

NatWest Group Pension Fund

Statement of Investment Principles

Introduction

1 This document describes the investment policy pursued for NatWest Group Pension Fund (Fund) by NatWest Pension Trustee Limited (Trustee) through the Trustee Board and constitutes the statement of principles governing investment decisions for the Fund required by the Pensions Act.

2 The Trustee Board has consulted the Employer on the contents of this SIP. However, the Trustee Board has sole authority and responsibility for determining investment policy.

3 The Trustee Board has sought advice from RIEL. This advice considers the matters set out in the Investment Regulations and the principles articulated in this SIP.

4 The Trustee Board reviews the SIP at least every three years and after any significant change in investment policy. Reference will be made to the SIP where necessary to ensure that the Trustee's powers of investment are exercised so as to give effect to its terms as far as is reasonably practical.

5 The Trustee Board approves general investment policy. It relies on the parties to whom it delegates the implementation of that policy to apply appropriate skill and expertise in the management of the investments of the Fund.

6 The investment selection process takes account of the criteria for investment set out in the Investment Regulations and the principles contained in this SIP.

7 The Pensions Act 2004 requires that the value of the assets of pension schemes is not less than the value of their liabilities and sets out the procedure for dealing with shortfalls. The Trustee Board will consult the Scheme Actuary and the Employer when deciding upon the appropriate response to any shortfall. Further details are set out in the Trustee Board's Statement of Funding Principles. The Trustee Board considers that the investment principles described in this SIP are consistent with their obligations under the Pensions Act. In addition, the Trustee Board will review its investment policy in response to future actuarial valuations and changes to contributions in order to remain compliant with the Pensions Act 2004.

8 The Investment Regulations are recently amended by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and also by The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 expanding the SIP disclosure requirements. Trustees are required to disclose their policies in relation to financially material considerations (as referred to in the Investment Regulations) and the extent (if at all) to which non-financial matters (as referred to in the Investment Regulations) are taken into account in the selection, retention and realisation of investments. They also require trustees to disclose their policies in relation to undertaking engagement activities in respect of investments. Certain details of the Trustee's arrangements with its asset managers are now also included in this SIP.

Structure of the Fund

9 The Fund comprises - four separate sections with differing employer covenants:

Section Name	Direct Employer Covenant	Date at Which it became a Section of the Fund
NatWest Group Pension Fund (Main Section), referred to as Main Section	National Westminster Bank PLC The Royal Bank of Scotland plc (previously known as Adam & Company PLC)	
NatWest Group Pension Fund (AA Section), referred to as AA Section	NatWest Markets plc	29 th March 2012
NatWest Group Pension Fund (NatWest Markets Section), referred to as NWM Section	NatWest Markets plc	1 st November 2018
NatWest Group Pension Fund (Royal Bank of Scotland International Limited Section), referred to as RBSI Section	The Royal Bank of Scotland International Limited	1 st November 2018

Each section has discrete assets and liabilities. Each section is separate for funding and investment purposes although they may invest in the same unitised investment vehicle.

The general investment principles outlined in this SIP apply to all sections of the Fund. However, specific investment and funding strategies and risk appetites are maintained for each section and are set out in the appendices to this SIP.

Division of Responsibilities

10 The Trustee Board has formed an ALCO and has appointed ALCO and RIEL to exercise certain responsibilities in relation to the investment of the Fund's assets, although the Trustee Board retains direct responsibility for approving key policy decisions. The ALCO works within clearly defined terms of reference approved by the Trustee Board.

11 The Trustee has appointed RIEL as its investment adviser. The terms of RIEL's appointment are set out in an investment management and advisory agreement (IAMA) between the Trustee and RIEL.

12 Management of the assets of the Fund is delegated to multiple Investment Managers. Each Investment Manager and the portfolio assigned to it has investment guidelines which are consistent with the overall objectives of the Fund and with such Investment Manager's duties to act in accordance with the Investment Regulations when exercising discretion.

13 The key decisions for which the Trustee Board, ALCO, Risk and Audit Committee, RIEL and the Investment Managers each have responsibility are as follows:

Decision	Trustee Board	Risk and Audit Committee	ALCO	RIEL	Investment Managers
Strategic Objective	Approve		Monitor performance versus flightpath	Advise and Implementation	
Asset allocation including asset class limits		Approve max/min ranges	Recommend max/min ranges to RAC	Approve actual asset allocation and Implementation	
Hedging decisions			Approve hedging ratio	Mandate and ranges given to Investment Managers	Implementation
Asset Classes			Approve	Recommend	
Permitted Instruments			Approve	Recommend	Decision and Implementation
Stock Selection				Mandate and ranges given to Investment Managers	Decision and Implementation
Manager Selection				Approve	

14 The terms of reference of the ALCO require it to assume responsibility for the following matters on behalf of the Trustee Board:

strategic investment and funding objectives;

- setting principles for growth assets and hedging strategies, funding, actuarial assumptions and fair treatment for sections including the Trustee's responsible ownership policy and its approach to climate risk;
- overseeing implementation of the strategic investment objective for each section of the Fund;
- approving the target hedge ratios and monitoring the effectiveness of the hedging strategy;
- growth asset strategy;
- funding and valuation;
- commutation factors to be applied for all sections, cash equivalent transfer values (CETVs) and all other factors;
- investment and funding risk appetite to the RAC;
- additional voluntary contributions;
- oversight of RIEL;
- approving the appointment/removal of the external investment consultant;
- recommending to the Board the appointment/removal of the Scheme Actuary; and
- monitoring investment and funding performance and costs.

15 RIEL has been mandated, pursuant to the IAMA, to advise the Trustee Board and its Committees on all matters relating to the Fund's assets and liabilities including:

- strategic investment policy; and
- revisions to the IAMA investment guidelines or to the SIP.

RIEL has responsibility for:

- achieving the strategic investment objectives for each section as approved by ALCO;
- asset allocation within ranges approved by the ALCO;
- collateral management;
- setting benchmarks and objectives for Investment Managers;
- appointing or dismissing Investment Managers, custodians, collateral managers, Investment Consultants, securities lending agents, platform providers; and funds and other products made available by platform providers.

16 Where appropriate, the Trustee Board, ALCO and RIEL obtain written advice from the Investment Consultant and from the Scheme Actuary to assist in discharging their respective responsibilities.

The ALCO has appointed Aon Hewitt Limited to undertake the following responsibilities as Investment Consultant:

- attend Committee meetings;
- comment on investment advice and recommendations provided by RIEL;
- undertake analysis of each section's liabilities;
- undertake an annual audit of each section's investment performance; and
- undertake Statutory Money Purchase Illustrations for member additional voluntary contributions.

Investment Strategy

17 The Trustee's investment strategy takes account of a number of principles, beliefs and methodologies which are designed to meet the long-term objectives of the Trustee. The Fund's investment return objective is agreed as part of the funding negotiations between the Employer and the Trustee Board. The Trustee Board agrees a strategic investment objective for each section and the ALCO determines how best to achieve this within the Trustee's risk appetite.

The ultimate objective of the Trustee is to pay all members' pensions. In order to achieve this, the Trustee has set a date for each section to aim to reach self-sufficiency. The Trustee believes that a funding buffer in excess of self-sufficiency is required in order to manage uncertainties in the liabilities such as longevity, inflation and member option risks. The Trustee does not currently have enough assets to achieve this and is reliant on investment returns generated by taking investment risk.

The Trustee seeks to achieve its investment objectives by investing in a growth asset portfolio that is designed to generate a target level of investment return until the date that self-sufficiency is achieved.

The Trustee considers the cost of hedging longevity and the impact it has on the Fund's risk. The Trustee and its advisers monitor the cost of longevity hedging from time to time to test whether the current approach to longevity risk should be changed.

The Trustee and the Employer have agreed that the growth asset and hedging strategy are within the Employer group's pension risk appetite.

Trustee Investment Principles

18 The Trustee's principles, which it seeks to apply on a consistent basis to the Fund investment programme, are as follows:

Risk

The Trustee has developed a risk strategy which is overseen by the Risk and Audit Committee with advice from RIEL. The Trustee considers risks arising in the following key areas of its business: investment, covenant, administration, liability and governance.

The risk strategy is designed to:

- allow the Fund to maximise the likelihood that it will be able to meet the strategic objective of paying all contractual benefits as they fall due;
- effectively manage the non-financial risks which can damage the Fund or the confidence of its key stakeholder groups of members, the sponsor and regulators;
- identify the key risks and emerging risks to the Fund and ensure there is an effective framework in place for managing those risks (including risks related to climate change);
- provide an appropriate oversight and escalation framework for risk management across the Trustee's various sub-committees; and
- ensure an effective audit programme is in place, including internal audit as may be appropriate from time to time.

Each section needs to take risk to meet the strategic objective. The risk strategy should allow each section to take the right amount of risk at the right time whilst evaluating the risk in the sum of the sections.

The forward swap and gilt curve are the best available estimate of the future course of inflation and interest rates.

Assumptions made within the investment strategy should be consistent with the assumptions in Funding Strategy.

The Trustee aims to invest in a diversified, return-seeking growth portfolio.

The Trustee, via ALCO, monitors diversification by sources of return, asset type, sector, geography and counterparty.

The Trustee seeks to avoid (as far as is practicable) owning assets that correlate with the Employer group in a stress scenario.

The Trustee has a preference to remove unrewarded risks.

The Trustee seeks rewarded risks that are inversely correlated with the risk to the liabilities.

The investment strategy is set with respect to the Trustee and Employer's risk appetite and capacity.

Liquidity and collateral

The Trustee is prepared to employ leverage (i.e. through the use of options, futures, swaps, swaptions and other financial instruments) so that the investment objectives are achieved in the cheapest way possible.

The Trustee has a prudent approach to liquidity and collateral and aims never to be a forced seller of growth assets. It sets a collateral stress test for movements in levered positions that each section must withstand.

The Trustee has a low risk tolerance for hedging, cash and collateral assets as it assumes they perform in line with the liabilities.

The Trustee monitors the liquidity of each section.

The Trustee seeks a premium for holding illiquid assets as a diversifying source of return on a proportion of the growth assets.

Asset classes and securities

The ALCO is responsible for agreeing the asset classes and instrument types in which RIEL is permitted to invest. These are recorded in the IAMA.

The Trustee believes rebalancing enhances returns, all else being equal.

The Trustee will only invest in asset classes that in the opinion of the Trustee and their advisers will achieve a return or reduction in risk that helps the Fund achieve its objectives.

The Trustee is prepared to own assets which have cashflows and low or zero residual value; it has a preference not to own assets where the terminal value is uncertain unless they give diversification benefits, or the excess return justifies it.

The Trustee's expected returns are intended to account for all known financially material considerations. The Trustee will include asset classes in its portfolio where expected returns and risk are appropriate to its strategy and will remain invested in those asset classes where realised returns are approximately in line with expected returns and risk appetite. The Trustee may remove asset classes where it needs to rebalance its portfolio or where expected and/or realised returns or risk are no longer in line with strategy.

The Fund's pensioner members currently represent just over a third of the membership population with the remaining two thirds being deferred and actives, some of whom are still accruing benefits. The age profile of members and current funding position require the Trustee to continue to invest in a significant portfolio of growth assets. Fund membership characteristics dictate that the Trustee should be a long-term investor and seeking assets with longer maturity profiles or where reinvestment risk is low. The Trustee also seeks assets where uncertain residual values have less of an impact on total return. The Trustee holds an amount of cash sufficient to meet its immediate payment obligations to members and potential collateral obligations.

The Trustee relies on RIEL and its investment managers to deploy capital within approved asset classes according to their relevant expertise. RIEL monitors portfolio returns on an ongoing basis and reports to the Trustee regularly allowing for oversight of portfolio performance against strategy and facilitating strategy change where necessary. The Trustee's need to diversify means that it invests in assets with a range of maturities and therefore expects decisions made by its investment managers to take account of all known and relevant financial factors that may affect an asset over the applicable investment period and in the processes of acquisition and disposal (including climate risks). RIEL will select investment managers based on evidence of their ability to run a successful investment operation. Over the life of the Fund, certainty of returns and security of assets is a material

concern as is ensuring the Fund's liabilities can be met from asset cashflows or asset sales over time and investment decisions are motivated by these fundamental issues.

RIEL Investment Principles

19 The Trustee's principles are supplemented by RIEL's investment principles which it seeks to apply in the discharge of its obligations to the Trustee. RIEL's principles are as follows:

- RIEL believes the Trustee should never pay more than fair value for an asset;
- RIEL evaluates the prospective investment return assuming financial variables, discounted by reference to the market curves where available;
- RIEL believes there is an illiquidity premium in certain assets, and this should be managed across the Fund;
- RIEL believes that there is a return from complex investments (as distinct to investment structures) and from asset classes that have yet to become institutionalised;
- that there is no positive alpha net of fees to be gained from active currency management;
- currency exposures should be taken into account in decisions regarding the strategic investment objective, risk and expected return;
- RIEL believes fees and expenses are extremely important to overall returns and works continuously to manage them; and
- RIEL recognises that climate change presents a risk to the Trustee's Strategic Objective. RIEL endeavours to take account of climate change risks and opportunities in the Fund's investment programme.

RIEL manages risk on a holistic basis

- RIEL evaluates every investment on its contribution to the total risk of the Fund, not its risk in isolation;
- RIEL sets clear objectives and restrictions and then allows managers total discretion within those ranges;
- RIEL diversifies sources of alpha and does not interfere in managers' selection decisions unless they are large enough to create a concentrated risk;
- RIEL oversees individual asset purchases over £40m due to the concentration of risk; and
- RIEL instructs trades but uses investment managers' infrastructure to implement trades to reduce operational risk.

RIEL believes that the best way to manage negative returns is to never be a forced seller of an asset

- RIEL favours equity investments with voting shares;
- RIEL seeks equity cures in private market transactions;
- RIEL seeks to protect equity positions by avoiding debt holders removing an asset;
- RIEL prefers to allocate to senior debt in preference to lower ranking debt; and
- RIEL believes managing credit beta adds more value than security selection in credit where alpha is difficult to achieve.

RIEL believes that equity alpha is difficult to achieve and style investing is cyclical

- the approach to active equity manager selection is to have a number of extreme "style tilt" managers with concentrated portfolios;
- allocate capital to good managers who have suffered a period of poor performance and reduce assets from managers after periods of super normal performance; and

- benchmarks exist to measure manager performance, not as a default investment strategy for alpha managers.

RIEL believes leverage should be taken in the cheapest way, whilst managing the risk of that leverage

- RIEL diversifies the sources of leverage;
- RIEL favours funding trades on liquid assets over leverage on individual private market assets; and
- RIEL maintains a wide counterparty list on behalf of the Trustee.

RIEL believes that operational infrastructure for derivatives and collateral management should be tailored to handle the size and complexity of the Fund, taking account of the following objectives

- best execution principles should apply broadly;
- outsourcing provides access to best in class trading and back office solutions;
- control - the Fund should choose its counterparties and service providers;
- flexibility should be maintained in terms of counterparties and, where possible, service providers to limit exposure to single points of failure;
- cost efficiency is a key aim of the infrastructure; and
- effective risk management is a key aim of the infrastructure.

Approved Asset Classes and Permitted Instruments

20 The Fund's investment programme may be executed by allocating capital across the following asset classes and instruments:

Asset Class	Sub-Asset Class
Quoted Equity	Global quoted equity including emerging markets
Private Equity	Fund of funds, limited partnerships, co-investment arrangements
Alternative Equity	Regulated utilities Infrastructure equity Shipping Timber Royalties limited to commodities, post-production film & approved pharmaceuticals Hedge funds
Credit	Global investment grade corporate bonds Sovereign and supranational debt Global high yield Emerging market debt (including in local currencies) Distressed debt Bank loans

	<p>Commercial paper</p> <p>Certificates of deposits</p> <p>Privately placed debt</p> <p>Mortgage backed securities</p> <p>Asset backed securities</p> <p>Municipal bonds</p> <p>Commercial mortgage backed securities</p> <p>Securitizations</p> <p>Infrastructure debt</p> <p>Convertible / exchangeable bonds</p> <p>Preferred stock</p> <p>Senior secured real estate debt</p> <p>Real estate income strips</p> <p>Fixed term annuities</p> <p>Income strips</p>
Property	<p>UK commercial</p> <p>UK retirement property</p> <p>European commercial</p> <p>REITs</p> <p>Closed end property funds</p> <p>US residential</p> <p>Sale and leaseback transactions</p> <p>Ground rents</p>
Insurance	<p>Re-insurance (life and non-life)</p> <p>Litigation finance</p>
Cash and Hedging Assets	<p>Money market cash funds</p> <p>Bank Deposits</p> <p>Commercial paper</p> <p>Certificates of deposits</p> <p>Sovereign and supranational debt</p>

The Trustee also participates in a securities lending programme to provide additional revenue from certain Investments.

The Trustee may use the following derivative instruments in its investment programme and for the hedging of its assets and liabilities

- Interest rate swaps;
- Inflation swaps;
- Forward starting swaps;
- Total return swaps;
- Futures;
- Currency forwards;
- Cross currency basis swaps;
- Swaptions and rate volatility derivatives;
- Equity options (i.e. calls, puts, collars) and equity volatility derivatives;
- Credit default swaps and options;
- Asset swaps and spreadlocks;
- Gilt repo and reverse repo;
- Inflation swaptions; and
- Pooled LDI funds.

Arrangements with Asset Managers

21 RIEL is responsible for appointing investment managers for the Fund. Each segregated mandate is governed by an investment management agreement the terms of which are negotiated by RIEL to reflect the principles contained in this SIP. Investment managers are contractually obliged to take account of the negotiated investment objectives and guidelines, investment restrictions in the Fund trust deed, the SIP and specific instructions provided by RIEL from time to time including any mandatory portfolio exclusions pursuant to the Responsible Ownership Policy.

Generally, managers of segregated mandates are paid a fee calculated by reference to the quantity of Fund assets under management. The nominal amount of fees will therefore increase in line with asset growth and there is the potential for a greater share of Fund assets to be allocated to investment managers that demonstrate the ability to invest in accordance with the Trustee's principles and risk appetite. In a limited number of mandates, the Trustee has also contracted to pay a performance fee where appropriate for the asset class and where RIEL has determined that paying a performance fee further incentivizes long term stable returns. Many performance fees are payable after target returns have been realised.

RIEL incorporates a performance benchmark in every investment management agreement which reflects the Trustee's risk and return objectives for the relevant asset class. The Trustee's investment strategy anticipates exposure to growth assets until it reaches its funding target which is a medium to long term goal. Investment managers are measured against and report performance by reference to this benchmark which is used by RIEL and the ALCO to determine the suitability of each investment mandate over time. Investment managers also report transaction costs to RIEL on a regular basis, allowing RIEL to assess whether costs associated with the investment programme are appropriate having regards to budget and costs experienced by peers. portfolio turnover is in line with expectations. With its active credit and equity mandates and long-term strategies, RIEL expects low portfolio turnover. Turnover is discussed in each quarterly review meeting with investment managers.

The Trustee carries out its own engagement activity as described in its Responsible Ownership Policy. This does not preclude investment managers from engaging with companies and RIEL encourages and reviews investment manager engagement activity alongside financial performance.

Other than where the Trustee has entered into a closed-end pooled fund arrangement, the Trustee is not subject to minimum contractual terms for investment mandates. Arrangements with any investment manager can be terminated within agreed notice periods.

The arrangements described above can vary where the Trustee has invested in closed-ended pooled funds comprising fewer liquid assets. The funds will have been chosen by RIEL because they reflect the Trustee's investment principles and risk and return appetite, however, the Trustee is less able to influence contractual terms. The duration of these funds tends to be fixed and remuneration is a combination of fixed and variable performance fees. RIEL will still encourage investment managers of these pooled funds to invest in a responsible manner and take account of the Trustee's Responsible Ownership Policy, even where there is no contractual obligation to do so.

Responsible Ownership

22 It is the Trustee's policy to be a responsible owner of its assets. The Trustee believes that environmental, social and governance performance are fundamental to a company's enduring success and therefore to its long-term financial returns. The Trustee has articulated its approach to asset ownership in its Responsible Ownership Policy.

The Responsible Ownership Policy is available on the Trustee's website by clicking [here](#) and is shared with all the Fund's Investment Managers.

The Trustee takes account of, and instructs its Investment Managers to take account of, all known financially material considerations (as referred to in the Investment Regulations) in the Fund's investment programme, including factors arising from environmental, social and governance considerations (including climate-related risks). Details of the Trustee's approach to such factors are articulated in its Responsible Ownership Policy. The Trustee is prepared to exclude investments from its portfolio where appropriate and has taken steps to limit its exposure to coal and to oil producers.

The Trustee does not currently take account of any non-financial matters (as referred to in the Investment Regulations) when investing. The Trustee does not specifically seek or incorporate the views of its members in its investment processes; however, its Responsible Ownership Policy includes certain policies which reflect concerns which the Trustee believes members will share.

It is the Trustee's policy to exercise voting rights attaching to its equity and credit assets in all practicable cases. The Trustee has appointed EOS at Federated Hermes (EOS) to assist it in exercising its voting rights. EOS will vote at company general meetings in accordance with the corporate governance and voting principles it has agreed with the Trustee, using appropriate discretion to vote differently where, after dialogue with the company or interpretation of its disclosures this seems likely to better support the achievement of engagement objectives and long term value creation by the company. The Trustee's engagement activity is also facilitated by EOS and follows the principles of the UK Stewardship Code, UN Global Compact and mutually agreed priorities of other EOS clients.

The Fund's voting record is publicly available and can be accessed [here](#).

Employer Related Investments

23 Investment in the shares or debt securities of NatWest Group plc and its associated companies is prohibited except in the following circumstances:

- Passively managed portfolios tracking a recognised index which may contain such securities; and
- Collective investment schemes operated by the bank for the purposes of cash management.

24 In no circumstances shall investment in Employer Related Investments exceed 5% of the assets of the Fund.

APeCs (including Additional Voluntary Contribution)

25 Additional voluntary contributions may be paid by members of the Main Fund Section, RBS AA Section, NatWest Markets Section or RBSI Section. RIEL will arrange for members' additional voluntary contributions to be invested via a Platform Provider. Members' assets will be held through unit-linked insurance policies in the name of the Trustee (on a sectionalised basis).

26 RIEL will select a Platform Provider and a range of investment options that it considers appropriate for investment of additional voluntary contributions having regard to expected returns, the need for diversification and the amount of fees charged by the Platform Provider and underlying funds.

27 Members of the Main Section, AA Section, NatWest Markets Section and RBSI Section are currently able to select from the following range of fund options for investment of additional voluntary contributions:

- The UK Equity Tracker Fund
- The International Equity Tracker Fund
- The Emerging Market Equity Tracker Fund
- The Diversified Growth Fund
- The Annuity Pre-retirement Fund
- The Index-Linked Gilt Fund
- The Corporate Bond Fund
- The Over 15 Year Gilt Fund
- The Cash Fund
- The Property Fund

September 2021

Strategic Investment Objective for Each Section of NWGPF as at 30 September 2021

The current strategic investment objective of each section comprises a Growth Asset Benchmark that seeks to achieve each section's strategic investment objective and a Liability Hedging Benchmark that seeks to hedge movements in the interest rate and inflation expectations of the liability.

The current maximum permitted strategic asset allocation as a percentage of the self-sufficiency liability (SSL) for each section is as follows:

Maximum as a % of SSL*	Main	AA	NWM and RBSI
Quoted equity	4%		**
Private equity	2%		**
Alternative equity	6%	6%	**
Credit	50%	50%	50%
Property	5%	5%	**
Insurance	3%	5%	**
Total Growth Assets	50%	50%	55%
Total Non-Credit Growth Assets	17%		25%

* Note the maximum percentages are expressed in terms of the self-sufficiency liability ("SSL") of each section.

** Note that for NWM and RBSI these asset class do not have individual limits but are subject to the limits for total for non-credit growth assets.

For the Main Section the credit growth benchmark plus 2.5 times non-credit growth benchmark is limited to 55% of the SSL.

In addition to growth assets the Fund holds hedging assets which includes cash, derivatives, gilts and other bonds used for hedging purposes. The liability hedging strategic benchmark is expressed as each section's self-sufficiency liability based on a discount rate derived from:

- The higher of swap and gilt spot nominal rates at each tenor
- The lower of swap and gilt-implied spot inflation rates at each tenor

% Liability hedged	Main Section	AA Section	NatWest Markets	RBS International
PV01	90%	95%	90 to 95%	90 to 95%
IE01	90%	95%	90 to 95%	90 to 95%

The strategic investment objective of each section will evolve over time on the following basis:

- the total growth assets exposure will be managed against a proportion of each sections' self-sufficiency liability which will be updated from time to time to reflect member options.

A change in the self-sufficiency liability will affect the proportion of the section invested in growth assets and the amount invested in hedging assets; and

- the liability hedge ratios will be monitored by RIEL and will be amended from time to time by prior agreement of the ALCO.

Glossary of terms

ALCO	A sub-committee of the Trustee Board, and consisting mainly of members of the Trustee Board, to fulfil certain responsibilities in relation to the investment of the Fund's assets
Chief Executive Officer	Chief Executive Officer of RIEL
Employer	National Westminster Bank Plc, The Royal Bank of Scotland Plc, NatWest Markets plc, Royal Bank of Scotland International Limited and other sponsoring employers
Employer Related Investments	Investments in Group as defined by the Investment Regulations
Fund	NatWest Group Pension Fund
Funding Position	The ratio of assets to liabilities, expressed as a percentage. A Funding Position greater than 100% means the value of the assets is greater than the value of the liabilities, while a Funding Position less than 100% means the value of the assets is less than the value of the liabilities
Group	NatWest Group plc and its associated companies
Growth Assets	Assets designed to generate returns in excess of Liability Matching Assets, thereby reducing the deficit. These comprise Quoted Equity, Alternative Equity, Credit, Property and Insurance
Hedging Programme	The investment strategies adopted for the risk management of the Fund by offsetting the sensitivity of the liability value to key risks including interest rates and inflation
IE01	Present value of a basis point sensitivity to movements in inflation rates
Investment Consultant	External investment consultants employed by the Trustee Board to advise it on certain aspects of the investment of the Fund's assets
Investment Manager	Third party professional investment manager employed by the Trustee Board to manage a portfolio of assets and with discretion to select specific investments subject to investment guidelines agreed for their portfolio
Investment Objectives	A set of target objectives which the investment policies are designed to meet as more particularly described herein
Investment Regulations	The Occupational Pension Schemes (Investment) Regulations 2005
Liability Matching Assets	Assets designed to perform broadly in line with the mark to market movement in value of the liabilities
Pensions Act	Pensions Act 1995, as amended by the Pensions Act 2004

PV01	Present value of a basis point sensitivity to movements in nominal rates
(RAC) Risk and Audit Committee	A committee appointed by the Trustee Board and consisting mainly of members of the Trustee Board for all aspects of financial and risk management, covenant monitoring and funding monitoring of the sections of the Fund.
RIEL	RBS Investment Executive Limited, a wholly owned subsidiary of the Trustee authorised by the FCA as an Occupational Pension Scheme firm
Responsible Ownership Policy	The Trustee's policy for responsible asset ownership, including equity voting and stewardship.
Scheme Actuary	The actuary appointed by the Trustee Board to value the liabilities of the Fund
SIP	Statement of Investment Principles
Trustee	NatWest Pension Trustee Limited
Trustee Board	Board of Directors of the Trustee