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 (SIP) governing investment decisions for the Fund required by the Pensions Act. The Fund is an occupational pension scheme providing defined benefit (DB) and defined contribution benefits (DC).

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 as 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 expand 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.

Structure of the Fund

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

Section Name	Direct Employer Covenant	Date of establishment
NatWest Group Pension Fund (Main Section), referred to as Main Section	National Westminster Bank PLC	
NatWest Group Pension Fund (AA Section), referred to as AA Section	NatWest Markets plc	29th March 2012
NatWest Group Pension Fund (NatWest Markets Section), referred to as NWM Section	NatWest Markets plc	1st 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	1st 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.

Each section also holds assets on behalf of DC members for some members arising from additional voluntary contributions and DC transfers in.

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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. ALCO also has responsibility for the Trustee's Responsible Ownership Policy and certain disclosure obligations including climate disclosures.

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	
DC Platform provider			Approve	
Funds offered to DC members		Approve		
Climate Disclosures	Approve	Recommend		
Responsible Ownership Policy		Approve		

14 The terms of reference of the ALCO require it to assume responsibility for a range of matters on behalf of the Trustee Board which includes:

- strategic investment and funding objectives;
- setting principles for growth assets and hedging strategies, funding and actuarial assumptions and overseeing implementation of the Trustee's responsible ownership policy and the approach to climate risk;
- overseeing implementation of the strategic investment objective for each section of the Fund;
- hedging strategy;
- growth asset strategy;
- funding and valuation;
- setting factors for cash equivalent transfer values (CETV), early and late retirement factors;
- investment and funding risk appetite to the RAC;
- additional voluntary contributions; and
- oversight of RIEL;

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 and reviewing their performance; and
- appointing or dismissing Investment Managers, custodians, insurance providers, 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, the Scheme Actuary and other third parties where appropriate to assist in discharging their respective responsibilities.

The ALCO has appointed Aon 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

ALCO has also appointed Aon Limited to assist with the following Fund disclosures:

- implementation statement; and
- mandatory climate reporting.

Investment Strategy for Defined Benefit Components of the Fund

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 long-term target of achieving a buy-in for all Sections. The Trustee believes that a funding buffer in excess of a buy-in premium and/or self-sufficiency is required in order to manage uncertainties in the liabilities such as longevity, inflation and member option risks. The Trustee continues to rely on investment returns generated by taking investment risk to reach its target.

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 has set a long-term buy-in objective for some sections of the Fund; this affects the types of assets in which these sections are invested and how the asset allocation will change over time.

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 long-term objective of buy-in will allow the Trustee to manage longevity risk over time, subject to affordability.

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

A buy-in is a scheme investment where an insurer pays an income that matches the benefit payments the scheme makes to members. This allows schemes to improve the security of member benefits by removing demographic and investment risks which might otherwise have contributed to there being insufficient assets to meet future liabilities. As with other investment decisions there is no change in the relationship between members and the Trustee which remains responsible for paying member benefits. There is no change to member benefits as a consequence of entering into a buy-in.

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:

<u>Risk</u>

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.

For those sections which have a long term buy-in objective the Trustee also aims to invest in a portfolio that reduces the execution risk when transacting with an insurer and meets the Trustee requirements to manage the risk of any remaining uninsured liabilities.

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.

Where compatible with the long-term objective, the Trustee seeks a premium for holding illiquid assets as a diversifying source of return on a proportion of the growth assets. For those sections which have a long-term buy-in objective, the Trustee may choose to reduce illiquid assets if this makes implementing a buy-in with an insurer more achievable and reduces execution risk.

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 wishes to reduce complexity in the asset portfolio and move towards a more insurance-friendly asset portfolio and recognises that this may mean that the ability to harvest complexity and illiquid premia are reduced

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 member population comprises pensioner, deferred and active members who are still accruing benefits. The Trustee continues to invest in a significant portfolio of growth assets. The Fund invests in assets with maturity profiles which are aligned with the maturity of the liabilities, where reinvestment risk is low and which will facilitate a move to implement buy-ins in the future. 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 allocates capital where it can achieve the best risk adjusted return versus the Fund's liabilities subject to the objective of reducing complexity and increasing exposure to insurer friendly assets.
- RIEL always acts in the best interests of the members as a whole irrespective of how RIEL is measured.
- 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 but the ability to access this is reduced as the proportion of insurer friendly assets is increased.
- 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 but the ability to access this is reduced as the proportion of insurer friendly assets is increased;
- 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 takes 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 and sales over £40m due to the concentration of investment and execution 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 Commercial paper Certificates of deposits Privately placed debt Mortgage backed securities Asset backed securities Municipal bonds Commercial mortgage backed securities Securitizations Infrastructure debt Convertible / exchangeable bonds Preferred stock Senior secured real estate debt Real estate income strips Fixed term annuities Income strips
Property	UK commercial

	UK retirement property European commercial REITs Closed end property funds US residential Sale and leaseback transactions Ground rents
Insurance-Linked Investments	Re-insurance (life and non-life) Litigation finance
Cash and Hedging Assets	Money market cash funds Bank Deposits Commercial paper Certificates of deposits Sovereign and supranational debt
Liability Insurance Solutions	Bulk-annuity policies (“buy-ins”) Residual risk policies

* Given the level of funding of all sections, the Trustee does not currently invest in quoted equities, though retains the flexibility to do so in the event that it needs to increase risk if funding deteriorates.

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 undertakes 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 in order to ensure they can take account of the Trustee's principles in their investment and stewardship activities.

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 supports the recommendations of the Taskforce on Climate-Related Financial Disclosures on the basis that they allow the Trustee to more closely assess, monitor and mitigate climate-related risks and opportunities on behalf of its members. The Trustee is subject to requirements of The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (as amended) and publishes an annual report on its website.

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. However, as the Trustee does not currently hold quoted equities directly voting is no longer a material part of its stewardship activities. The Trustee has appointed EOS at Federated Hermes (EOS) to assist it in exercising any voting rights and to carry out engagement activity on its behalf. The Trustee's engagement activity follows the principles of the UK Stewardship Code, UN Global Compact and mutually agreed priorities of other EOS clients which are articulated in its Engagement Plan (https://www.hermes-investment.com/uk/en/intermediary/eos-insight/stewardship/eos-engagement-plan-2023-2025/) .

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.

DC Benefits and APeCs (including Additional Voluntary Contribution)

26 The principles stated above apply to DC investments within the Fund where appropriate. However, the principles vary as the purpose of DC investments and the method of investing differs from DB investments. Principles specific to DC investments are described in the following sections.

27 The Trustee’s objective for DC investments is to provide members with an appropriate range of DC investment options, reflecting the Trustee’s overall investment beliefs and the aim of facilitating further saving by DC members to augment their core DB benefits. It is anticipated that most DC members will use accrued DC investments to fund a tax free lump sum on retirement, though it is not assumed this will always be the case. DC investment choices are intended to help members match their pensions more closely to their personal needs and their attitude to risk. Not all DC member needs can be met by the range of funds made available by the Trustee.

28 The Trustee delegates DC investment decisions to suitably qualified independent investment managers. Investment managers are carefully selected to manage each of the underlying mandates following guidance and written advice from RIEL. Mandates take the form of an investment in a pooled investment vehicle enabling access to a good range of investments in a cost-effective manner for smaller amounts of capital. When investing in a pooled investment fund, the Trustee ensures the investment objectives and guidelines of the fund are consistent with the Trustee’s investment policies. DC investments are expected to be reasonably liquid as funds need to be sold to make payments of benefits and to undertake fund switches as requested by individual members. Investment managers may at times need to impose restrictions on the timing of purchases and sales of funds (most notably investing in property) in some market conditions to protect the interests of all investors in a pooled fund.

29 DC members are responsible for making DC fund choices. Accordingly, the Trustee does not offer a default option so, in the absence of member choice, contributions will be paid into a cash fund. As a result, DC members are not exposed to illiquid assets through any default arrangement. The Trustee does not seek to vary member risk by changing DC allocations over time (often referred to as lifestyling). The Trustee does offer a diversified growth fund (DGF) in which asset allocation decisions are made by RIEL on behalf of the Trustee.

30 The Trustee is aware of the impact of fees and costs on DC member investment outcomes. DC members are subject to a platform fee in addition to fees charged by the DC investment managers which are calculated as a proportion of the assets under management. DC investment fees are negotiated when a fund is selected for inclusion in the range of DC options and are reviewed periodically. The Trustee takes advice from RIEL to ensure that fees are commensurate with the services provided. The Trustee monitors transaction costs to ensure that they are reasonable and represent value for money to members. The Trustee provides an annual review of the costs and charges in relation to the DC investment options in its annual DC Chair’s Statement in the Fund’s annual report and accounts. The DC Chair’s Statement also confirms the results of monitoring during the preceding year.

31 In selecting and retaining DC investment funds, RIEL explicitly considers managers’ approach to responsible investment and the extent to which they integrate ESG issues in the investment decision-making process. The Trustee’s approach to stewardship varies in relation to DC investments. All voting and engagement activities are undertaken by the DC investment managers as a function of the pooled fund structure. Investment managers are expected to vote at company meetings and engage with companies on the Trustee’s behalf in relation to ESG considerations and other relevant matters (such as the companies’ performance, strategy, risks, capital structure, and management of conflicts of interest). RIEL review’s each manager’s voting and engagement policies to ensure they are compatible with the Trustee’s ROP. DC investment managers are required to report regularly to RIEL and the Trustee on their voting and engagement activities.

32 The Trustee does not take any non-financial factors into account when investing DC assets. The Trustee also does not currently seek member views on the DC investment process.

33 The Trustee also holds with profits insurance policies as investment products for certain DC members . These policies are not available as an investment option for members and contractual arrangements differ from the pooled fund structure described above for other DC investments. The Trustee monitors the performance and costs of these policies separately. The policies are held directly, not via a Platform Provider.

34 Additional voluntary contributions may be paid by members of the Main Section, AA Section, NatWest Markets Section or RBSI Section. RIEL has arranged for members' additional voluntary contributions and DC transfers to be invested via a Platform Provider. Members' are held through unit-linked insurance policies in the name of the Trustee (on a sectionalised basis).

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

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

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

37 Investment involves the assumption of risk. The Trustee has determined that risks in providing DC benefits via the Platform Provider and selection of pooled funds are appropriate to the needs of its DC members. The Trustee has a comprehensive governance process in place for managing risk. DC members may be subject to the following key risks:

Inflation risk – the risk that investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits. The range of DC investment options allows DC members to select funds that may offer protection against inflation.

Market risk - the risk that market movements in the period just prior to retirement result in lower than anticipated retirement benefits after converting accrued DC assets. Members have the option to select funds offering greater downside protection as they approach retirement.

Other investment risks DC members may be subject to include:

Investment manager risk - The risk that the investment managers fail to meet their investment objectives and funds underperform.

Liquidity risk – The risk that funds which invest in more illiquid assets will not be able to accept investments or disinvestments requested by the Trustee and / or DC members.

Counterparty risk – The risk that counterparties holding derivative-based assets may default leading to a reduction in a fund's value.

Currency risk – changes in exchange rates will impact the values of non-GBP investments when they are being bought or sold.

Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.

Default risk – for investments in bonds, the borrower may fail to pay the interest due or repay the loan.

Environmental, Social and Governance (ESG) risks – The risk that ESG issues are not reflected in asset prices and / or not considered in investment manager decision making leading to underperformance relative to expectations.

Climate risk – The risk that climate change causes a material deterioration in asset values as a consequence of factors including, but not limited to policy change, physical impacts and the expected transition to a low carbon economy.

Platform Provider counterparty risk – The risk that the value of funds may be affected in the event of the provider getting into financial difficulties. RIEL considers these risks in its selection of funds made available to members and its recommendations to ALCO for its choice of platform provider and range of investment options.

March 2025

Appendix 1

Strategic Investment Objective for Each Section of NWGPF as at 27 March 2025

The current strategic investment objective of each section before reaching buy-in 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 strategic investment objective is linked to the funding level.

When the funding level is below 105% for Main and 107% for NWM and RBSI on the Trustee self-sufficiency basis:

- the Trustee will target a return of 0.0% to 0.6% pa in excess of the self-sufficiency liability to meet the long-term objective.

When the funding level is above 105% for Main and 107% for NWM and RBSI on the Trustee self-sufficiency basis:

- the Trustee will target a return of 0.0% to 0.4% pa in excess of the self-sufficiency liability to meet the long-term objective.

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

<table>
<tr><th>Asset class</th><th colspan="2">Targets as % of SSL*</th></tr>
<tr><td></td><td>Main Section</td><td>NWM, RBSI Sections</td></tr>
<tr><td>Quoted equity</td><td>0-4%</td><td rowspan="3">0-12% combined</td></tr>
<tr><td>Private equity</td><td>No new exposure beyond those already contracted</td></tr>
<tr><td>Alternative equity</td><td>No new exposure beyond those already contracted</td></tr>
<tr><td>Property</td><td>No new exposure beyond those already contracted</td><td>5%, No new exposure</td></tr>
<tr><td>Insurance-Linked Investments</td><td>No new exposure beyond those already contracted</td><td>-</td></tr>
<tr><td>Credit</td><td>50%</td><td>50%</td></tr>
<tr><td>Hedging ratios (interest rates and inflation)</td><td>Between 90% SSL and 100% buy-in value of liabilities</td><td>90-100% of SSL</td></tr>
</table>

* The targets reflect the desired maximum in each asset class over the long term. However, the actual allocations may exceed the targets for periods of time due to short term volatility, particularly as a result of movements in the value of the SSL on which the targets are based.

The AA section, which has implemented a buy-in for substantially all of its liabilities, has assets remaining after the purchase of a buy-in policy. The Trustee manages these assets based on whether they are required for the Buffer or constitute Surplus.

Asset Class		
	Buffer	**Surplus**
Quoted equity	0%	Up to 100%
Private equity	0%	0%
Alternative equity	No new exposure	No new exposure
Property	0%	0%
Insurance-Linked Investments	0%	No new exposure
Credit	0%	No new exposure beyond
Cash	100%	Frictional amounts
UK Government Bonds	100% (up to 2 years duration)	

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
Buffer	Assets required following a buy-in to provision for uninsured liabilities, data true-ups, contingencies, future running expenses and operational cash
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
Surplus	Assets in excess of Buffer amounts following a buy-in
Trustee	NatWest Pension Trustee Limited
Trustee Board	Board of Directors of the Trustee