Investment Strategy

Investment Strategy is a defined term in the IAMA, meaning:

- I. in relation to any default arrangement, the default strategy as defined in the Investment Regs 2005;
- II. the beliefs, policies, aims and objectives for any non-default arrangements as described in the Statement of Investment Principles;
- III. benchmark and performance objective and fund investment and manager selection other than for the DGF and Lump Sum Fund as set out in the Investment Guidelines within the IAMA;
- IV. the Member Life-Styling Strategy;
- V. asset allocation ranges, volatility constraints and other constraints described in the Investment Guidelines within the IAMA (but excluding, for the avoidance of doubt, the asset allocation within the asset allocation ranges for each of the DGF and the Lump Sum Fund); and
- VI. ad hoc policies adopted from time to time

Current Investment Strategy

The Trustee's current Investment Strategy for the purposes of the IAMA is as follows:

- I. The scheme's standard default arrangement is the Drawdown Lifestyle option and default strategy (as defined in the Investment Regs 2005) is as per the SIP;
- II. The policies, aims and objectives of non-default arrangements are as set out in the SIP;
- III. The benchmark and performance objective and fund investment referred to in Part2, Schedule 2 (Investment Guidelines) of the IAMA and manager selection other than for the DGF and Lump Sum Fund, are all as referred to in Part2, Schedule 2 (Investment Guidelines) of the IAMA. For the avoidance of doubt these include the following benchmarks and performance objectives in relation to the DGF and Lump Sum Funds where RIEL has discretion

| Fund Name | Benchmark and Performance Objective |
|-------------------|--|
| RSP DGF | To produce an absolute return of CPI +3% - +5% over the long term (5 years or greater) with less risk than global developed equities |
| RSP Lump Sum Fund | To outperform cash by 1%pa over 5 -7 years but with some risk that there is a negative return over short periods |

- IV. In relation to Member Life-Styling Strategy, the design, switching periods and selection of underlying funds for the drawdown, annuity and lump sum lifestyle options are as described in the SIP.
- V. The asset allocation ranges for the DGF and Lump Sum Fund as described in the Part 2 Schedule 2 (Investment Guidelines) of the IAMA. For the avoidance of doubt the strategy provides for, but does not at present include, volatility or other constraints.
- VI. At this time there are no ad hoc policies which form part of the Investment Strategy

Appendix A - Statement of Investment Principles (continued)

Please note that the asset allocation benchmark and rebalancing policy do not form a part of the Trustee's Investment Strategy as they are superseded by the delegation to RIEL. However:

- I. The asset allocation benchmarks for the DGF and Lump Sum Fund remain as one of the measures against which the Trustee's wish to monitor the performance of the funds; and
- II. RIEL are expected to establish and share with the Trustee rebalancing policies which are consistent with the asset allocation ranges

Signed by Chairman of the Trustee Board

A Cox

DATE: 27 March 2023

Appendix B - Implementation Statement

Implementation Statement, covering the Plan Year from 1 October 2021 to 30 September 2022

The Trustee of the NatWest Group Retirement Savings Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year.

This Statement is based on the Plan's SIP which was in place during the Plan Year - dated 17 November 2021. This Statement should be read in conjunction with the SIP which can be found online at <https://www.legalandgeneral.com/workplace/n/natwest-group/helpful-resources/document-library/>.

Introduction

1. A formal review of the SIP was undertaken during the Plan Year by the Trustee's investment advisers, LCP, and the Trustee's legal advisors, Pinsent Masons and updated on 17 November 2021. The review primarily focused on ensuring that recent changes to the name and governance structure of the Plan were reflected. The changes to the Plan's SIP included:
 - a. the change of the Plan's name from the Royal Bank of Scotland Retirement Savings Plan to the NatWest Group Retirement Savings Plan;
 - b. the removal of references to the Investment Committee after it was dissolved; and
 - c. the removal of tables listing the Plan's funds with their associated underlying fund, benchmark and performance objectives in Appendix A: Investment Fund Range to reduce the frequency the SIP is updated.
2. The Trustee has, in its opinion, followed the policies in the Plan's SIP during the Plan Year. Further detail and commentary about how and the extent to which it has done so is covered below, focussing on those areas that were of most importance in the Plan Year.
3. The Trustee has, in its opinion, followed the Plan's voting and engagement policies during the Plan Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

Structure of the Plan's Investment Arrangements

4. Upon joining, members have the opportunity to self-select a fund. Those that do not are allocated to the default strategy ("Default") known as the "Drawdown Lifestyle". For technical reasons, the Plan has further defaults.
5. Given the structure of the Plan's investments, this Statement relates to the Drawdown Lifestyle except where specific reference is made to the UK Equity Default, the Cash Default, and the self-select options or otherwise.

Choosing investments, Kinds of investments and Balance between different kinds of investment

6. The Trustee considered a wide range of asset classes for investment when last reviewing the Default strategy in February 2020, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the balance of investments in the Default strategy, UK Equity Default, and self-select funds as part of this review and found this to be appropriate.
7. The Trustee's Asset Manager, RSP Investment Executive Limited ("RIEL"), manages investments in accordance with (amongst other things) the investment strategy as determined by the Trustee and confirmed in writing to the Asset Manager. The SIP sets out the Trustee's current investment strategy for these purposes in Appendix D. The terms of the Asset Manager's appointment are governed by an Investment Management and Advisory Agreement (IAMA) dated 1 June 2020. The Investment Manager has been delegated responsibility to manage the investment funds made available to members in line with the IAMA.

Appendix B - Implementation Statement (continued)

8. As part of the agreed arrangements with the Trustee, the Asset Manager considers a wide range of asset classes including equities, bonds and property for investment when reviewing the underlying funds of the Default strategy, taking into account the nature of the fund, its objective and benchmark and the risk controls which operate whilst also considering the balance between investments. As a result, the Asset Manager has made several changes to the allocations in RSP Diversified Growth Fund (“DGF”) over the Plan Year. The Asset Manager made these changes with a view to improving the level of diversification within the DGF and because of its views on the expected risk and return of different asset classes.
 - a. It made a new allocation to an Emerging Market Debt Fund managed by Gramercy.
 - b. the UK Equity Tracker Fund and the World Emerging Markets Equity Index Fund were removed, and;
 - c. the Future World North America Equity Index Fund, FW Asia Pacific ex Japan Equity Index Fund, Global Developed Small Cap Index Fund, and the MSCI ESG Exclusion Fund were added.
9. As part of the agreed arrangements with the Trustee, the Asset Manager regularly meets with the Plan's underlying investment managers, with each manager formally met with at least once every 12 months. The Asset Manager meets more regularly with Leadenhall, due to the more complex nature of the fund.
10. The Trustee is therefore comfortable that the SIP policies on the kind and balance of investments is being followed as the changes to the investment strategy are in line with the SIP.

Risks, including the ways in which risks are to be measured and managed

11. The Trustee considered the investment risks set out in Sections 26-28 of the SIP when monitoring the performance of the Default and as part of the last strategy review of the Default. Risks are monitored on an ongoing basis with the help of the investment adviser and the Asset Manager, to ensure compliance with the Trustee policy under the SIP.
 - a. Diversification – The Trustee and Asset Manager monitor diversification in the Default as part of the quarterly monitoring provided by the Asset Manager. This ensures the strategy retains investments across a wide range of asset classes.
 - b. Underperformance - The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each fund over the quarter, one year, and longer-term periods. Performance is considered in the context of the manager's benchmark and objectives. Despite market volatility over the course of the 2021/22 Plan Year, the most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.
 - c. Risk from excessive charges - The Trustee undertook a value for members' assessment in February 2023 for the Plan Year to 30 September 2022 which assessed a range of factors, including the fees payable to the managers which were found to be reasonable when compared against schemes with similar sized mandates.
 - d. Inflation risk – Inflation rose sharply over the Plan Year eroding the purchasing power of members' investments. The Trustee monitors this through the use of inflation linked benchmarks for the DGF which are reviewed on a quarterly basis. The Trustee found inflation risk is somewhat mitigated by the rising bond yields over the year which has improved the return expectations for the DGF.
 - e. Capital risk – Most asset classes fell in value over the Plan Year due to rising inflation, rising bond yields, geopolitical instability, and a worsening macroeconomic environment - factors which negatively impacted member pots. The DGF protected members assets from the worst of these losses through its highly diversified underlying investments, including exposure to less liquid assets which are less correlated to equities and bonds.
 - f. Sequencing risk – The diversified approach employed in the Default strategy provided smoother returns than equities over the Plan year which reduced members' exposure to sequencing risk.

Appendix B - Implementation Statement (continued)

21. During the Plan Year, the Trustee established a dedicated Working Group to manage ongoing activities related to climate risks and opportunities which included the following:
 - a. Establishing a governance statement to confirm the processes in place to help the Trustee manage the risks and opportunities presented by climate change;
 - b. Reviewing the Trustee's climate and ESG beliefs in the SIP to formulate and agree the Trustee's views;
 - c. Updating the Plan's risk register to account for climate risks and opportunities following review and updates from its advisers;
 - d. Reviewing climate-related metrics to understand the climate exposure of the Plan's investment arrangements; and
 - e. Analysing the climate-related exposures by sector of the Plan's equity allocations in the Default strategy.
22. The Trustee has also reviewed the level of ESG integration in the equity allocation of the Default strategy and the self-select range.
23. These activities will feed into the Trustee's first official Taskforce for Climate-related Financial Disclosures (TCFD) report which will be published in the next 2022/23 Plan Year.
24. As part of its annual Strategy Day on 20 September 2022, the Trustee heard presentations from various third parties, including Retirement Line – a pension income broker, BlackRock – a leading asset manager, and Pinsent Masons - leading legal services provider.
25. The Trustee reviews LGIM's ESG Impact Report on a quarterly basis. The report comments on the effectiveness of its engagements and provides a thematic review of its wider engagement activities. LGIM also provide an annual update on the Climate Impact Pledge, commenting on the success in engaging with companies that have previously been excluded from indexes that use the pledge.
26. The Trustee has therefore kept under review the ESG analysis as per the Trustee's policy for financially material considerations.

Non-financially material considerations

27. The Trustee recognises that some members may wish for ethical matters to be taken into account in their investments but has to balance this against providing investment options it considers are appropriate for the majority of members and which only take account of material financial considerations. During the Plan Year, the Trustee added the International Equity Sharia Fund to the investment range to enable members with a religious view in line with Sharia law to self-select an option that aligns with their ethical views.
28. The Trustee's policy in the SIP is to not take non-financial considerations into account in the selection. Therefore the Trustee is of the view that the SIP has been followed in this regard over the course of the Plan Year.

Stewardship & Voting rights

29. All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year. However, LGIM, one of the Plan's investment managers, is able to take account of member voting preferences via Tumelo. Through this engagement via LGIM / Tumelo, the Trustee has broadly followed the SIP.

Asset manager arrangements

30. Clause 3.7.5 of the IAMA requires RIEL to manage investments in accordance with (amongst other things) the Investment Strategy as determined by the Trustee from time to time and confirmed in writing to RIEL.

Appendix B - Implementation Statement (continued)

31. The performance reviews are carried out quarterly at Trustee meetings by the Trustee's Asset Manager (ie. RIEL). LCP also carry out an annual review of the performance of the Default and its component funds.
32. The Trustee reviewed RIEL's performance over the Plan year in December 2022 by assessing the performance of the RSP DGF and RSP Lump Sum Fund against metrics agreed by the Trustee and RIEL. On the whole, metrics were met for the DGF but not the Lump Sum Fund. However, the Trustee noted that both funds struggled over the Plan Year given the challenging market environment in 2022. The Trustee will continue to review the performance of both funds against the metrics on a regular basis.
33. The Trustee regularly reviews the performance of the Plan's investments over both the short and long term (quarterly to 5 years) at monthly Board meeting to ensure performance aligns with expectations. Member borne charges and transaction costs are assessed annually as part of the Trustee's Value for Members review.

GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS

34. As part of the last triennial performance and strategy review of the Default, that was concluded in February 2020, the Trustee considered the membership demographics and the variety of ways that members may draw their benefits in retirement from the Plan.
35. Based on the outcome of this analysis, the Trustee concluded that the Default has been designed to be in the best interests of the majority of the members and reflects the demographics of the membership as a whole.
36. The Trustee also provides members with access to a range of self-select funds, which enable suitable diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes. The Trustee monitors the take up of these funds and it is limited, but is moderate in comparison to most other DC schemes. The Trustee has reminded members to review their investment holdings and check they are suitable for their risk tolerances and retirement planning.
37. The Trustee reviews changes in member choices, behaviour, and trends in the strategy reviews with the assistance of its investment consultant, LCP.

Details of voting behaviour over the Plan Year

38. In this section the Trustee has sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities. We have included only the funds with equity holdings used in the Default lifestyle strategy given the high proportion of assets invested in these funds. We have also included the LGIM UK Equity Index Fund (underlying the RSP UK Equity Fund) since this is also a default arrangement of the Plan.
 - a. LGIM Future World Europe ex UK Equity Index Fund
 - b. LGIM Future World Emerging Markets Equity Index Fund
 - c. LGIM Future World UK Equity Index Fund
 - d. LGIM Future World Japan Equity Index Fund
 - e. LGIM Future World North America Equity Index Fund
 - f. LGIM Future World Asia Pacific ex Japan Equity Index Fund
 - g. LGIM Global Developed Small Cap Index Fund
 - h. LGIM UK Equity Index Fund
 - i. LGIM Global Real Estate Equity Index
 - j. LGIM Retirement Income Multi-Asset Fund
 - k. Janus Henderson Diversified Alternatives Fund
39. The Trustee is satisfied that for the period covered by this statement, there is no voting information missing. The Trustee is also comfortable that no manager conflicts have been identified that require action.

LGIM

40. All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually by LGIM. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures the stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
41. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector, and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.
42. LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.
43. In respect of the Plan's investments, LGIM's Investment Stewardship Team is in regular contact with the Trustee, typically attending two meetings per annum, whilst meeting RIEL more often as required. The subject matter can be focused on a particular area or be more general. A quarterly ESG Impact report is also available to the Trustee, providing insight into how LGIM has voted at all AGMs across all regions.
44. Over the past three years, LGIM has been working with the Tumelo platform, which enables individual members to see their holdings within components of the funds used within all the Plan's funds including the Default and presents members with upcoming votes at AGMs. Members can submit a preference on how they would like LGIM to vote, these preferences are then submitted by Tumelo to LGIM on a weekly basis, and LGIM's Investment Stewardship team reviews this data and consider it amongst all the other datasets, engagement information and policy that determine the vote. The data is also analysed in other ways, for example to understand the underlying topics of most interest to members. Once the LGIM Stewardship Team votes, the data is passed through to the Tumelo platform enabling members to see the outcomes on how LGIM voted and any rationale that is available.

Janus Henderson

45. In formulating its approach to corporate governance, Janus Henderson is conscious that a 'one size fits all' policy is not appropriate. Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights, and level of dispersed ownership. Janus Henderson varies its voting and engagement activities according to the market and pays close attention to local market codes of best practice. However, Janus Henderson considers certain core principles to be universal, and these include disclosure and transparency, board responsibilities, shareholder rights and audit and internal controls.
46. A key element of Janus Henderson's approach to proxy voting is to support the above principles and to foster the long-term interests of its clients. Janus Henderson also recognises that in some instances, joint action by shareholders has the potential to be more effective than acting alone. This is especially true when shareholders have a clear common interest. Where appropriate, Janus Henderson pro-actively collaborates with other investors on governance and wider environmental and social engagement issues, directly and through industry bodies.

Appendix B - Implementation Statement (continued)

47. Janus Henderson recognises that ESG issues present risks and opportunities that can have a material impact on the value of an investment. Janus Henderson therefore analyses and votes on ESG proposals accordingly. Janus Henderson does not have specific voting guidelines on climate change issues. Voting policy on climate related issues is decided on a case-by-case basis by its investment teams utilising independent research, guidance from its in-house governance and responsible investment team and company engagement activity where applicable.
48. Janus Henderson exercises the voting rights on behalf of clients at meetings of all companies in which it has a holding. The only exception to this is meetings where share blocking or other restrictions on voting are in place. Where applicable to specific mandates, clients may be consulted prior to voting. Some clients retain their own right to vote. Janus Henderson has a Proxy Voting Committee, which is responsible for its positions on major voting issues and creating guidelines overseeing the voting process. The Committee is comprised of representatives of investment portfolio management, corporate governance, accounting, legal and compliance. Additionally, the Proxy Voting Committee is responsible for monitoring and resolving possible conflicts of interest with respect to proxy voting. Janus Henderson uses Institutional Shareholder Services as its primary advisor. In the UK, Janus Henderson also receive Institutional Voting Information Service research.

Summary of voting behaviour over the Plan Year

49. A summary of voting behaviour over the Plan Year is provided in the table below, with last year's voting data in parentheses for comparison. We have included voting information on the LGIM Retirement Multi-Asset Fund, which LGIM did not provide data for last year.

| | Fund 1 | Fund 2 | Fund 3 | Fund 4 | Fund 5 | Fund 6 | Fund 7 | Fund 8 | Fund 9 | Fund 10 | Fund 11 |
|---|--|--|--------------------------------------|--|--|---------------------------------------|---------------------------------|-------------------------------|--------------------------|-----------------------------------|----------------------|
| Manager name | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | LGIM | Janus Henderson | LGIM | LGIM |
| Fund name | Future World Europe ex UK Equity Index | Future World Emerging Markets Equity Index | Future World Japan Equity Index Fund | Future World North America Equity Index Fund | Future World Asia Pacific ex Japan Equity Index Fund | Global Developed Small Cap Index Fund | Global Real Estate Equity Index | Retirement Income Multi-Asset | Diversified Alternatives | Future World UK Equity Index Fund | UK Equity Index Fund |
| Total size of fund at end of the Plan Year | £2,212m | £2,127m (£1,854m) | £1,363 | £8,032 | £873m | £2,168 | £3,931 (£4,594m) | £1,626m (£1,327m) | £165m (£86m) | £1,902m (£1,526m) | £14,109m (£21,141m) |
| Value of Plan assets at end of the Year* | £15m | £33m | £8m | £99m | £5m | £66m | £48m | £91m | £44m | £32m | £118m |
| Number of equity holdings at end of the Plan Year | 359 | 1,335 (1,078) | 328 | 584 | 155 | 3,596 | 376 (367) | 7,632 (6,941) | 24 (22) | 373 (375) | 564 (583) |
| Number of meetings eligible to vote | 428 | 2,802 (1,712) | 338 | 610 | 186 | 4,030 | 429 (332) | 10,124 (7,947) | 53 (55) | 498 (338) | 765 (598) |
| Number of resolutions eligible to vote | 7631 | 23,961 (16,770) | 4,313 | 7,711 | 1,360 | 41,792 | 4,377 (3,667) | 102,790 (86,473) | 594 (476) | 7,372 (5,039) | 10,884 (8,169) |
| % of resolutions voted | 99.7 | 100 (99.8) | 100 | 99.4 | 100 | 99.7 | 99.7 (100) | 99.8 (99.8) | 97.6 (100) | 100 (100) | 99.9 (100) |
| Of the resolutions on which voted, % voted with management | 82.7 | 79.6 (82.7) | 89.4 | 64.6 | 72.4 | 75.4 | 79.9 (81.0) | 77.9 (80.5) | 99.5 (97.9) | 94.4 (92.8) | 94.1 (92.4) |
| Of the resolutions on which voted, % voted against management | 16.8 | 18.6 (15.4) | 10.6 | 35.3 | 27.7 | 24.5 | 20.1 (19.0) | 21.4 (18.8) | 0.5 (2.1) | 5.6 (7.2) | 5.9 (7.6) |

Appendix B - Implementation Statement (continued)

| | | | | | | | | | | | |
|---|------|--------------|------|------|------|------|--------------|-------------|--------------|-------------|-------------|
| Of the resolutions on which voted, % abstained from voting | 0.6 | 1.8 (1.9) | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 (0.1) | 0.7 (0.7) | 0.3 (0.0) | 0.0 (0.0) | 0.0 (0.0) |
| Of meetings at which the manager voted, % with at least one vote against management | 80.1 | 56.6 (53.8) | 70.7 | 97.9 | 67.7 | 83.9 | 66.7 (71.1) | 69.8 (70.1) | n/a | 36.4 (44.7) | 37.6 (47.3) |
| Of the resolutions on which the manager voted, % voted contrary to recommendations of proxy advisor | 9.4 | 8 (7.3) | 8.7 | 26.3 | 15.9 | 15.5 | 14.7 (13.5) | 12.4 (11.5) | n/a | 5.3 (5.9) | 4.6 (5.6) |

Most significant votes over the Plan Year

Janus Henderson reported no significant votes for the Diversified Alternatives Fund over the period. Janus Henderson only considers a vote to be significant if it votes against management. As it did not vote against management during the Plan Year it has, therefore, not reported any significant votes.

LGIM provided examples of the votes it considered to be the most significant for the Plan over the period. These votes are broadly aligned with the Trustee's view for what is significant. The Trustee's criteria for what is a significant vote will develop over time with input from its Investment Adviser, Asset Manager, and underlying investment managers. In general terms the Trustee views the most significant votes to be those impacting stocks which are a material holding within a portfolio (eg. Amazon within the LGIM Future World Developed ex UK Equity Index) and seeks to report on a range of different types of resolutions to demonstrate the breadth of voting undertaken on its behalf.

Commentary on these example votes is set out below.

LGIM's policy on communicating intent to a company ahead of a vote is consistent across its funds. LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

LGIM Future World Europe ex UK Equity Index

- **TotalEnergies SE, May 2022. Vote:** Against. **Outcome of the vote:** 88.9% of shareholders supported the resolution.

Summary of resolution: Approve Company's Sustainability and Climate Transition Plan

Rationale: LGIM recognizes the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.

LGIM Future World Emerging Markets Equity Index

- **Meituan, May 2022. Vote:** Against. **Outcome of the vote:** 91.8% of shareholders supported the resolution.

Summary of resolution: Elect Wang Xing as Director

Rationale: LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manages on their behalf. For 10 years, LGIM has been using its position to engage with companies on this issue. As part of its efforts to influence our investee companies on having greater gender balance, LGIM expects all companies in which it invests globally to have at least one female on their board. LGIM also expects the roles of Chair and CEO to be separate.

Appendix B - Implementation Statement (continued)

Future World Japan Equity Index Fund

- **Electric Power Development Co., Ltd, May 2022. Vote:** For. **Outcome of the vote:** N/A

Summary of resolutions: Amend Articles to Disclose Business Plan through 2050 Aligned with Goals of Paris Agreement

Rationale: LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote. LGIM pre-declared their vote instruction for this meeting, demonstrating its significance. LGIM expects companies to be taking sufficient action on the key issue of climate change. While they recognise the company's stated ambitions, LGIM expects the company to introduce credible transition plans and a coal unit retirement schedule consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1,2 and material scope 3 greenhouse gas ('GHG') emissions, and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

LGIM Global Developed Small Cap Index

- **NetScout Systems, Inc., August 2022. Vote:** Withhold. **Outcome of the vote:** 92% of shareholders supported the resolution.

Summary of resolution: Elect Director Anil K. Sinhal

Rationale: LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Where there is a combined Board Chair and CEO, LGIM expects that an independent lead director be elected. Further, LGIM would expect a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

LGIM Future World UK Equity Index

- **Keir Group plc, November 2021. Vote:** Against. **Outcome of the vote:** 73.9% of shareholders supported the resolution.

Summary of resolutions: Approval of Remuneration Report – including substantial salary increase to CEO and LTIP awards at exceptional levels

Rationale: Concern over one-off (unphased) salary increase of 26% to CEO to result in £750,000, a significant salary level for a SmallCap company following sell-off of a number of divisions; additionally provided exceptional LTIP award levels in a difficult environment for other stakeholders.

LGIM Retirement Income Multi-Asset

- **McDonald's Corporation, May 2022. Vote:** For. **Outcome of the vote:** Only 13.2% of shareholders supported the resolution.

Summary of resolution: Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders

Rationale: LGIM voted in favour of the proposal as they believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) continues to be a key focus of the LGIM Investment Stewardship team's engagement strategy. LGIM believes that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. While LGIM notes the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, they believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, they want to signal to the company's board of directors the importance of this topic and the need for action.

Appendix B - Implementation Statement (continued)

LGIM Global Real Estate Equity Index

- **Tritax Eurobox Plc, February 2022. Vote:** Against. **Outcome of the vote:** 80.4% of shareholders supported the resolution.

Summary of resolution: Re-elect Robert Orr as Director

Rationale: A vote against is applied because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board.

LGIM UK Equity Index Fund

- **Royal Dutch Shell Plc, May 2022. Vote:** Against. **Outcome of vote:** 80.0% of investors voted against the resolution.

Summary of resolution: Approve the Shell Energy Transition Progress Update

Rationale: A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.