

Governance

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Our Board

Howard Davies
Chairman



Date of appointment:
14 July 2015 (Board), 1 September 2015 (Chairman)

Committee memberships
N

Contribution to the Board:

Howard brings substantial financial services knowledge and experience to the Board, together with a deep understanding of global economic, environmental and social issues. With extensive board level experience, Howard draws on his prior regulatory and supervisory expertise to contribute both strategic and practical insights to Board discussions and debate. Howard is also a highly adept Chairman with valuable leadership and stakeholder management skills.

Relevant experience:

Howard has held several regulatory roles during his career including Chairman of the UK Financial Services Authority and Deputy Governor of the Bank of England. Howard was Director of the London School of Economics and Political Science and is also Professor of Practice at the Paris Institute of Political Studies (Sciences Po).

Howard has also previously served as a non-executive director of Morgan Stanley and Prudential plc, as Chairman of Phoenix plc and as Chair of the UK Airports Commission.

Current external appointments:

- Chairman of Inigo Limited
- Member of the Regulatory and Compliance Advisory Board of Millennium Management LLC
- Chair of the International Advisory Council of the China Securities Regulatory Commission
- Member of the International Advisory Council of the China Banking and Insurance Regulatory Commission
- Member of the UK Advisory Council of PrimaryBid Limited

Alison Rose DBE
Group Chief Executive Officer



Date of appointment:
1 November 2019

Committee memberships
N/A

Contribution to the Board:

Alison has been instrumental in leading NatWest Group's progress and performance as a purpose-led organisation, since NatWest Group's purpose was announced in February 2020. Having gained a wealth of frontline banking experience during her 30-year career with NatWest, Alison brings a strong customer focus to Board discussions alongside an essential stakeholder lens. Alison is a passionate supporter of diversity and is executive sponsor for NatWest Group's employee-led networks.

Relevant experience:

Having joined as a graduate in 1992, Alison's diverse career at NatWest Group has included a number of senior leadership roles, including Deputy CEO of NatWest Holdings; Chief Executive of Commercial & Private Banking; Head of Europe, Middle East and Africa, Markets & International Banking; and Global Head of International Banking Capital and Balance Sheet. In 2019, Alison was commissioned by the UK Government to report on the barriers to women starting businesses. She now co-leads the Rose Review Board and is responsible for driving forward its recommendations.

Current external appointments:

- Board member of the Institute of International Finance
- Member of the International Business Council for the World Economic Forum
- Vice-Chair of Business in the Community
- Non-executive director of Great Portland Estates plc
- Director of the Coutts Charitable Foundation
- Member of the UK Government's Help to Grow Advisory Council
- Co-Lead of the UK Government's Rose Review Board

Katie Murray
Group Chief Financial Officer



Date of appointment:
1 January 2019

Committee memberships
N/A

Contribution to the Board:

Katie is a Chartered Accountant with nearly 30 years' experience in finance and accounting gained through several roles across the financial services industry. Katie's deep knowledge and experience in specialist areas including capital management, investor relations and financial planning mean she is well placed to provide valuable input and expertise during Board discussions.

Relevant experience:

Katie joined NatWest Group as Director of Finance in 2015 and was appointed as Deputy Chief Financial Officer in March 2017. She was appointed as Chief Financial Officer in January 2019.

Katie was previously the Group Finance Director for Old Mutual Emerging Markets, based in Johannesburg (2011-2015), having held various roles across Old Mutual from 2002. Prior to this Katie worked at KPMG for 13 years. She is a member of the Institute of Chartered Accountants in Scotland.

Current external appointments:

- Non-executive director of Phoenix Group Holdings plc

Board Committees

- A Group Audit Committee
- N Group Nominations & Governance Committee
- Re Group Performance & Remuneration Committee
- Ri Group Board Risk Committee
- S Group Sustainable Banking Committee
- T Technology & Innovation Committee

Underline denotes Committee Chair

Mark Seligman
Senior Independent Director



Date of appointment:
1 April 2017 (Board), 1 January 2018 (Senior Independent Director)

Committee memberships
A N Re

Contribution to the Board:

Mark, a former senior investment banker, brings comprehensive financial services knowledge and substantial FTSE 100 board experience to the Board. A former boardroom adviser, Mark contributes significant banking and corporate transformation expertise in particular, alongside a range of customer and wider stakeholder engagement skills.

Relevant experience:

Mark has held various senior roles at Credit Suisse/BZW during his executive career, including Deputy Chairman, CSFB Europe and Chairman, UK Investment Banking, CSFB.

Mark has served as a non-executive director on company boards across a range of industry sectors, including BG Group plc, as Senior Independent Director of Kingfisher plc, and as Deputy Chairman of G4S plc. He has significant experience of chairing committees and as a Senior Independent Director.

Current external appointments:

- Non-executive director of Smiths Group plc
- Non-executive director and trustee of The Brooklands Museum

Frank Dangeard
Independent non-executive director



Date of appointment:
16 May 2016

Committee memberships
Re T

Contribution to the Board:

Frank is a former investment banker and technology company CEO with substantial global board expertise. This broad background enables Frank to make a valuable contribution to Board discussions, particularly in relation to technology, digital and innovation matters. Frank's experience also encompasses key areas including customer experience, stakeholder engagement, ESG and risk. In April 2018, Frank assumed the role of Chairman of NatWest Markets Plc, which enables him to bring a unique perspective to Board debate.

Relevant experience:

During his executive career, Frank held various roles at Thomson S.A., including Chairman and Chief Executive Officer, and was Deputy Chief Executive Officer of France Telecom. Prior to that he was Chairman of SG Warburg France and Managing Director of SG Warburg.

Frank has also held a number of non-executive roles at Crédit Agricole CIB, EDF, Home Credit, Orange, Sonaecom SGPS and Arqiva Group Limited. He was also Deputy Chairman and acting Chairman of Telenor ASA, an international media communications group.

Current external appointments:

- Chairman of Gen Digital Inc.
- Non-executive director of IHS Holding Limited
- Non-executive director of SPEAR Investments I B.V.
- Chairman of the Advisory Board of STJ Advisors

Roisin Donnelly
Independent non-executive director



Date of appointment:
1 October 2022

Committee memberships
N/A

Contribution to the Board:

Roisin brings extensive customer, marketing and branding experience to the Board, gained during her long executive career at Procter & Gamble. She has a strong background in digital transformation and data and significant knowledge and experience of developing ESG strategies at board level. Roisin also brings practical board and committee experience to the role, having served on a number of listed company boards.

Relevant experience:

Roisin spent over 30 years leading marketing and brand building at Procter & Gamble in different UK and international roles. Most recently Roisin served as Chief Marketing Officer for Procter & Gamble Northern Europe (2014-2016) and prior to that served as Chief Marketing Officer for Procter & Gamble UK and Ireland (2002-2014).

Roisin's previous non-executive directorships include HomeServe plc, Just Eat plc, Holland and Barrett Limited and Bourne Leisure Limited.

Roisin is an Honorary Fellow of the Marketing Society.

Current external appointments:

- Non-executive director of Premier Foods plc
- Non-executive director of The Sage Group plc
- Member of the Digital Advisory Board, Coca Cola Europacific Partners plc
- Non-executive Advisor, Internet Advertising Bureau

Patrick Flynn
Independent non-executive director



Date of appointment:
1 June 2018

Committee memberships



Contribution to the Board:

Patrick contributes significant retail and commercial banking experience to the Board, together with a background in complex organisational restructuring and technology transformation. This experience enables Patrick to provide insightful contributions to Board discussions on complex matters, alongside his significant financial knowledge and expertise.

Relevant experience:

Patrick was the Chief Financial Officer and a member of the Executive Board of ING Group for over eight years to May 2017. Prior to that, he worked for HSBC for 20 years. Patrick is a Fellow of Chartered Accountants Ireland.

Current external appointments:

- Non-executive director and Senior Independent Director of Aviva plc

Morten Friis
Independent non-executive director



Date of appointment:
10 April 2014

Committee memberships



Contribution to the Board:

Morten is a former frontline banker, who subsequently became a Chief Risk Officer in a universal bank. He has in-depth knowledge and expertise in risk management within the financial services industry, which enables him to make a substantial contribution to Board discussions and debate on risk matters. Morten is also knowledgeable in regulatory matters, capital markets, transformation management and corporate resolution.

Relevant experience:

Morten's extensive executive career included various roles at Royal Bank of Canada and its subsidiaries, such as Senior Vice President, Group Risk Management, Chief Credit Officer and then Chief Risk Officer. Previously he was also a Director of RBC Bank (USA); Westbury Life Insurance Company; RBC Life Insurance Company; and RBC Dexia Investor Services Trust Company.

Morten also served as a non-executive director of Jackson National Life Insurance Company for five years, and was chair of its board risk committee and a member of its audit committee.

Current external appointments:

- Member of the board of directors of the Harvard Business School Club of Toronto

Yasmin Jetha
Independent non-executive director



Date of appointment:
1 April 2020

Committee memberships



Contribution to the Board:

Yasmin brings a wealth of retail banking and customer experience to the Board, as well as valuable technology and innovation insights, and a strong background in general management. Yasmin adds strength and depth to the Board in these important areas, supporting challenge and debate and effective decision-making.

On 1 April 2020 Yasmin re-joined the Board of NatWest Group plc, having first been appointed in June 2017. Yasmin stepped down in April 2018 in order to serve solely as a director of our key ring-fenced entities, and, like the majority of our directors, she continues to serve on these boards in addition to the Board of NatWest Group plc.

Relevant experience:

During her executive career, Yasmin held Chief Information Officer roles at Bupa and the Financial Times, where she later became the Chief Operating Officer. Prior to that Yasmin held a number of senior roles at Abbey National PLC, in a career spanning nearly 20 years, where latterly she served as an executive director on the board.

Yasmin has also held a number of non-commercial roles including Vice Chair of the Board of Governors at the University of Bedfordshire (2008 to 2011) and Vice Chair of the National Committee of the Aga Khan Foundation (UK) Ltd, a non-denominational charity that works with communities in Africa, Asia and the Middle East.

Current external appointments:

- Non-executive director of Guardian Media Group plc
- Non-executive director of Nation Media Group Limited

Mike Rogers
Independent non-executive director



Date of appointment:
26 January 2016

Committee memberships



Contribution to the Board:

Mike is an extremely experienced retail and commercial banker, with extensive boardroom experience. As a former Chief Executive, Mike brings a broad-based skill set and perspective to the Board, particularly in relation to customer experience, general management and stakeholder engagement.

Relevant experience:

During his executive career Mike was Chief Executive of Liverpool Victoria Group and he held a variety of roles, both in the UK and overseas, at Barclays Bank. This included roles in business banking, wealth management and retail banking where Mike was Managing Director of Small Business, Premier Banking and UK Retail Banking.

Current external appointments:

- Chairman of Experian plc
- Chairman of Aegon UK plc

Lena Wilson
Independent non-executive director



Date of appointment:
1 January 2018

Committee memberships



Contribution to the Board:

Lena contributes significant knowledge and experience to the Board drawn from a broad executive and non-executive career. She has extensive transformation and development skills, with experience in enterprise, internationalisation, stakeholder management, ESG and general management.

As former Chair of the NatWest Group Colleague Advisory Panel, Lena provides valuable insights on customer, people and enterprise issues in particular.

Relevant experience:

Lena has a portfolio of Chair roles in the listed, private equity and professional services sectors. She has been a FTSE 100 non-executive director for over 10 years and previously served on the boards of Scottish Power Renewables Limited and Intertek Group plc. Lena was Chief Executive of Scottish Enterprise (2009-2017) and prior to that was Senior Investment Advisor to The World Bank in Washington DC.

Lena was a member of Scotland's Financial Services Advisory Board and Chair of Scotland's Energy Jobs Taskforce. In June 2015 she received a CBE for services to economic development in Scotland.

Current external appointments:

- Chair of Picton Property Income Limited
- Chair of AGS Airports Limited (until 31 May 2023)
- Senior Independent Director of Argentex Group plc (until 28 February 2023)
- Chair of Chiene + Tait LLP
- Visiting Professor, University of Strathclyde Business School
- Member of the European Advisory Board of Workday Inc.

Jan Cargill
Chief Governance Officer and Company Secretary



Date of appointment:
5 August 2019

Contribution to the Board:

Jan works closely with the Chairman to ensure effective and efficient functioning of the Board and appropriate alignment and information flows between the Board and its Committees. She is responsible for advising the Board and individual directors on all governance matters, and also facilitates Board induction and directors' professional development.

Relevant experience:

Jan is a chartered company secretary with over 20 years' corporate governance experience. She was appointed Chief Governance Officer and Company Secretary in 2019, and prior to that held various roles in the legal and secretariat functions, including Head of Board and Shareholder Services.

Jan has a law degree and is a Fellow of the Chartered Banker Institute. She is also an Associate of The Chartered Governance Institute and has an INSEAD Certificate in Corporate Governance.

Former directors

Robert Gillespie stood down from the Board as an independent non-executive director on 15 December 2022.

Chairman’s introduction



Letter from Howard Davies, Chairman of the Board

Dear Shareholder,

I am pleased to present the Corporate governance report for 2022.

My Board colleagues and I welcomed the return of in-person meetings during the year. We also resumed regional stakeholder visits, with a trip to Bristol to meet customers, colleagues, community organisations and suppliers. We heard stakeholders’ perspectives first hand and discussed how we can best support them in these challenging times.

During a period of significant change in the external environment, the Board was kept regularly informed by management on the impacts of geopolitical and economic developments on the bank and its customers. Reports from our Group CEO and business CEOs included spotlights on the cost-of-living crisis and the continuing situation in Ukraine, and we discussed the actions the bank was taking in response.

Strategy and climate were also high on the Board’s agenda. Directors were closely involved in our plans to amplify our purpose-led strategy as described more fully in the Strategic report on pages 40 to 41. Following strong shareholder support for our ‘Say on Climate’ AGM resolution, the Board continued its close oversight of progress towards our climate ambitions ahead of publication of the initial iteration of our Climate transition plan.

On the governance front we conducted an internal Board and Committee evaluation, and further information on the actions we agreed can be found on pages 104 to 105.

The following pages describe additional 2022 governance highlights, including details of Board and Committee membership changes. Details of the Board’s operation and principal areas of focus during 2022 are set out on pages 91 and 94 respectively.

I would like to thank my fellow Board members for their contribution, commitment and dedication throughout the year.

Howard Davies
Chairman of the Board
16 February 2023

UK Corporate Governance Code

All directors are committed to observing high standards of corporate governance, integrity and professionalism. Throughout 2022, NatWest Group plc applied the Principles and complied with all of the Provisions of the 2018 UK Corporate Governance Code (the Code) with the following exceptions:

Provision 17 – that the Group Nominations and Governance Committee should ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession; and

Provision 33 – that the Group Performance and Remuneration Committee should have delegated responsibility for setting remuneration for the Chairman and executive directors.

The Board considers these are matters that should be reserved for the Board.

Information on how the company has applied the Principles and complied with the Provisions of the Code can be found in this report under the Code’s five main section headings:

- 1 Board leadership and company purpose** (page 96)
 - 2 Division of responsibilities** (page 100)
 - 3 Composition, succession and evaluation** (page 102)
 - 4 Audit, risk and internal control** (page 105)
 - 5 Remuneration** (page 105)
- Our full 2018 UK Corporate Governance Code compliance statement is available on page 168.**

Board and Committee meetings

There were eight scheduled Board meetings during 2022.

As well as scheduled meetings, additional ad hoc meetings of the Board and some of its Committees were held throughout the year to receive updates and deal with time-critical matters. There were three additional Board meetings held in 2022 compared to eight additional meetings held in 2021.

When directors are unable to attend meetings convened at short notice, they receive the papers and have the opportunity to provide their feedback in advance.

There were also three strategy sessions with executive management in 2022.

In accordance with the Code, the Chairman and the non-executive directors met at least once without executive directors present.

Board and Committee membership and meeting attendance in 2022

Director	Board		Group Audit Committee (GAC)		Group Board Risk Committee (BRC)		Group Nominations and Governance Committee (N&G)		Group Performance and Remuneration Committee (RemCo)		Group Sustainable Banking Committee (SBC)		Technology and Innovation Committee (TIC)	
	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
Howard Davies	8/8	3/3	–	–	–	–	4/4	–	–	–	–	–	–	–
Alison Rose ⁽¹⁾	8/8	2/2	–	–	–	–	–	–	–	–	–	–	–	–
Katie Murray ⁽¹⁾	8/8	–	–	–	–	–	–	–	–	–	–	–	–	–
Frank Dageard	8/8	3/3	–	–	–	–	–	–	6/6	3/3	–	–	4/4	–
Roisin Donnelly ⁽²⁾	2/2	–	–	–	–	–	–	–	–	–	–	–	–	–
Patrick Flynn	8/8	3/3	5/5	1/1	8/8	–	4/4	–	–	–	–	–	4/4	–
Morten Friis	8/8	3/3	5/5	1/1	8/8	–	4/4	–	–	–	–	–	–	–
Robert Gillespie ⁽³⁾	8/8	3/3	5/5	1/1	8/8	–	4/4	–	4/4	3/3	–	–	–	–
Yasmin Jetha	8/8	3/3	–	–	–	–	–	–	–	–	5/5	1/1	4/4	–
Mike Rogers	8/8	3/3	–	–	–	–	–	–	6/6	3/3	5/5	1/1	–	–
Mark Seligman ⁽⁴⁾	8/8	3/3	5/5	1/1	–	–	4/4	–	6/6	2/3	–	–	–	–
Lena Wilson ⁽⁵⁾	8/8	2/3	–	–	8/8	–	2/2	–	6/6	3/3	5/5	1/1	–	–

(1) Executive directors are not eligible to attend meetings to discuss their own remuneration.
(2) Ms Donnelly joined the Board on 1 October 2022.
(3) Mr Gillespie stood down as Chair and as a member of RemCo with effect from 24 September 2022. Mr Gillespie stood down as a director on 15 December 2022.
(4) Mr Seligman was unable to attend one ad hoc RemCo meeting due to prior commitments.
(5) Ms Wilson assumed the Chair of RemCo and became a member of N&G with effect from 24 September 2022. Ms Wilson was unable to attend one ad hoc Board meeting due to prior commitments.

How the Board operated in 2022

At each scheduled Board meeting the directors received reports from the Chairman, Board Committee Chairs, Group CEO, Group CFO, Group Chief Risk Officer (Group CRO) and other members of the executive management team, as appropriate. Business reviews from the CEOs of our Retail Banking, Private Banking and Commercial & Institutional businesses included updates on progress against strategy and spotlights on current topics including the cost of living, Ukraine, climate, unsecured lending growth in retail, and mortgages.

In addition to our business CEOs, a number of other senior executives attended Board meetings throughout the year to present reports to the Board. This provided the Board with an opportunity to engage directly with management on key issues and supported succession planning. The Board also welcomed external presenters and advisers to Board meetings, who provided useful insights and perspectives.

The Board and Group Executive Committee (ExCo) operating rhythm continues to support a proactive and transparent agenda planning and paper preparation process. This process includes the following elements:

- A pre-Board meeting with the Chairman, Group CEO, Group CFO and Chief Governance Officer and Company Secretary to ensure the Board and executive management are aligned on Board agendas.
- A post-Board meeting with the Chairman, Group CEO and Chief Governance Officer and Company Secretary to discuss what went well or could be improved after each meeting.
- A look ahead paper at each ExCo and Board meeting setting out key items that will be discussed at the next meeting.

An overview of the Board’s principal areas of focus during 2022, is set out on page 94.

Governance at a glance

The Board is collectively responsible for promoting the long-term success of NatWest Group plc, driving both shareholder value and contribution to society. To assist in providing effective oversight and leadership, the Board has established the following committees:

NatWest Group plc Board					
Group Audit Committee (GAC) see page 108	Group Board Risk Committee (BRC) see page 117	Group Nominations and Governance Committee (N&G) see page 106	Group Performance and Remuneration Committee (RemCo) see page 138	Group Sustainable Banking Committee (SBC) see page 128	Technology and Innovation Committee (TIC) see page 134

The Group CEO has established the Group Executive Committee (ExCo) to support her in discharging her responsibilities in managing NatWest Group’s business day to day. Further information on our governance structure is available throughout this Corporate governance report.

Board changes during 2022

24 September	1 October	15 December
Robert Gillespie confirmed his intention to step down as a non-executive director on 15 December 2022.	Lena Wilson succeeded Robert Gillespie as RemCo Chair and joined N&G.	Robert Gillespie stepped down as a non-executive director.
	Roisin Donnelly joined the Board as an independent non-executive director.	

Board changes during 2023

1 April	25 April	31 July
Stuart Lewis will be appointed as an independent non-executive director.	Mike Rogers will step down as a non-executive director.	Morten Frilis will step down as a non-executive director.

Governance highlights

During 2022 our governance framework supported our strategic delivery in a number of ways, including

Implementing a **revised strategy cycle and operating rhythm** at Board and ExCo level (page 96)

Implementing a **remuneration policy for executive directors** that provides a more direct link between pay and the delivery of our purpose-led strategy (page 148)

Reviewing the Board’s approach to **colleague engagement** (page 99)

Creating **more opportunities** for Board stakeholder engagement (page 98)

Conducting an internal **Board and Committee evaluation** (page 104)

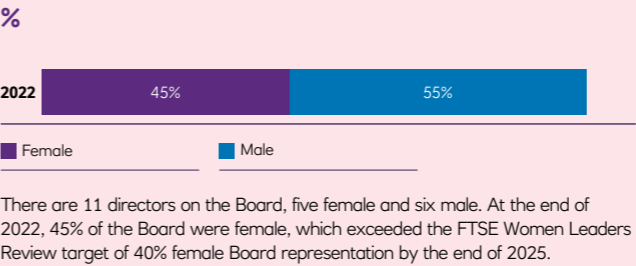
Completing a successful **external audit tender** process (page 109)

Board oversight of our **progress and performance as a purpose-led organisation** (page 96)

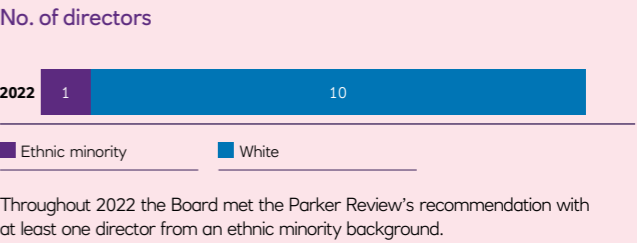
Supporting directors’ professional development through regular training sessions (page 102)

Board composition as at 31 December 2022

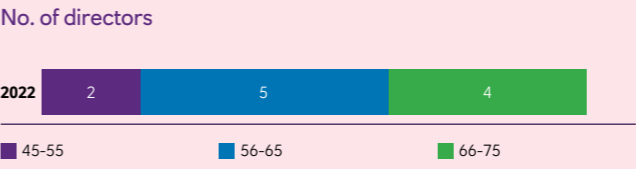
Gender



Ethnicity



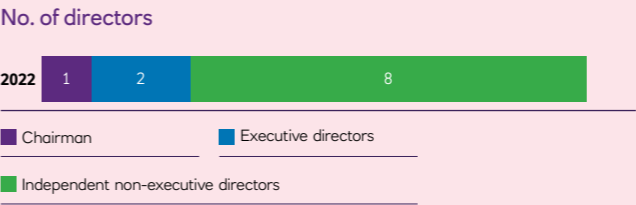
Age range



Length of tenure



Executive vs non-executive directors and independence



The Board considers all eight non-executive directors to be independent and the Chairman was considered to be independent on appointment.

Boardroom inclusion policy

Our boardroom inclusion policy aims to promote diversity and inclusion in our Board and Board Committee composition, and in the nominations and appointments process.

Further information can be found on page 102, and a copy of the policy is available at natwestgroup.com.

Skills and experience



The Board is structured to ensure that the directors provide an appropriate combination of skills, experience and knowledge as well as independence.

The bar chart above is an extract from our Board skills matrix, which is reviewed by the Group Nominations and Governance Committee and approved by the Board annually.

The matrix reflects directors’ self-assessment of the skills and experience they bring to Board discussions, in line with pre-determined criteria aligned to current and future strategic priorities.

Principal areas of Board focus

Purpose and strategy (including climate)

- Strategy sessions with executive management
- Board business insights pack
- Brand portfolio update
- The initial iteration of our Climate transition plan
- Progress against purpose
- One Bank Transformation spotlights (digitisation and distribution; technology and data; innovation, partnerships and ventures; portfolio discipline)
- ‘Say on Climate’ AGM resolution

Customers

- Business reviews
- Complaints
- Consumer Duty implementation plans
- Group CEO reports
- One Bank Transformation spotlights (customer lifecycle; customer journeys)
- Retail unsecured growth and strategy update⁽¹⁾
- Mortgages update⁽¹⁾

Colleagues⁽²⁾

- Colleague Advisory Panel reports
- Colleague survey results
- Executive director remuneration policy
- Executive talent and succession plans

Culture

- 2021 Modern Slavery and Human Trafficking Statement
- Board business insights pack
- Colleague Advisory Panel reports
- Colleague survey results
- Culture measurement reports
- One Bank Transformation spotlights (organisation, skills and culture)

(1) These updates were provided at meetings of the NWH Sub Group Boards where the directors of NatWest Group plc were also in attendance as NWH Sub Group directors or observers. In this report, NWH Sub Group means NatWest Holdings Limited, National Westminster Bank Plc and The Royal Bank of Scotland plc.
(2) References to ‘colleagues’ in this report mean all members of our workforce (which includes contractors and agency workers).

Financial

- 2021 Annual Results
- Q1, H1 and Q3 2022 Results
- 2021 Climate-related Disclosures Report
- 2021 ESG Supplement
- Budget
- Capital distributions
- External audit tender
- Group CFO reports
- Internal Capital Adequacy Assessment Process results
- Internal Liquidity Adequacy Assessment Process results
- Off Market Directed Buyback
- One Bank Transformation spotlights
- Recovery plans
- Resolvability self-assessment

Risk and conduct

- 2022 cyber stress test results
- Climate Biennial Exploratory Scenario Round 2 submission
- Cyber risk ‘war game’
- Enterprise-wide risk management framework
- Financial crime updates
- Operational resilience self-assessment
- Risk appetite
- Risk management reports

Legal, governance and regulatory

- Annual Cyclical Scenario stress test results
- Annual General Meeting arrangements
- Board and Committee appointments
- Board evaluation actions
- Board succession plans
- Boardroom inclusion policy
- Directors’ external appointments
- Governance framework updates
- Group CRO appointment
- Health and safety annual review
- Legal and regulatory reports
- Outsourcing arrangements and third party risk management
- Regulatory correspondence
- Shareholding policy – Chairman and non-executive directors

Subsidiary governance and ring-fencing

NatWest Group plc is a listed company with equity listed on the London and New York stock exchanges.

NatWest Holdings Limited (NWH Ltd) is the holding company for our ring-fenced operations, which include our Retail and Private Banking businesses and certain aspects of our Commercial & Institutional business. A common board structure is operated such that the directors of NWH Ltd are also directors of The Royal Bank of Scotland plc (RBS plc) and National Westminster Bank Plc (NWB Plc). Known collectively as the NWH Sub Group, the boards of these three entities meet concurrently.

An integral part of NatWest Group’s governance arrangements is the appointment of three double independent non-executive directors (DINEDs) to the Boards, and Board Committees, of the NWH Sub Group. They are Francesca Barnes, Graham Beale, and Ian Cormack. Abridged biographies for the DINEDs are presented below with more detailed biographies available at natwestgroup.com (NatWest Holdings Limited section).

The DINEDs are independent in two respects: (i) independent of management as non-executives; and (ii) independent of the rest of NatWest Group by virtue of their NWH Sub Group-only directorships. They attend NatWest Group plc Board and relevant Board Committee meetings as observers.

Graham Beale

NWH Sub Group – Senior Independent Director and double independent non-executive director



Date of appointment:

1 May 2018

As a chartered accountant, Graham brings extensive financial knowledge to the Board alongside his executive management experience, predominantly in retail banking. This enables Graham to provide comprehensive input to Board discussions.

Graham served as Chief Executive Officer of Nationwide Building Society, the UK’s largest mutual institution and the world’s largest building society from 2007 to 2016.

In a non-executive capacity, Graham has been a member of the boards of VISA Europe Limited and the British Bankers’ Association. He was also Chair and member of the Financial Conduct Authority Practitioners Panel and Chair and a member of the board of the Building Societies Association.

Francesca Barnes

NWH Sub Group – Double independent non-executive director



Date of appointment:

1 May 2018

Francesca brings a wealth of banking and private equity experience to the Board gained through an extensive executive career. Francesca’s experience provides considerable knowledge in important areas such as customer experience, risk and stakeholder management.

Francesca started at Chase Manhattan Bank and went on to hold a number of senior roles within UBS Investment Bank including Global Head of Private Equity; Head of Strategy and Development; Global Loan Portfolio Manager and Chair of the UBSIB Development Board.

Francesca is currently the Senior Independent Director of HarbourVest Global Private Equity Limited and previously served on the Board of Coutts & Co (2012-2021), a NatWest Group subsidiary.

Our DINEDs play a critical role in NatWest Group’s ring-fencing governance structure, and are responsible for exercising appropriate oversight of the independence and effectiveness of the NWH Sub Group’s governance arrangements, including the ability of each Board to take decisions independently. When our Commercial & Institutional business was stood up during 2022, the DINEDs considered and provided input on the changes proposed specifically from a ring-fenced bank perspective, ahead of NatWest Group plc and NWH Ltd Board discussions.

The governance arrangements for the Boards and Board Committees of NatWest Group plc and the NWH Sub Group have been designed to enable NatWest Group plc to exercise appropriate oversight and to ensure that, as far as is reasonably practicable, the NWH Sub Group is able to take decisions independently of the wider Group.

The Group Nominations and Governance Committee monitors the governance arrangements of NatWest Group plc and its subsidiaries and approves appointments to the Boards of principal and material regulated subsidiaries, as described in the Group Nominations and Governance Committee report on page 106.

Ian Cormack

NWH Sub Group – Double independent non-executive director



Date of appointment:

1 May 2018

Ian’s extensive financial services career provides him with significant experience in commercial and investment banking, with particular focus on customer and risk management. This knowledge combined with Ian’s understanding of financial infrastructures, strategy and transformation provides invaluable input into Board discussions.

Ian spent 30 years with Citibank/Citigroup where he held a number of senior positions, including UK Country Head (CCO), Head of European Training and Co-Head of the Global Financial Institutions Business.

Ian is the Senior Independent Director of Just Group plc and has previously held non-executive positions with Phoenix Group Holdings plc, Hastings Group Holdings plc, Bloomsbury Publishing plc and Broadstone Acquisition Corporation Inc.

2018 UK Corporate Governance Code

Throughout the year the company has applied the Principles and complied with the Provisions of the Code, except in relation to Provisions 17 and 33, as described on page 90 and explained more fully in our statement of compliance on page 168.

In addition, the Board has delegated two particular aspects of the Code’s provisions to Board Committees, with regular updates provided to the Board as appropriate:

- The Group Audit Committee has delegated responsibility for reviewing and monitoring NatWest Group’s whistleblowing process.
- The Group Sustainable Banking Committee has delegated responsibility for reviewing key workforce policies and practices (not related to pay) to ensure they are consistent with NatWest Group’s values and support long-term sustainable success.

For further information please refer to the remainder of this report and the relevant Board Committee reports on the following pages.

Further information on how the company has applied the Principles and complied with the Provisions of the Code is set out here under the Code’s five main section headings.

1. Board leadership and company purpose

Role of the Board

The Board is collectively responsible for promoting the long-term sustainable success of the company, driving both shareholder value and contribution to wider society. The Board’s role is to provide leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board establishes NatWest Group’s purpose, values and strategy and leads the development of NatWest Group’s culture. The Board sets the strategic aims of the company and its subsidiaries, ensures that the necessary resources are in place for NatWest Group to meet its objectives, is responsible for the raising and allocation of capital, and reviews business and financial performance. It ensures that the company’s obligations to its shareholders and other key stakeholders are understood and met.

The Board terms of reference include a formal schedule of matters specifically reserved for the Board’s decision and are reviewed at least annually. They are available at natwestgroup.com. An internal review confirmed the Board had fulfilled its remit as set out in its terms of reference during 2022.

Board Committees

The Board has established a number of Board Committees with particular responsibilities. Further details on Board Committee activities during the year can be found in the Board Committee reports. Board Committee terms of reference are available at natwestgroup.com.

Purpose

In February 2020 following an extensive period of stakeholder engagement, the Board approved NatWest Group’s purpose. Our focus on purpose has strengthened the Board’s consideration of the interests of all of our stakeholders and papers presented to the Board set out how they support our purpose. Examples of how purpose has guided Board decisions

and discussions can be found in our section 172 statement on pages 40 to 41.

In April 2022 the Board received an assessment of progress on embedding purpose and updates on each of the focus areas of enterprise, climate and financial capability/learning. Directors considered the outputs of a colleague opinion survey which had demonstrated good progress on embedding our purpose and values.

The Board received a further purpose update in December 2022. This included an overview of our evolution to becoming a purpose-led bank, an assessment of progress on embedding our purpose, achievements to date, external perceptions of our progress and future priorities. The directors received a further update on the three focus areas and considered a broader stakeholder overview aligned to the Blueprint for Better Business framework.

Strategy

In response to an action arising from the 2021 Board evaluation, a new operating rhythm was introduced for Board engagement and oversight of strategy during 2022. This included more frequent strategy sessions with executive management and interactive sessions informed by stakeholder views, as described below.

Board oversight and engagement on strategy in 2022

March Listening and reflecting	The Board considered insights into evolving customer needs and future trends from a comprehensive programme of stakeholder listening. Directors joined breakout groups to discuss key themes, collaborating with the executive management team and Junior Management Team members.
June Strategic vision	Building on the insights gained in March the Board agreed key areas of focus and a vision for our purpose-led strategy, including exploring the opportunities for sustainable growth.
October A strategic plan	The Board reviewed and confirmed its support for a strategic plan consistent with the ambition discussed in June, including the identification of three growth areas where we can amplify our strategy.

Directors commented positively on the new operating rhythm during the 2022 Board evaluation. Throughout the process there was strong engagement and constructive debate amongst directors and management.

Further information on NatWest Group’s strategy can be found on pages 22 to 23 of the Strategic report.

Values

In December 2021 the Board approved NatWest Group’s refreshed values (Inclusive, Curious, Robust, Sustainable and Ambitious), ahead of their launch in February 2022. The Board received regular updates on how our values are embedding within the organisation through One Bank Transformation spotlights, Our View colleague survey results and culture measurement reports.

Further information on NatWest Group’s values can be found in the Strategic report on page 47.

Culture

The Board assesses and monitors NatWest Group’s culture in several ways, as described below.

NatWest Group plc – Board responsibilities in relation to culture	
<ul style="list-style-type: none">• Leads the development of NatWest Group’s culture, values and standards.<ul style="list-style-type: none">• Assesses and monitors culture.• Reviews and approves NatWest Group’s values.	
Board reporting on culture	
What did the Board receive?	Key areas of focus and outcomes
Colleague Advisory Panel reports	Feedback on discussions from Colleague Advisory Panel (CAP) meetings held in May and November. Topics included remuneration (executive pay and the wider workforce), our values, customers in vulnerable situations and future skills.
One Bank Transformation spotlights on organisation, skills and culture	Progress updates (in April and October) on the transition towards a simpler overall organisational design; creating and embedding a One Bank culture, values and people proposition; and strategic workforce planning.
Our View colleague survey results	Insights from the colleague opinion surveys conducted in April and September. Key measures included culture, purpose, building capability, inclusion, engagement and leadership. In July the Board received an update on actions agreed by ExCo following the April Our View survey around ways of working, senior female retention, verbatim comments analysis and NatWest Group’s wellbeing approach post COVID-19.
Culture measurement reports	<p>The NatWest Group culture measurement framework enables the Board and senior leaders to assess the progress NatWest Group is making in reshaping its culture. It uses an integrated suite of qualitative, quantitative, internal and external data sources to support NatWest Group in assessing the effectiveness and impact of its culture journey (120 measures in total). These include customer insights and data (e.g. Net Promoter Scores (NPS) and Competition & Markets Authority (CMA) survey results), colleague engagement insights (e.g. CAP feedback), Our View colleague survey insights, risk culture data, audit and behavioural risk data, supplier and environmental measures, and a range of externally benchmarked ESG data.</p> <p>Board culture measurement reports were considered in July and December. These used the Blueprint for Better Business framework to report progress, highlighting both positive trends and areas for improvement. In July the Board discussed the report in detail with management and sought further information across several themes including colleague sentiment amid cost-of-living impacts and financial wellbeing. The December report noted that although there had been some downward pressure on a number of metrics since the July report – particularly colleague sentiment and customer measures where the cost-of-living crisis and general economic conditions were undoubtedly having an impact – the overall picture was relatively stable.</p>
Board business insights packs	Metrics to demonstrate how NatWest Group is delivering for colleagues (including building capability, diversity and inclusion, and learning).

The activities described above have supported the Board in meeting the Code requirement to satisfy itself that the company’s purpose, values, strategy and culture are aligned.

Stakeholder engagement

In February 2022, the Board approved its annual objectives and confirmed the Board’s key stakeholder groups – customers, investors, regulators, colleagues, communities and suppliers. The Board’s agenda and engagement plans were structured to enhance the Board’s understanding of stakeholders’ views and interests. This in turn has informed Board discussions and decision-making.

The Chairman also provided regular updates to the Board on meetings with regulators, key stakeholders and other relevant bodies including clients, financial institutions, advisers, and government and media representatives.

The stakeholder engagement section of the Strategic report on pages 36 to 39 includes some high level examples of how the Board engaged directly with stakeholders, and our section 172 statement on pages 40 to 41 describes how stakeholder interests have been considered in Board discussions and decision-making, including principal decisions.

In addition to the examples highlighted in the Strategic report, the Board engaged with the views and interests of stakeholders in a variety of other ways:

- **Customers:** the Group CEO and business CEOs regularly updated the Board on customer engagement activity and sentiment, including CMA and NPS results. An update on customer complaint volumes and key themes arising provided a useful indicator of external sentiment, highlighting key trends in customer complaints and areas of focus for improvement activity.
- **Investors:** in addition to engaging directly with institutional investors through quarterly results presentations and 1:1 meetings, the Board also considered investor feedback reports and updates from the Group CFO on external market perspectives, including share price performance and trading activity, which allowed the Board to monitor investor activity. Directors engaged with private shareholders and responded to questions they raised through our virtual shareholder events and at our Annual General Meeting. The Board also held roundtable discussions with three institutional investors, enabling a valuable two-way dialogue on a range of topics including the investors’ views of NatWest Group and wider global and economic trends. The Chair of the Group Performance and Remuneration Committee met with institutional shareholders, UK Government Investments, proxy advisers and the UK regulators to discuss remuneration matters, including wider workforce pay proposals and executive directors’ remuneration policy and updated the Board on those discussions. Further details of remuneration engagement can be found in the Directors’ remuneration report on pages 138 to 167.

- **Regulators:** in addition to having PRA and FCA representatives join Board meetings to present the findings of their Periodic Summary Meeting and Firm Evaluation Letter respectively, the Board also reviewed regulatory correspondence and proposed responses. This enabled directors to understand the key matters raised and how management were addressing them. Reports from the Group CEO, Group CFO and business CEOs kept the Board informed on key topics being discussed by management with regulators, enhancing the Board’s understanding of regulatory priorities.
- **Colleagues:** the Board continued to engage with colleagues through our multi-channel colleague listening approach, further details of which are set out on page 99 under ‘Workforce engagement’.
- **Communities:** During our regional Board visit to Bristol, the Board met with community groups involved with young people, climate change and supporting ethnic minority businesses, and gained useful insights into the bank’s work with those groups. Directors also continued to develop their climate knowledge and expertise, through our annual climate training session and detailed consideration of our Climate transition plan.
- **Suppliers:** the Board received regular management updates on key supplier and partnership relationships and initiatives being undertaken with them. Directors also met with suppliers during their visit to Bristol and participated in a dedicated training session on how we are embedding diversity in our supply chain.

Workforce engagement

During 2022, and in response to one of the actions arising from the 2021 Board evaluation exercise, we reviewed our colleague listening and talent engagement strategy at ExCo and Board levels, including the role of the Colleague Advisory Panel, to ensure it remained fit for purpose.

The Board agreed to continue its multi-channel approach to colleague engagement at Board level, as described below:

Our multi-channel colleague listening approach

A number of listening and reporting tools help in promoting colleague voice in the boardroom. This multi-channel approach aims to provide representation from across the bank and guards against the risks of relying on a single source to gather views.

Colleague surveys and behavioural audits

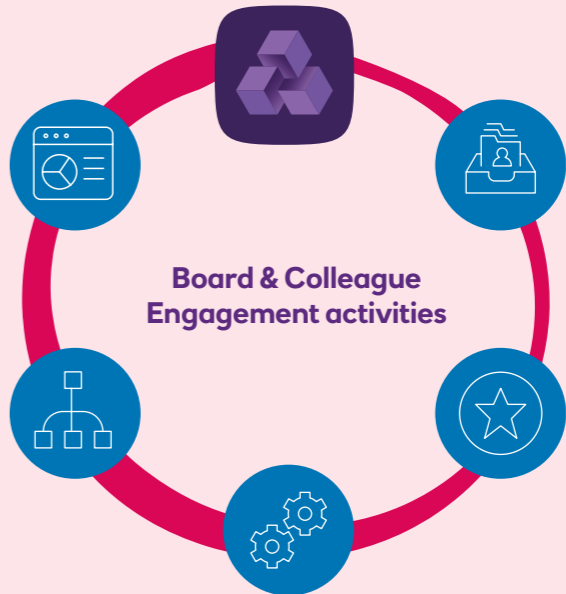
The Board and Group Sustainable Banking Committee receive the results of the Our View colleague surveys which provide insight at all levels and aspects of colleague experience.

Another valuable Board-level source is Behavioural Audit reports from Internal Audit covering sub-culture findings.

Colleague Advisory Panel

Provides a means by which ‘colleague voice’ can be strengthened and promoted within the Boardroom.

Board members engage directly with colleagues on strategic topics. A key outputs report supports discussion at the next scheduled Board meeting.



Board talent sessions and other direct engagement

Directors meet with potential executive-level successors and explore strategic issues with them.

At ‘Meet the Board’ events colleagues meet the Chairman, Group CEO and non-executive directors to discuss topical issues.

Other examples of direct engagement include Board Committee visits to Risk and Audit teams, the Chairman meeting with each new graduate intake and internal guest presenters at Board and Committee meetings.

Board and Committee paper templates

Colleagues is one of a number of stakeholder groups included within our governance paper templates.

Our reporting guidance encourages paper authors and sponsors to consider colleague views or impact when presenting reports to our Board and its Committees.

Our Colleague Advisory Panel

NatWest Group’s Colleague Advisory Panel (CAP) was set up in 2018 to help promote colleague voices in the boardroom and supports our compliance with Code requirements in relation to Board engagement with the workforce.

Through the CAP, colleagues can engage directly with the Board on topics which are important to them, thereby strengthening the voice of colleagues in the Boardroom. The CAP is made up of 28 colleagues who are self-nominated or part of an employee representative body. In September 2022 Mike Rogers succeeded Lena Wilson as CAP Chair, and the panel’s membership was refreshed. New members received training on the role of the CAP and their responsibilities as members. Although members were randomly selected, we cross-checked to ensure the panel was in the main reflective of the bank’s population covering a variety of business areas, organisational levels and locations, working patterns and employee-led networks.

The CAP met with representatives from the Board twice in 2022 to discuss issues including remuneration (executive pay and the wider workforce), our values, customers in vulnerable situations and future skills. The CAP continues to be highly regarded by those who attend and has proven to be an effective way of establishing two-way dialogue between colleagues and Board members. The Board discusses colleague feedback received from the CAP and the CAP Chair provides feedback on this discussion to the Panel to ensure a continuous feedback loop.

Further details on NatWest Group’s approach to investing in and rewarding its workforce can be found on pages 46 to 47 of the Strategic report.

The effectiveness of Board stakeholder engagement mechanisms continues to be considered during the annual Board evaluation.

Conflicts of interest

The directors’ conflicts of interest policy sets out procedures to ensure that the Board’s management of conflicts of interest and its powers for authorising certain conflicts are operating effectively.

Each director is required to notify the Board of any actual or potential situational or transactional conflict of interest and to update the Board with any changes to the facts and circumstances surrounding such conflicts.

Situational conflicts can be authorised by the Board in accordance with the Companies Act 2006 and the company’s Articles of Association. The Board considers each request for authorisation on a case-by-case basis and has the power to impose conditions or limitations on any authorisation granted as part of the process. Details of all directors’ conflicts of interest are recorded in a register which is maintained by the Chief Governance Officer and Company Secretary and reviewed annually by the Board.

2. Division of responsibilities

The Board has 11 directors comprising the Chairman, two executive directors and eight independent non-executive directors, one of whom is the Senior Independent Director.

Director biographies and details of the Board Committees of which they are members can be found on pages 86 to 89.

Non-executive director independence

The Board considers that the Chairman was independent on appointment and that all current non-executive directors are independent for the purposes of the Code.

Robert Gillespie stepped down from the Board on 15 December 2022, having served a full term of nine years. In order that Robert’s resignation could coincide with the December Board meeting, he was on the Board for a total of nine years and 14 days. In that respect alone, Mr Gillespie did not meet the independence criteria set out in the Code. Notwithstanding Mr Gillespie’s length of service, the Board has determined that Mr Gillespie continued to be independent in character and judgement, offering a strong contribution to Board discussions and debate until he stepped down on 15 December 2022.

On a similar basis, in February 2023, the Board confirmed that Morten Friis should continue to serve on the Board and be considered as an independent non-executive director until he steps down on 31 July 2023, notwithstanding that he will have served nine years and four months on the Board by that point.

Chairman and Group CEO

The role of Chairman is distinct and separate from that of the Group CEO and there is a clear division of responsibilities, with the Chairman leading the Board and the Group CEO managing the business day to day.

Senior Independent Director

Throughout 2022, Mark Seligman, as Senior Independent Director, acted as a sounding board for the Chairman, and as an intermediary for other directors when necessary. He was also available to shareholders to discuss any concerns they may have had, as appropriate.

Non-executive directors

Along with the Chairman and executive directors, the non-executive directors are responsible for ensuring the Board fulfils its responsibilities under its terms of reference.

The non-executive directors combine broad business and commercial experience with independent and objective judgment. They provide constructive challenge, strategic guidance, and specialist advice to the executive directors and the executive management team and hold management to account.

The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across NatWest Group’s business activities and ensures no one individual or small group of individuals dominates the Board’s decision-making.

The Chairman and non-executive directors meet at least once every year without the executive directors present.

Details of the key responsibilities of the Chairman, Group CEO, Senior Independent Director and non-executive directors are available at natwestgroup.com. In 2022 the Chairman and non-executive directors’ role profiles were refreshed and updated to ensure they continue to accurately reflect their role and responsibilities and are in line with best practice.

The performance of the Chairman and non-executive directors is evaluated annually and further details of the process undertaken can be found on page 105.

Chief Governance Officer and Company Secretary

The Chief Governance Officer and Company Secretary works closely with the Chairman to ensure effective and efficient functioning of the Board and appropriate alignment and information flows between the Board and its Committees.

The Chief Governance Officer and Company Secretary is responsible for advising the Board and individual directors on all governance matters, and also facilitates Board induction and directors’ professional development.

Executive management

The executive management team supports the Group CEO in managing NatWest Group’s businesses. The team reviews, challenges and debates relevant items and supports the Group CEO in forming recommendations to the Board. Matters include strategy, financials, capital, risk and operational issues affecting NatWest Group as well as monitoring the implementation of cultural change and executive succession planning. The executive management team actively promotes NatWest Group’s culture, values and purpose. Biographies of the executive management team can be found at natwestgroup.com.

Time commitment and external appointments

It is anticipated that non-executive directors will allocate sufficient time to the company to discharge their responsibilities effectively and will devote such time as is necessary to fulfil their role.

The Code emphasises the importance of ensuring directors have sufficient time to meet their board responsibilities. Prior to appointment, significant commitments require to be disclosed with an indication of the time involved. After appointment, external appointments require prior Board approval, with the reasons for permitting significant appointments explained in the Annual Report and Accounts. Board papers relating to proposed additional external appointments of directors include details of the individual’s full portfolio for review and consideration. They also include a reminder of applicable Code and Capital Requirements Directive provisions, and relevant proxy adviser and investor guidance.

In April 2022 Katie Murray joined the Board of Phoenix Group Holdings plc (Phoenix) as a non-executive director. This appointment, and Katie’s subsequent appointment as Chair of the Phoenix Group Audit Committee, were both approved by the Board in advance. In reaching its decisions the Board considered both potential conflicts and time commitment and was satisfied that Ms Murray would be able to continue to meet her commitments to NatWest Group.

At the April 2022 AGM, the resolution to re-elect Frank Dangeard as a director was passed with a lower level of support than expected, particularly from independent shareholders. A proxy adviser had recommended a vote against Mr Dangeard’s re-election due to ‘over-boarding’ under their methodology, although no regulatory limits had been breached. Acknowledging the significant vote against Mr Dangeard’s re-election, we explained the situation in our post AGM announcement and re-confirmed the Board’s view that Mr Dangeard has sufficient time to undertake his duties with NatWest Group. The Chairman also engaged directly with institutional shareholders, listening and responding to their concerns. Mr Dangeard has since stepped down as Chair of Spear Investments I B.V., where he remains a non-executive director, which will represent a reduction in the number of public company mandates he holds under any voting guidelines where Chair roles are counted as additional commitments.

In November 2022, the Board approved Roisin Donnelly’s appointment as a non-executive director of The Sage Group plc, effective February 2023. The Board considered potential conflicts and the time commitment associated with the additional directorship and, noting that Ms Donnelly expected shortly to resign from the board of HomeServe plc, it was satisfied that Ms Donnelly would continue to have sufficient time to continue to meet her responsibilities to NatWest Group. Ms Donnelly stepped down from HomeServe plc in January 2023.

The Board continues to monitor the commitments of the Chairman and directors and is satisfied that they are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Information

All directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Chief Governance Officer and Company Secretary. In addition, all directors are able, if necessary, to obtain independent professional advice at the company’s expense.

Our Board and Committee paper template includes a section for authors to explain how the proposal or update aligns with our purpose and a separate section for them to include an assessment of the relevant stakeholder impacts for the directors to consider. This aligns with the directors’ duties under section 172(1) of the Companies Act 2006 and further details of how the directors have complied with their section 172(1) duties can be found on pages 40 to 41 of the Strategic report.

Our directors are mindful that it is not always possible to achieve an outcome which meets the expectations of all stakeholders who may be impacted. For decisions which are particularly challenging or complex, an optional page in our paper template provides directors with further information to support purposeful decision-making. This additional page uses the Blueprint for Better Business framework as a base and is aligned to our broader purpose framework.

Induction and professional development

Each new director receives a formal induction on joining the Board, which is co-ordinated by the Chief Governance Officer and Company Secretary and tailored to suit the requirements of the individual concerned. This includes visits to NatWest Group’s major businesses and functions, and meetings with directors and senior management. Meetings with external auditors, counsel and stakeholders are also arranged as appropriate.

Roisin Donnelly joined the Board on 1 October 2022 and the Chief Governance Officer and Company Secretary worked closely with Ms Donnelly to devise a comprehensive induction programme which was tailored to her needs and flexible to respond to areas of focus which emerged as the programme progressed. Priorities included early engagement with key stakeholders, upskilling on the financial services industry and regulation, and developing an understanding of NatWest Group’s structure, strategic priorities and business operations.

All new non-executive directors receive a copy of the NatWest Group non-executive director handbook. The handbook operates as a consolidated governance support manual for directors of NatWest Group plc and the NWH Sub Group, providing both new and current directors with a single source of information relevant to their role. It covers a range of topics including NatWest Group’s corporate structure; the Board and Board Committee operating model; Board policies and processes; and a range of technical guidance on relevant matters including directors’ duties, conflicts of interest, and the UK Senior Managers and Certification Regime. The handbook contains links to a wider library of reference materials via our online resources portal.

Directors’ training and development is co-ordinated by the Chief Governance Officer and Company Secretary.

Directors have access to a wide range of briefing and training sessions and other professional development opportunities. Internal training relevant to the business of NatWest Group is also provided. Directors undertake the training they consider necessary to assist them in carrying out their duties and responsibilities. The non-executive directors discuss their training and professional development with the Chairman at least annually.

During 2022 our Board training covered supply chain diversity, digital currencies, regulatory updates, the Takeover Code, capital, financial crime, inside information, climate, ring-fencing rules and a cyber risk ‘war game’.

In addition, directors broadened their knowledge and understanding of the risks facing NatWest Group by participating in a Board dinner discussion with executive management on principal and emerging risks. A number of directors also accepted an invitation to the full Board to join meetings of the Technology and Innovation Committee which covered areas of broader interest, including a session on data strategy.

3. Composition, succession and evaluation

Composition

The Board is structured to ensure that the directors provide NatWest Group plc with the appropriate combination of skills, experience, knowledge and diversity, as well as independence.

In December 2022 the Group Nominations and Governance Committee reviewed, and the Board approved, an updated version of our Board skills matrix, a summary view of which is set out on page 93.

The Board skills matrix reflects directors’ self-assessment of the skills and experience they bring to Board discussions, in line with pre-determined criteria aligned to current and future strategic priorities.

Board Committees also comprise directors with a variety of skills and experience so that no undue reliance is placed on any one individual.

The boardroom inclusion policy aims to promote diversity and inclusion in the composition of the Boards of directors of NatWest Group plc, NWH Ltd, NWB Plc and RBS plc and in the nominations and appointments process. This policy reflects NatWest Group’s values, its inclusion guidelines and relevant legal or voluntary code requirements.

The policy includes measurable objectives which exist to ensure that the Boards, and any Committees they delegate nominations responsibilities to, follow an inclusive process when making decisions on nominations and appointments. The policy includes targets which aspire to meet those set out in the UK Listing Rules along with the recommendations of the FTSE Women Leaders Review and the Parker Review. The policy also acknowledges NatWest Group’s ambition to have gender balance in our global top three levels (CEO-3 and above) by 2030.

Throughout 2022 the Board met the recommendation of the Parker Review with at least one director from an ethnic minority background and it intends to continue to meet that recommendation.

As at 31 December 2022:

- 45% of the Board were female, which exceeded the FTSE Women Leaders Review target of 40% female representation by the end of 2025; and
- with a female Group CEO and Group CFO, we also met the FTSE Women Leaders Review recommendation that companies should have at least one woman in the Chair or Senior Independent Director roles on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025.

A copy of the boardroom inclusion policy is available at natwestgroup.com.

Succession

As set out in its terms of reference the Board is responsible for ensuring adequate succession planning for the Board and senior management, so as to maintain an appropriate balance of skills and experience within NatWest Group and on the Board.

In June 2022 the Board received an update on executive talent and succession planning which enabled directors to monitor the internal talent pipeline and provide feedback. This update included analysis of the diversity of the talent pool, with a view towards continuing to improve diversity over the longer term.

In October 2022 the Board held a talent engagement session with potential ExCo successors. This session helped our non-executive directors gain insights into the breadth of the talent pool, getting to know the individuals through a focused discussion on our values and how they are embedding across the bank.

Board succession planning has also been an important area of focus in 2022.

The Group Nominations and Governance Committee supports the Board on Board succession planning, including making recommendations to the Board on Board appointments and Board Committee membership.

In June 2022 (following review and recommendation by the Group Nominations and Governance Committee), the Board approved succession plans for the roles of Senior Independent Director and Committee Chairs, covering orderly transition plans for the short and medium term, and contingency arrangements which could be implemented in case of an emergency. These succession plans are reviewed by the Group Nominations and Governance Committee and approved by the Board at least once a year.

On 24 September 2022, the Board approved Lena Wilson’s appointment as Chair of the Group Performance and Remuneration Committee, succeeding Robert Gillespie who had confirmed his intention to resign as a director on 15 December 2022.

On 1 October 2022, Roisin Donnelly was appointed to the Board as an independent non-executive director. And on 16 December 2022, we announced that Stuart Lewis will join the Board as an independent non-executive director on 1 April 2023. Subject to regulatory approval, Mr Lewis will succeed Morten Friis as Chair of the Group Board Risk Committee on 1 August 2023.

On 16 December 2022 we announced that Mr Friis had confirmed his intention to resign as a non-executive director on 31 July 2023, and on 31 January 2023 we announced that Mike Rogers would be stepping down from the Board on 25 April 2023.

Further information on the role of the Group Nominations and Governance Committee and its activities during 2022 can be found in the Committee Chair’s report on pages 106 to 107.

Election and re-election of directors

In accordance with the provisions of the Code, all directors will stand for election or re-election by shareholders at the company’s AGM, with the exception of Mr Rogers, who has confirmed his intention to resign on 25 April 2023.

In accordance with the UK Listing Rules, the election or re-election of independent directors also requires approval by a majority of independent shareholders.

Evaluation

In accordance with the Code, an evaluation of the performance of the Board, its Committees, the Chairman and individual directors takes place annually. The evaluation is externally facilitated every three years, with internal evaluations in the intervening years.

An internal evaluation was conducted in 2022 by the Chief Governance Officer and Company Secretary, following the externally facilitated evaluation led by Independent Board Evaluation in 2021. Further details on how the 2022 evaluation was conducted and the outcomes and actions arising from that process are set out in this section.

Progress following the 2021 external Board evaluation

A number of actions were progressed during 2022 in response to the findings of the 2021 external Board evaluation.

Theme	2022 progress
Strategy	<ul style="list-style-type: none">A new operating rhythm was introduced for Board engagement and oversight with more frequent strategy sessions during the year focused on key strategic topics for the Board as more fully described on page 96.
Board focus and priorities	<ul style="list-style-type: none">Board objectives for 2022 were approved by the Board in February 2022.Processes were streamlined to facilitate effective management of Board priorities in a number of ways including refreshing the business CEO review template, integrating climate updates within existing Board papers, issuing certain Committee invitations to all Board members and ensuring an appropriate balance between agenda items for discussion and noting.
Engagement with the business and stakeholders	<ul style="list-style-type: none">Further opportunities for non-executive directors to engage with the business and key stakeholders were identified including Meet the Board sessions, a colleague networking lunch, a full Board session with executive talent, the Colleague Advisory Panel, virtual shareholder events, the AGM, an investor engagement session, engagement with external suppliers, customer visits and customer dinners.
Colleague engagement	<ul style="list-style-type: none">The Board’s overall approach to colleague engagement was reviewed, including the role of the Colleague Advisory Panel, broader employee listening and the talent engagement strategy at ExCo. It was concluded that the approach was fit for purpose.

Details of progress made against the actions arising from the 2021 external Committee evaluations can be found in the relevant Committee Reports.

How the 2022 evaluation was conducted	
Objectives and scope	<ul style="list-style-type: none">The Chairman and Chief Governance Officer and Company Secretary agreed on the scope and objectives of the Board and Committee evaluation.The NatWest Group plc and NWH Sub Group Boards and Committees were confirmed to be in scope of the review. Focus areas included purpose and strategy (oversight and implementation), objectives and priorities, Board composition and succession planning (including skills, diversity and experience), Board culture, risk management, stakeholder engagement, and quality of meetings and papers.
Interviews and reporting	<ul style="list-style-type: none">The Chief Governance Officer and Company Secretary held 1:1 interviews with all of the directors and prepared a draft report summarising the output from the interviews.The key findings and recommendations for action were discussed with the Chairman in advance of the report being circulated to the Board.
Review and action planning	<ul style="list-style-type: none">The final report was discussed at the December 2022 Board meeting.The Board agreed an action plan in response to the recommendations set out in the report.

2022 Board evaluation – outcomes and actions

The conclusion of the 2022 Board evaluation was that the Board operated effectively throughout the year and fulfilled its remit as set out in its terms of reference. Directors engaged fully with the evaluation exercise and commented positively in relation to many aspects of the Board’s operations.

The evaluation findings noted that overall sentiment was good and there was a real sense of the Board and executive management working well together to drive the business forward. Purpose was strong and was evident in decision-making and the revised approach to strategy had worked well. Setting Board objectives in 2022 was considered helpful in directing focus and there had been good oversight of priorities and outcomes.

Overall, the directors felt the Board’s size was about right and succession planning had been handled well. The culture of the Board had continued to develop positively, although the dynamic could be further improved. The balance of responsibilities between the Board and Committees was appropriate, but Committee reporting to the Board could be sharper.

Director feedback on the Board calendar, time commitment and stakeholder visits were all positive. Directors reiterated that agendas should ensure key issues are prioritised and that papers should not be too long. Board training was considered good and directors appreciated the strong support from the corporate governance team.

In December 2022 the Board agreed a detailed action plan in response to the recommendations set out in the internal Board evaluation report, which included the following:

Theme	2023 actions
Purpose and strategy	<ul style="list-style-type: none">Include an annual review of purpose embedding at the Board.Review format of future strategy sessions to include discussion on longer term trends.
Board focus and priorities	<ul style="list-style-type: none">Set Board objectives for 2023.Chairman and Chief Governance Officer and Company Secretary to review agendas in 2023 and encourage discipline in Committee Chair reporting and paper lengths.
Engagement with business and stakeholders	<ul style="list-style-type: none">Review mechanisms for Board engagement with the executive talent pipeline and ensure all CEO-1/2 successors have some form of exposure to the Board during the year.Explore opportunities for the Board to meet in/visit regional hubs.

Implementation of the 2022 Board evaluation action plan will be overseen by the Group Nominations and Governance Committee during 2023.

2022 Board Committee evaluations – outcomes and actions

Details of the outcomes of the 2022 Board Committee evaluations can be found in the relevant Committee Chair reports. Progress against these actions will be tracked at Committee level during 2023.

2022 Individual director and Chairman effectiveness reviews

The Chairman met each director individually to discuss their own performance and continuing professional development and establish whether each director continues to contribute effectively to the company’s long-term sustainable success. The Chairman also shared peer feedback provided by directors during the evaluation. Separately, the Senior Independent Director, together with the Senior Independent Director of the ring-fenced bank, sought feedback on the Chairman’s performance from the non-executive directors, executive directors and other key internal and external stakeholders and discussed it with the Chairman. This included peer feedback provided by directors during the evaluation.

4. Audit, risk & internal control

Information on how the company has applied the Principles and complied with the Provisions set out in this section of the Code can be found throughout the Annual Report and Accounts. The following sections are of particular relevance:

- the Group Audit Committee report (page 108) which describes the completion of an external audit tender and sets out the process undertaken to evaluate the effectiveness of both the Internal Audit function and the external auditors and the principal findings thereof. It also explains the approach taken to ensuring the integrity of financial and narrative statements and confirms that it supports the Board in the

- assessment of NatWest Group’s disclosures to be fair, balanced and understandable;
- the viability statement (page 68) which details how the Board has assessed the future prospects of NatWest Group plc and the ways in which risks are considered and managed in order to achieve its strategic objectives;
- the Compliance report (page 168), which explains the internal control framework in place and how the Board monitors and reviews the company’s risk management and internal control systems; and
- the Group Board Risk Committee report (page 117) which explains how the Board oversees the principal and emerging risks facing NatWest Group and how management addresses these.

The Board regularly assesses the company’s emerging and principal risks in a variety of ways including through consideration of the risk management report. Details of the company’s principal risks, procedures in place to identify Top and Emerging Threats, and how these are being managed or mitigated, can be found on pages 64 to 67 (Risk overview) and pages 176 to 283 (Risk and Capital Management).

5. Remuneration

The Directors’ remuneration report on pages 138 to 167 provides information on the activities of the Group Performance and Remuneration Committee, the decisions taken on remuneration during the year and why the Committee believes these are the right outcomes in the circumstances. The report also details how the remuneration policy for executive directors supports the delivery of the company’s strategic goals and purpose, with significant delivery in shares to provide long-term alignment with shareholders. Information is also included on wider workforce remuneration including our approach to providing fair pay.

Report of the Group Nominations and Governance Committee



**Letter from Howard Davies,
Chair of the Group Nominations and Governance Committee**

Dear Shareholder,

As Chairman of the Board and Chair of the Group Nominations and Governance Committee, I am pleased to present our report on the Committee's activity during 2022.

Role and responsibilities

The Committee is responsible for reviewing the structure, size and composition of the Board, and membership and chairmanship of Board Committees and recommends appointments to the Board. In addition, the Committee monitors NatWest Group's governance arrangements to ensure that the best corporate governance standards and practices are upheld and considers developments relating to banking reform and analogous issues affecting NatWest Group. The Committee makes recommendations to the Board in respect of any consequential amendments to NatWest Group's operating model.

The terms of reference of the Committee are reviewed annually, approved by the Board and are available at natwestgroup.com.

Principal activity during 2022

The Committee supports the Chair in keeping the composition of the Board and its Committees under regular review. The Committee reviews and recommends to the Board a skills matrix which is used to map the skills and experience of individual directors and ensure that the Board's collective skill-set remains appropriately balanced and aligned to current and future strategic priorities. The matrix is also used to identify any gaps and opportunities to enhance the collective balance of skills through additional recruitment to the Board.

Following the Committee's review of the skills matrix and noting the tenure of a number of non-executive directors, the Committee supported implementation of the Board's succession plans by overseeing the search for two new non-executive directors during 2022.

A subset of the Board's membership selected Audeliss to support a comprehensive candidate search with diversity and inclusion considerations at the forefront of the search criteria. The Committee held a number of discussions on potential candidates as the search progressed, assessing the credentials of each candidate against the qualities and capabilities set out in the role specification agreed by the Committee. Following a formal, rigorous and transparent process the Committee recommended two candidates to the Board for appointment.

On 1 October 2022 Roisin Donnelly was appointed to the Board as a non-executive director. On 16 December 2022 NatWest Group announced that Morten Friis intends to stand down from the Board with effect from the close of business on 31 July 2023, shortly after reaching the ninth anniversary of his appointment. At the same time, it was announced that Stuart Lewis would join the Board as a non-executive director and member of the Group Board Risk Committee on 1 April 2023. Subject to regulatory approval, Stuart will be appointed as Chair of the Group Board Risk Committee on 1 August 2023. Both Roisin and Stuart bring extensive skills and experience to their roles and the Board looks forward to benefitting from their valuable and important contributions.

During 2022 the Committee also reviewed the contribution of a number of serving Board members under the board appointment policy which sees non-executive directors appointed for an initial three-year term, subject to annual re-election at the AGM. Following assessment by the Committee, they may then be appointed for a further three-year term. Non-executive directors may continue to serve beyond six years, subject to a maximum tenure of nine years. The tenures of the Chairman and non-executive directors are set out on page 93.

In addition to reviewing the structure, size and composition of the NatWest Group plc Board, the Committee has also continued to oversee work aimed at further enhancing NatWest Group's subsidiary governance framework. A number of our material regulated subsidiaries made appointments to their boards during 2022, which the Committee has overseen. Spencer Stuart and Green Park have both been engaged during the year to support NatWest Group's subsidiary board search activity. The firms are members of the retained executive search panel of suppliers (managed by NatWest Executive Search). Spencer Stuart also provide leadership advisory and senior executive search and assessment services to the People & Transformation function within NatWest Group.

During the year the Committee continued to monitor NatWest Group's governance arrangements to ensure that they remain appropriate by reference to best practices in corporate governance (having regard to relevant legislation, guidelines, industry practice and developments affecting NatWest Group in the markets where it operates).

During 2022 the Committee considered a number of external policy developments and the impacts on NatWest Group's corporate governance framework, including changes to the Listing Rules and Disclosure and Transparency Rules introduced following the FCA's review of diversity and inclusion on company boards and executive committees.

Membership and meetings

Throughout the majority of 2022 the Committee comprised the Chairman of the Board and four independent non-executive directors. Lena Wilson joined the Committee on 24 September 2022, when she succeeded Robert Gillespie as Chair of the Group Performance and Remuneration Committee. Robert remained a member of the Committee until he stood down from the Board on 15 December 2022. Graham Beale also observes meetings of the Committee in his capacity as Senior Independent Director of NWH Ltd and member of the NWH Ltd Nominations Committee. The Committee holds a minimum of four meetings per year and meets on an ad hoc basis as required. In 2022, there were four meetings. Individual attendance by directors at these meetings is shown in the table on page 91.

Performance evaluation

The 2022 review of the effectiveness of the Board and its senior Committees was conducted internally in 2022 by the Chief Governance Officer and Company Secretary. The Committee has considered and discussed the outcomes of the evaluation and accepts the findings, more information on which can be found on page 104. Overall, the review concluded that the Committee's responsibilities had been discharged effectively with no material recommendations being identified for action. The Committee will continue to ensure that the full Board is appropriately sighted on the work of the Committee, including Board succession planning that will continue to be a key priority for the Committee during 2023.

The outcomes of the evaluation have been reported to the Board and the Committee will track progress during the year.

Boardroom inclusion policy

As noted on pages 93 and 102, the Board operates a boardroom inclusion policy which reflects NatWest Group's values, its inclusion guidelines and relevant legal or voluntary code requirements. The policy currently applies to the most senior NatWest Group boards: NatWest Group plc, NWH Ltd, NWB Plc and RBS plc. A copy of the boardroom inclusion policy is available at natwestgroup.com.

Objectives and targets

The boardroom inclusion policy's objectives ensure that the Board, and any Committee to which it delegates nomination responsibilities, follows an inclusive process when making nomination decisions. That includes ensuring that the nomination process is based on the principles of fairness, respect and inclusion, that all nominations and appointments are made on the basis of individual competence, skills and expertise measured against identified objective criteria and that searches for Board candidates are conducted with due regard to the benefits of diversity and inclusion.

Page 168 confirms NatWest Group's approach to Provision 17 of the Code which sees oversight of succession plans for senior management positions and the development of a diverse pipeline for succession reserved as a matter for the full Board. Pages 48 to 49 contain more information on how NatWest Group is creating a diverse, equitable and inclusive workplace, including (in relation to Provision 23 of the Code) the gender balance of senior management and their direct reports.

Monitoring and reporting

Throughout 2022 the Board met the recommendation of the Parker Review with at least one member of the Board being of an ethnic minority background and it intends to continue to meet that recommendation.

At the end of 2022 the Board exceeded the FTSE Women Leaders Review target of 40% female Board representation by the end of 2025, with 45% of the Board being female.

Diversity and inclusion progress, including information about the appointment process, will continue to be reported in the Group Nominations and Governance Committee's report in the NatWest Group plc Annual Report and Accounts.

The balance of skills, experience, independence, knowledge and diversity on the Board, and how the Board operates together as a unit, is reviewed annually as part of the Board evaluation. Where appropriate, findings from the evaluation will be considered in the search, nomination and appointment process.

Howard Davies

Chair of the Group Nominations and Governance Committee
16 February 2023

Report of the Group Audit Committee

‘Our objective was to run a competitive audit tender through a process that is fair and transparent for those firms participating with minimal disruption to NWG during this period.’



**Letter from Patrick Flynn,
Chair of the Group Audit Committee**

Dear Shareholder,

I am pleased to share with you details of how the Group Audit Committee (The Committee or GAC) discharged its responsibilities and its key areas of activity in 2022. It has been another busy year and I would like to thank my fellow Committee members for their contributions, in particular Robert Gillespie who stood down from the Committee at the end of the year. The Committee also appreciated the views of Graham Beale and Ian Cormack, who are non-executive directors and Audit Committee members of NatWest Holdings and attend GAC meetings in an observational capacity.

The Committee’s primary purpose is to oversee and challenge management’s approach to the preparation of financial results and relevant non-financial disclosures. This includes considering existing and new accounting policies, scrutinising standards of internal control and their efficacy and reviewing the disclosures each quarter prior to release. More detail on the remit of the Committee can be found in its terms of reference which are reviewed annually and are available at natwestgroup.com.

Interrogating the quarterly releases of financial and relevant non-financial information continued to be a priority for the GAC in 2022. This included consideration of relevant reports from management on the judgements applied during the preparation of the information and legal and regulatory developments.

Consideration was also given to management’s assessment of the internal controls over financial reporting and how those controls might be developed and also applied to other areas of NatWest Group’s activities. The Committee also received reports from the internal audit function on the internal control environment and the external auditors on internal controls over financial reporting and key accounting and judgemental matters.

As the economic recovery following the COVID-19 pandemic continued during 2022, it was evident that new macroeconomic challenges were emerging, including the rising cost of living and supply chain issues. As such the Committee agreed with management that post model adjustments to expected credit losses would be required throughout the year although the composition evolved during that time.

A major focus of the Committee and management in 2022 was the tender for the external audit. Detailed consideration was given to the timing of this process, and it was determined appropriate to accelerate it to ensure a competitive process and provide management with clarity for potential consultancy engagements. Following consideration of the responses received, and presentations from the responding firms to management and to the Committee, the appointment of PwC as auditors of NatWest Group from 2026 was recommended to the Board. Further details can be found on page 109. The Committee has been satisfied with the performance of the current auditors, EY, throughout the firm’s tenure.

I have continued to fulfil the role of whistleblowers’ champion for NatWest Group, receiving regular updates on the efficacy of the whistleblowing framework, themes in reports made by colleagues via the systems and monitoring the outcomes of the most pertinent cases. The Committee continued to hold responsibility for oversight of the independence, autonomy and effectiveness of NatWest Group’s whistleblowing policies and procedures. It is pleasing that colleague awareness of how to raise concerns remained high in 2022. A refreshed communications campaign during the year linked to NatWest Group’s new values and purpose further helped to embed a culture where colleagues feel able to raise any concerns via the whistleblowing framework.

Membership

Full biographical details of the members of the Committee during 2022 are set out on pages 86 to 89. The members are all independent non-executive directors who also sit on other Board committees in addition to the GAC (as set out in their biographies). This common membership helps facilitate effective governance across all finance, risk and remuneration matters and ensures that agendas are aligned, and duplication of responsibilities is avoided.

Members of the GAC are selected with a view to the expertise and experience of the Committee as a whole and with proper regard to the key issues and challenges facing NatWest Group. As NatWest Group plc is a listed company on the London and New York stock exchanges it has certain obligations as to the expertise and qualifications of the Group Audit Committee. The Board is satisfied that all GAC members have recent and relevant financial experience and are independent as defined in the SEC rules under the US Securities Exchange Act of 1934 (the ‘Exchange Act’) and related guidance. The Board has further determined that Patrick Flynn, Mark Seligman and, during his tenure as a member of the Committee, Robert Gillespie are all ‘financial experts’ for the purposes of compliance with the Exchange Act Rules and the requirements of the New York Stock Exchange, and that they have competence in accounting and/or auditing as required under the Disclosure Guidance and Transparency Rules.

Meetings and visits

Five scheduled meetings of the Committee were held in 2022, four of which took place immediately prior to the release of the financial results each quarter. One ad hoc meeting was also held, to consider management’s preliminary assessment of half-year out-turn on expected credit losses at H1 2022. During the year all members attended the meetings, the majority of which were held in person. All meetings were also attended, in an observational capacity, by the two non-executive directors of NatWest Holdings who are members of that entity’s Audit Committee.

In conjunction with the Group and NWH Board Risk Committee (BRC) and the NWH Audit Committee, the GAC undertook its annual programme of visits to control functions. Constructive and insightful discussions were held with members of management from the Risk, Internal Audit and Finance teams.

Performance evaluations

In 2022 the annual review of the effectiveness of the Board and its senior Committees, including the GAC, was conducted internally by the Chief Governance Officer and Company Secretary. It was determined that the GAC had continued to operate effectively during 2022, meeting its statutory duties. The outcomes of the evaluation were considered by the Committee and subsequently reported to the Board. The key area for focus related to improved discipline on the papers presented to the Committee. The GAC will monitor progress during 2023. The Committee is satisfied it fulfilled its terms of reference throughout the year.

The Committee continued to monitor the performance of the external auditor and the Internal Audit function in 2022. Formal assessments were undertaken at the end of the year via an internal process and the Committee reviewed summaries of the feedback provided by relevant stakeholders. Progress made to address the recommendations of the previous year’s evaluations was welcomed.

Patrick Flynn

Chair of the Group Audit Committee
16 February 2023

External audit tender

Our objective was to run a competitive audit tender through a process that is fair and transparent for those firms participating with minimal disruption to NWG during this period.

- **April 2022** – discussed the benefits and disadvantages of accelerating the timescales for the external audit tender, which would be required to be undertaken by 2024 at the latest. Further information was requested on the potential participants, the impact on existing and planned consultancy work, and the proposed selection criteria used in a tender.
- **June 2022** – it was agreed that the audit tender process should be accelerated to ensure the best availability of firms able to respond. The market was informed of the decision to commence the process, in line with regulatory requirements.
- **June 2022** – the process commenced with firms invited to participate in the tender; three statements of intent were received from firms with one firm unable to provide a team which would meet NatWest Group’s requirements.
- **July/August 2022** – management supported the supplier evaluation, capability and independence assessments, interviews held with key members of management, and deep dives into specific areas of capability.
- **Mid-September 2022** – management panel sessions held.
- **End of September 2022** – final presentations by firms to GAC members. The Committee then deliberated on its recommendation to the Board
- **October 2022** – Key factors in assessing firms included: the understanding of NatWest Group; the quality of the engagement team; the capability of the firm, with a focus on data and digitisation capabilities; the quality of the audit approach; the availability to the engagement team of suitable global resources to meet NatWest Group’s requirements; independence; and value add. Having considered the scoring criteria, key factors, input and observations from the Committee and from the presentations themselves, the Committee recommended to the Board that PwC be appointed as NatWest Group’s External Auditor for the financial period ending 31 December 2026, subject to shareholder approval.

Financial and non-financial reporting

The GAC considered a number of accounting judgements and reporting issues in the preparation of NatWest Group’s financial results throughout 2022. The Committee reviewed the quarterly, interim and full year results announcements, the annual reporting suite of documents and other principal financial and non-financial releases for recommendation to the Board for approval. This included the disclosures required by the TCFD and the ESG Disclosures Report. Consideration was given to the controls surrounding the preparation of these releases.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Expected credit losses	To review and challenge management’s judgements in relation to credit impairments and the underlying assumptions, methodologies and models applied, and any post-model adjustments required. To also consider the impact of macro-economic risks on the credit environment	The GAC focused on the key assumptions, methodologies and post-model adjustments applied to provisions under IFRS 9. While economic uncertainty persisted in 2022, the causes pivoted from the post-pandemic recovery to rising inflation and cost of living. As the macro-economic environment developed during the year it was clear that it would not be possible to adopt a net release of IFRS 9 provisions in the year. The provisions relating to the COVID-19 pandemic were replaced by those of a similar quantum for economic uncertainty. This was considered to be the most appropriate course of action given the uncertainty, and an environment of rising interest rates not experienced in recent times. Industry benchmarking data continued to be helpful to the Committee and informed its considerations. The Committee recognises that post-model adjustments should be limited to considerations beyond model capability and so sought from management confirmation of the criteria which would need to be satisfied to enable their release. In addition, the circumstances in which the underlying scenarios used to model expected credit loss provisions would be revised to reflect significant economic uncertainty were discussed in October 2022 with a full refresh undertaken in advance of the 2022 year-end process. The Committee will continue to scrutinise the application of post-model adjustments in 2023.
Treatment of goodwill	To consider the treatment of goodwill throughout the year and ensure the carrying value was appropriate and suitable disclosures were made.	The Committee supported management’s view that it was not necessary to undertake an out of cycle reassessment of goodwill during 2022. Following discussion and challenge, the Committee was satisfied that goodwill remained recoverable throughout the year, and that appropriate disclosures were included in the financial releases. Goodwill was retired as a significant accounting judgement at the end of 2022 as a result of improved projections which result in an impairment being considered unlikely.
Valuation methodologies	To consider valuation methodologies, assumptions and judgements made by management.	The GAC considered valuation methodologies and assumptions for financial instruments carried at fair value and scrutinised judgements made by management on a quarterly basis throughout 2022.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Provisions and disclosures	To consider the level of provisions for regulatory, litigation and conduct issues throughout the year.	The Committee reviewed the levels of provisions during the year for regulatory, litigation and conduct matters, and was satisfied these were appropriate. Three new provisions were taken during the year all relating to conduct matters, one in relation to the mortgage repayments by UBIDAC customers, one in relation to issues in respect of orphaned wills and another for the remediation of historic lifetime mortgage products.
Viability statement and the going concern basis of accounting	To review NatWest Group’s going concern and viability statements.	The GAC considered evidence of NatWest Group’s capital, liquidity and funding position and considered the process to support the assessment of principal risks. The GAC reviewed the company’s prospects in light of its current position, the identified principal, and emerging risks (including climate risk) and the ongoing macro-economic developments such as supply chain challenges and rising inflation. FRC guidance and reviews of peer disclosures were considered as part of the preparation of the viability statement for NatWest Group. The Committee recommended both the going concern assessment and viability statement to the Board. (Refer to the Report of the directors for further information).
Fair, balanced and understandable	To oversee the review process which supports the Committee and Board in concluding that the disclosures in the Annual Report and Accounts and other elements of the year-end reporting suite of documents, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company’s position and performance, business model and strategy.	The Committee oversaw the review process for the year-end disclosures which included: central coordination and oversight of the Annual Report and Accounts and other disclosures led by the Finance function; review of the documents by the Executive Disclosure Committee prior to consideration by the GAC; and a management certification process of the year-end reporting suite. The Committee considered whether the annual, interim and quarterly disclosures met the UK Corporate Governance Code requirements to be ‘fair, balanced and understandable’. It concluded each time that the releases satisfied the necessary criteria. The external auditor also considered the fair, balanced and understandable statement as part of the year-end processes and supported NatWest Group’s position.
Climate-related Disclosures Report and ESG Disclosures Report	To review the principal non-financial disclosures made by NatWest Group and to ensure appropriate controls are in place to support the preparation of the information. These disclosures include the annual Climate-related Disclosures Report and the ESG Disclosures Report. In 2022 the Committee also reviewed the initial iteration of our Climate transition plan disclosure.	<p>The Committee remained focused on the controls which support the non-financial disclosures to ensure that they remained appropriate and robust. The GAC noted that the controls were aligned with the controls in place for financial disclosures.</p> <p>The GAC discussed and provided feedback on both the Climate related disclosures report, which incorporated climate transition plan information, and the ESG Disclosures Report for 2022. A significant area of discussion related to NatWest Group’s dependency on external factors in order to achieve its Climate ambition and how this aligned to best practice disclosure.</p>

Systems of internal control

Systems of internal control relating to financial management, reporting and accounting issues is a key area of focus for the Committee. In 2022 it received reports throughout the year on the topic and evaluated the effectiveness of NatWest Group’s internal control systems, including any significant failings or weaknesses.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Sarbanes-Oxley Act of 2002	To consider NatWest Group’s compliance with the requirements of section 404 of the Sarbanes-Oxley Act of 2002.	<p>The Committee received interim updates on the status of the bank’s internal controls over financial reporting throughout 2022 enabling it to monitor progress and support management’s conclusion at the year end. The Committee continues to receive updates from management on control deficiencies that arise during the year, including those around expected credit losses and value in use calculations that remain open at the year-end. The Committee monitored the plans and transition to more automated preventative key controls.</p> <p>The Committee also reviewed the process undertaken to support the Group CEO and Group CFO in providing the certifications required under sections 302, 404 and 906 of the Sarbanes-Oxley Act of 2002.</p>
Regulatory and financial returns	To review the controls and procedures established by management of NatWest Group for compliance with regulatory and financial reporting requirements.	<p>As part of management’s ongoing work to strengthen the financial reporting control environment in 2022, the Committee received updates at each scheduled meeting as to the progress achieved to implement the findings of the industry-wide skilled person’s review of regulatory returns. It encouraged management to ensure delivery remained in line with the planned timetable and was pleased with the positive progress during the year.</p> <p>The Committee received regular updates on the 2021 event affecting two securitisation structures which was identified during 2022. A particular focus of the Committee’s discussions was on the review of the end-to-end framework and the work undertaken to strengthen associated controls.</p>
Control Environment Certification	To consider the control environment ratings of the businesses, functions and material subsidiaries and management’s actions to ensure that the control environment is maintained or strengthened.	The Committee received bi-annual reports on the Control Environment Certification, which were supplemented by the views of the second and third lines of defence. The Committee was pleased to note that the overall Control Environment strengthened during 2022 as the Financial Crime Return to Appetite Plan delivered against key milestones.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Early event escalation	To monitor control incidents captured by the internal event escalation process.	<p>The Committee received bi-annual updates on the volumes and nature of the most significant control incidents escalated via the internal early event escalation process and any common themes. The early event escalation process was introduced at the start of 2022, replacing the previous Group Notifiable Event Process (GNEP). Simultaneously the impact classification matrix was revised in line with current risk appetite. The reliance on manual processes and controls was a significant cause of events in 2022, which the Committee noted with concern. The work to introduce greater automation into the bank’s key processes is ongoing and the Committee encouraged this to be completed promptly. It was noted that the creation of the payments Centre of Excellence and the appointment of a senior executive to lead work would improve controls in this area.</p> <p>All Board directors were alerted to the most significant events throughout the year.</p>
Whistleblowing	To monitor the effectiveness of the bank’s whistleblowing policies and procedures. The Committee Chair is also the whistleblowers’ champion for NatWest Group.	<p>The GAC monitored the effectiveness of the bank’s whistleblowing process and received updates on the volume of whistleblowing reports and any common themes. The Committee noted the output of Internal Audit’s annual review of the whistleblowing process, which had focused on controls over the management of whistleblower detriment in the Speak Up framework, and the adequacy of detriment training provided to colleagues. The findings were broadly positive with certain areas identified for enhancement which will be progressed by management, with the Committee’s support.</p> <p>The GAC Chair acts as NatWest Group’s Whistleblowers’ Champion, in line with PRA and FCA regulations, and meets regularly with the whistleblowing team. There is appropriate escalation of matters to the Board and dissemination of information to the principal subsidiaries to ensure a coordinated approach across the bank.</p>
Legal and regulatory reports	To note material legal investigations (current and emerging) and any impacts on financial reporting; and to monitor the bank’s relationship with relevant regulatory bodies including the FCA and PRA.	The Committee received quarterly reports detailing new and existing major investigations and litigation cases. The Committee considered provision levels and the impact on each quarterly financial results disclosure and was satisfied in both respects. The Committee also received updates on ongoing regulatory investigations, current and future areas of regulatory focus and the nature of the relationships with the primary regulators.
Other standards of control	In addition, the Committee receives regular updates on matters pertinent to NatWest Group’s standards of internal control.	<p>The Committee received an update on the bank’s tax position and discussed matters including tax provisioning levels, significant provided and unprovided tax risks and deferred tax assets.</p> <p>The GAC reviewed the disclosure on internal control matters in conjunction with the related guidance from the Financial Reporting Council.</p>

Internal Audit

The GAC is responsible for overseeing the Internal Audit function, monitoring its effectiveness and independence.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Quarterly opinions	To consider periodic opinion reports prepared by Internal Audit on the overall effectiveness of the governance, risk management and internal control framework, current issues and the adequacy of remediation activity.	The Committee received quarterly opinion reports from Internal Audit, setting out the function's view of the overall effectiveness of NatWest Group's governance, risk management and internal control framework, current issues and the adequacy of remediation activity. Internal Audit also outlined material and emerging concerns identified through their audit work. Internal Audit reported a continued steady strengthening of the bank's control environment over the course of the year. The function continued to assess and report on the implementation of significant programmes, such as the Financial Crime remediation work, which was welcomed by the Committee. The increased use of quantitative metrics to support Internal Audit's conclusions was also welcomed by the Committee. The Committee monitored the development of audit report ratings and timeliness of issue resolution. The Committee considered the IA opinion of the strength of the control environment.
Annual plan and budget	To approve Internal Audit's annual plan and budget prior to the start of each year as well as any significant changes required during the year.	The Committee considered and approved Internal Audit's 2022 plan and budget at the end of 2021. The Committee supported the planned focus of work on the most high-risk areas for the bank, and welcomed the flexible approach adopted by the Internal Audit management in the event of new or emerging risks or requests for audit work during the year. The 2022 budget was consistent with the prior year, reflecting the delivery of efficiencies in the function. In December 2022, the Committee approved Internal Audit's 2023 plan and budget.
Internal Audit Charter and independence	To approve the Internal Audit Charter each year and review the independence of the Chief Audit Executive (CAE) and function as a whole.	The GAC reviewed and approved the Internal Audit Charter which was consistent with prior years. The Committee noted the Independence Statement and confirmed the independence of Internal Audit.
Performance/evaluation	To monitor and review, at least annually, the effectiveness of Internal Audit.	<p>In 2022 the CAE continued to report to the GAC Chair with a secondary reporting line for administrative purposes to the Group CEO. This is consistent with prior practice and industry guidance.</p> <p>The GAC assessed the annual performance (including risk performance) of the function and CAE. The 2022 evaluation of the Internal Audit function was carried out internally, and it is expected an external audit quality assessment will be performed in early 2023. For the purposes of the 2022 evaluation, stakeholders across the bank, including the GAC members, attendees and the external auditors were invited to provide feedback, identifying areas of particular strength and those for enhancement. The overall findings were positive, and the Internal Audit function was found to be operating effectively with opportunities to improve bench-strength and to focus activity on emerging areas of focus for NatWest Group. Progress will be overseen by the GAC in 2023.</p>
Visit	To undertake an annual deep dive session with members of the Internal Audit leadership team.	Together with the BRC, the GAC participated in a successful deep dive session with Internal Audit's management team. A variety of issues impacting the function were discussed, including: succession planning and bench-strength; talent and mobility; functional priorities; and the impacts of increased automation and use of technology in audits.

External audit

The GAC has responsibility for monitoring the independence and objectivity of the external auditor, the effectiveness of the audit process and for reviewing NatWest Group's financial relationship with the external auditor and fixing its remuneration. Ernst & Young LLP (EY) has been NatWest Group's external auditor since 2016, following a tender process carried out in 2014. In October 2022, the Committee recommended that PwC be appointed as NatWest Group's auditor from 2026.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
External audit reports	To review reports prepared by the external auditor in relation to NatWest Group's financial results and control environment.	The Committee received quarterly reports on the review-related work and conclusions of the external auditor. The reports included EY's view of the judgements made by management, compliance with international financial reporting standards and the external auditor's observations and assessment of effectiveness of internal controls over financial reporting.
Audit plan and fees	To consider the scope and planning of the external auditor in relation to the audit of NatWest Group. It is also authorised by the shareholders to fix the remuneration of the external auditor.	<p>The GAC reviewed EY's 2022 plan. It welcomed the external auditor's focus on innovation, as well as the intention to utilise a data-leveraged approach to the audit.</p> <p>In line with the authority granted to the Committee by shareholders at the 2022 Annual General Meeting (AGM) to fix the remuneration of the external auditor, the GAC approved the audit fees for the year including the fee for the 2022 interim results. The Committee received confirmation from the external auditor that the fees were appropriate to enable delivery of the required procedures to a high quality. Management also committed to continuing to support the external auditor in minimising costs associated with the audit.</p>
Annual evaluation	To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration all relevant professional and regulatory requirements.	The evaluation of the external auditor's performance in 2022 was undertaken to assess the independence and objectivity of the external auditor and the effectiveness of the audit process. The GAC members, attendees, finance directors of customer businesses and functions, and key members of the Finance team were consulted as part of the evaluation. Stakeholders were invited to assess the external auditor's independence, engagement, provision of robust challenge, bench-strength and reporting. The evaluation concluded that the external auditor was operating effectively and with objectivity. Key strengths included fresh perspectives provided following partner rotation and the technical strength of the audit. Improvement areas included junior staff capabilities, continued enhancement of written reporting and providing additional external benchmarking and market insight.
Audit partner	To oversee the lead audit partner and resolution of any points of disagreement with management.	Micha Missakian has been EY's lead audit partner for NatWest Group since February 2021. He attended all meetings of the Committee in 2022 and met in private session with the Committee members twice during the year. This provided the external auditor an opportunity to raise any points of disagreement with management. No such points were raised by the external auditor in 2022.
Additional reports prepared by the external auditor	To review reports prepared by the external auditor in relation to NatWest Group.	During 2022 the Committee considered the results of the external auditor's assurance procedures on compliance with the FCA's Client Asset Rules for NatWest Group's regulated legal entities for the year ended 31 December 2021 and received the outcome of EY's written auditor report to the PRA under supervisory statement SS1/16 for the year ended 31 December 2022. EY also presented the findings of their audit of the Climate-related Disclosures Report and ESG Disclosures Report to the GAC.

Matter	Role of Committee and context of discussion	How the Committee addressed the matter
Non-audit services	To review and approve, at least annually, NatWest Group’s policy in relation to the engagement of the external auditors to perform audit and non-audit services (the policy).	All audit and non-audit services are approved by, or on behalf of, the Committee to safeguard the external auditor’s independence and objectivity. The GAC reviewed and approved NatWest Group’s non-audit services policy in 2022. Under the policy, all audit-related services and permitted non-audit service engagements are approved by the GAC with updates presented to each scheduled meeting. Where the fee for a non-audit service engagement is expected to exceed £100,000, a competitive tender process must be held; where the fee is anticipated to be £250,000 or more approval of all GAC members is required. For fees under £250,000, work can be approved on an interim basis by the GAC Chair, subject to subsequent ratification by the next scheduled GAC meeting. The policy permits the external auditor to undertake engagements which are required by law or regulation or which relate to the provision of comfort letters in respect of debt issuance by the NatWest Group, provided prior approvals are in place in accordance with the policy. The policy also allows NatWest Group to receive services from EY which result from a customer’s banking relationship, provided prior approvals are in place in accordance with the policy. All such approvals are subsequently reported to the GAC. During 2022, the Committee did not approve any significant non-audit engagements (where the fees exceeded £100,000) to be undertaken by the external auditor. The audit to non-audit fee ratio for 2022 was 15%. Further details of the non-audit services policy can be found at natwestgroup.com. Information on fees paid in respect of audit and non-audit services carried out by the external auditor can be found in Note 6 to the consolidated accounts.

Report of the Group Board Risk Committee



Letter from Morten Friis, Chair of the Group Board Risk Committee

Dear Shareholder,

I am pleased to present my third and final report as Chair of the Board Risk Committee (the Committee or BRC).

This report describes how the BRC has fulfilled its role overseeing and advising the Board in relation to current and potential future risk exposures and risk profile; and in overseeing the effectiveness of risk management frameworks. In carrying out this important role, the Committee helps to ensure that NatWest Group is purpose-led in its decision-making, building long-term value in the business. More detail on the remit of the Committee can also be found in its terms of reference which are reviewed annually and available at natwestgroup.com.

During 2022, the Committee ensured its time was prioritised to focus on oversight of NatWest Group’s principal and emerging risks. Financial crime has remained a key area of focus and the Committee has been pleased to see significant progress towards a return to appetite. Other areas of focus have included model risk remediation activity; oversight of implementation of risk management framework improvements, particularly the Risk and Control Self-Assessment (RCSA) roll-out; oversight of the effectiveness review of the Risk function, which included the evolution of the risk management strategy; and a wide range of operational risk matters. Risk management across NatWest Group has continued to be an

‘BRC has helped to ensure that NatWest Group is purpose-led in its decision-making through its oversight of risk management frameworks and in overseeing and advising the Board on both current and potential future risk exposures.’

area of regulatory focus and BRC has played a key role in overseeing and challenging progress in this regard. Emerging priorities during the year included Consumer Duty requirements, data, cloud hosting risk and payments technology and architecture. Additionally with the volatile geopolitical and economic environment, BRC devoted significant time to the impact of the external economic environment on NatWest Group’s risk profile. It is expected that these will continue to be areas of focus in 2023 as NatWest Group drives towards return to appetite in a number of areas, implements changes to meet regulatory expectations, and continues to respond to the external economic environment and cost of living pressures.

Further information on key topics considered during the year and areas of focus and challenge by the Committee is provided on the following pages.

I would like to thank my fellow Committee members for their continued commitment, support and challenge during what has been an unpredictable and eventful year, and throughout my tenure as BRC Chair.

Morten Friis
Chair of the Group Board Risk Committee
16 February 2023

Membership

BRC comprises four independent non-executive directors. The details of the members and their skills and experience are set out on pages 86 to 89. Robert Gillespie stepped down as a member of the Committee when he stepped down from the Board on 15 December 2022. I would like to thank Robert for his long-standing commitment and contribution to the Committee.

Patrick Flynn is chair of the Group Audit Committee of which I am also a member. Lena Wilson is chair of the Group Performance and Remuneration Committee (RemCo). This common membership helps to ensure effective governance across the committees.

Regular attendees at BRC meetings include: the Group Chairman, Group CEO, Group CFO, Group CRO, Group Chief Legal Officer and General Counsel, Group Chief Audit Executive, and the External Auditor. External advice is sought by the Committee where appropriate.

Francesca Barnes joined NWH Ltd’s BRC in September 2022. Francesca, Graham Beale and Ian Cormack attended Committee meetings as observers in their capacity as members of NWH Ltd’s BRC. Meetings of the Group and NWH Ltd’s BRCs share much of a common agenda and are generally run in parallel.

Meetings and visits

There were eight scheduled meetings of the Committee held in 2022. Six of the eight meetings were held in person, with the remaining two meetings held virtually during the year. Details of meeting attendance can be found on page 91.

Outside formal meetings, the Committee met with the Risk Leadership Team and held additional sessions to consider improvements to the risk management report and the development of the risk management strategy. Dinners were arranged to discuss the Retail strategy from a risk perspective and to consider the operation of the Committee. Members of the Group and the NWH Ltd BRCs also undertook a programme of visits to the Risk, Internal Audit and Finance functions, in conjunction with members of the Group and the NWH Ltd Audit Committees.

Performance Evaluation

Throughout the year the Committee acted in accordance with its terms of reference. The annual review of the effectiveness of the Board and its senior Committees, including BRC, was conducted internally in 2022. The PRA also conducted a review of the BRC.

The Committee held a dedicated session to discuss its performance. The session was structured around a number of themes: focus and priorities; reporting and operating rhythm; committee effectiveness and culture and dynamics. The Committee agreed that it was operating effectively and believed it discussed all principal and emerging risks and challenged management appropriately. The Committee suggested that there needed to be continued focus on prioritising agendas to try to reduce the volume of papers and to allow sufficient time for discussion. Continued improvement in the quality of papers and timeliness of data presented to the Committee was also desired. These will be areas of focus for 2023.

Principal areas of Board Risk Committee focus in 2022

The table below describes the Board Risk Committee’s principal areas of focus in 2022, alongside key outcomes and stakeholders considered.

Theme	Principal areas of Board Risk Committee focus	Outcomes
Financial crime	<p>Oversight of the management and return to appetite of financial crime risk, which continues to be a principal risk for NatWest Group.</p> <p>Quarterly updates were presented from all three lines of defence. These included progress updates on return to appetite plans, transformation and emerging risks/issues.</p> <p>Additionally, the Committee considered the Money Laundering Reporting Officer’s (MLRO’s) report^(*) and the enterprise-wide financial crime risk assessment.</p> <p>The Group CRO reported on the financial crime risk profile and remediation progress at each meeting.</p>	<p>Throughout the year, the Committee challenged management on return to appetite timetable, adequacy of resource and external support, and the pace of transformation and remediation to protect customers by driving improvements in financial crime. This included interrogating any differing views among the three lines of defence on confidence in the return to appetite timeframe.</p> <p>Additionally, in anticipation of the return to appetite the Committee ascertained from management the level of funding required to maintain risk appetite and the evolution of financial crime risk to ensure that threats were monitored and mitigated effectively. The Committee acknowledged the significant progress on financial crime made during the year, which was supported by all three lines of defence.</p>
Model risk	<p>BRC maintained close oversight of management activity to return to appetite for model risk through quarterly detailed updates, including the development, validation, and submission of Internal Ratings Based models for regulatory approval. In intervening months, updates were given via the risk management report.</p>	<p>The Committee closely monitored the number of models that had been revised, enhanced or removed due to changes in the external environment. It held management to account on return to appetite plans and challenged and agreed proposed recalibration of the model risk appetite measures to take account of regulatory approvals. It sought to understand model risk appetite breaches and resultant actions. It asked for comfort on resource contention, particularly from a technology perspective to ensure model risk was appropriately prioritised.</p>

(*) Reviewed by BRC in line with the Committee’s role to review reports and regulatory submissions on behalf of the Board and recommend them for approval.

Theme	Principal areas of Board Risk Committee focus	Outcomes
Risk function oversight and risk management strategy	BRC monitored the effectiveness of the Risk function, including the self-assessment undertaken by Risk supported by independent review and validation by the Internal Audit function. The Committee oversaw the development of a risk management strategy across all three lines of defence.	<p>Whilst the Risk self-assessment concluded that the Risk Function was materially effective and met regulatory expectation, a number of improvements were identified by both Risk and Internal Audit assessments. The Committee requested that a combined action plan with detailed milestones was developed, and progress updates provided to the Committee to ensure that continued improvements were delivered at pace. These updates were discussed by the Committee, and as necessary management were held to account on progress and timelines.</p> <p>The Committee provided detailed feedback on the risk management strategy to ensure it was appropriately aligned with NatWest Group strategy and relevant to all three lines of defence.</p>
Enterprise-wide Risk Management Framework (EWRMF) embedding (including risk appetite and RCSA activity)	<p>The EWRMF is NatWest Group's primary risk management and risk governance document providing a framework for NatWest Group's overall approach to managing risk. The EWRMF is approved annually by the Board following the Committee's recommendation. The Committee considers EWRMF implementation to be vital to NatWest Group's robust risk management and control framework. BRC monitored the effectiveness of the risk management framework, including the development of RCSAs.</p> <p>Further details can be found in the Risk and capital management section of the report on page 178.</p>	<p>The Committee requested regular updates on embedding of EWRMF, particularly implementation of the RCSA process which included detailed oversight of achievement of milestones, ensuring that anticipated benefits were delivered in the control environment and that lessons learned from the initial pilots were incorporated into subsequent assessments. Internal Audit's year end review concluded that while some improvements were needed, the RCSA programme had made good progress on delivery and that RCSA activity overall was driving better risk awareness and understanding of the end-to-end process.</p> <p>The annual review of the EWRMF was presented to the Committee in December 2022. It was recommended to the Board for approval and was supported by Internal Audit's review of EWRMF, which stated that, overall, it was a comprehensive framework.</p> <p>The Committee oversaw the refresh of both qualitative risk appetite statements and the quantitative risk appetite measures in line with the EWRMF. Additionally, it monitored the risk profile of NatWest Group relative to risk appetite. The Committee provided feedback to ensure that the measures met regulatory expectations and were robust.</p> <p>The Committee challenged management to ensure risk appetite limits and triggers were set appropriately, with changes made to the proposed limits and triggers as a result. In particular, the Committee was keen to ensure that risk appetite for NatWest Markets was appropriate.</p> <p>The Committee received specific spotlights on all principal risks during the year and approved principal risk policies in respect of those risks under Board delegated authority.</p> <p>Internal Audit also reviewed the Risk Appetite Framework, concluding that this was a comprehensive risk framework, while recommending improvements to support the consistent use and setting of operational limits.</p>

Theme	Principal areas of Board Risk Committee focus	Outcomes
Risk profile and reporting	Time was spent at every BRC meeting reviewing NatWest Group's current and future risk profile relative to risk appetite, with a particular focus on the impact of economic pressures experienced by customers and colleagues, and scrutinising management's actions to monitor and control exposures. Oversight included a detailed analysis of NatWest Group's risk profile, including the UK and global economic outlook, principal and emerging risks and threats, and NatWest Group's performance against risk appetite at each of its meetings via risk management reports.	<p>The Committee continued to seek further improvements to the format and content of the risk management report throughout 2022, with detailed feedback provided by the Committee to improve the timeliness of information reported and the manner in which the information was presented in order to highlight key messages and to enhance the level of opinion provided by the Risk function. Updates implemented included more detail on actions being taken to mitigate principal risks, progress on implementation of the EWRMF and RCSAs, actions to address findings from the risk effectiveness self-assessment, credit risk and the Commercial Real Estate portfolio. It is expected that this work will continue into 2023 to leverage benefits from ongoing transformation activity regarding risk and finance data.</p> <p>BRC continued to focus on principal and emerging risks and the strategic impact of these. The impact of Russia's invasion of Ukraine, including impacts to the economy, and the cost-of-living pressures affecting our customers and our colleagues was a key element of discussions throughout the year. Particular focus was given to the credit, conduct, Consumer Duty, and reputational aspects of both these risks and how these were managed from a risk perspective. In addition, a reputational risk spotlight focused on the effectiveness of the reputational risk framework with a spotlight on the cost-of-living crisis.</p> <p>Other key areas of focus included financial crime and model remediation; regulatory compliance and conduct issues; operational and change risk. Reports on legal and regulatory developments and litigation risks were considered at each meeting.</p> <p>Quarterly reports were received from the Chairs of the management risk committees of the franchises and the board-level risk committees of material regulated subsidiaries providing an overview of issues being overseen and a channel for escalation of issues. The Chairs of the Board Risk Committees of material regulated subsidiaries were invited to join meetings throughout the year, providing updates on key areas of focus.</p>

Theme	Principal areas of Board Risk Committee focus	Outcomes
Transformation/ Major Change programmes	BRC maintained oversight of the delivery of NatWest Group's transformation and change programme and its position relative to risk appetite, including oversight of red and amber-rated programmes.	<p>The Committee requested updates on specific programmes reporting red and challenged how interdependencies between programmes were managed and monitored and how strategic risks were being managed.</p> <p>BRC also challenged management on slippage of Objectives and Key Results (OKRs), and the unequal distribution of milestones across the year. A proposed Change Risk profile measurement methodology change was challenged by the Committee but ultimately supported following the provision of additional rationale. The Committee also received an update on the management of UBI DAC withdrawal risks as part of the withdrawal from the Republic of Ireland.</p>
Conduct and regulatory compliance risk (including Consumer Duty and ring-fencing compliance)	<p>The Committee reviewed changes to risk appetite measures and received regular updates on the conduct and regulatory compliance risk profile, the elements driving the elevated conduct and compliance risk profile (both internally and externally) and actions being taken to return to appetite.</p> <p>A spotlight on conduct and regulatory compliance highlighted the steps being taken to embed regulatory compliance within the risk operating model across NatWest Group and in response to the FCA's Consumer Duty expectations through leveraging NatWest Group's purpose.</p>	<p>The Committee supported the Board in overseeing management's progress in addressing Consumer Duty requirements through detailed review of the implementation plan prior to approval by the Board. It was acknowledged that timelines were challenging and there was significant work to do during 2023. To ensure progress was being monitored, the Committee requested a detailed milestone plan to implementation which it was agreed it would track closely. The Committee also sought assurance from management on appropriate funding and resource.</p> <p>The Committee was informed of management's approach to support the Board ring-fencing compliance attestation due in March 2023 and progress towards delivering the attestation.</p>

Theme	Principal areas of Board Risk Committee focus	Outcomes
Operational risk, operational resilience, and cyber security	<p>Operational risk has been a key area of focus for BRC throughout the year. It received regular updates on NatWest Group's operational risk profile and risk appetite, with a particular focus on operational resilience, manual controls and information and cybersecurity.</p> <p>The annual spotlight on operational risk considered improvements made to the operational risk framework and oversight of change risk.</p> <p>The Committee considered the operational resilience self-assessment^(*) in detail prior to approval by the Board, with important business services and associated impact tolerances operating as the foundation for the assessment.</p> <p>In addition, separate updates on information security were reviewed and BRC dedicated time to the consideration of cyber risk, the external threat landscape, the action being taken by management in response, and the results of the 2022 Cyber Stress test^(*) in which NatWest Group participated.</p>	<p>Given the number of operational risk related incidents and regulatory focus, the Committee requested additional detailed updates on operational risk performance and trends.</p> <p>The information and cybersecurity spotlight included consideration of any increased threat from Russia following the invasion of Ukraine. Additionally, BRC received updates on the results of a full scan of NatWest Group's data centres and remediation activity carried out on Log4J vulnerabilities.</p> <p>The Committee requested a further update in respect of end of life systems and received assurance from management on the risk posed to NatWest Group, the sufficiency of investment, and how it compared to peers.</p> <p>Manual controls are a key area of concern for the Committee and the Committee requested an update on the management of manual controls and actions to reduce the number of manual controls was provided. The Committee will continue to receive information on the elimination of manual controls and drive to automation and requested that updates be included in every risk management report.</p> <p>The Committee queried the operational risk profile given recent payments issues and asked that consideration be given to whether risk appetite measures were appropriate. The Committee received assurance from management that an end-to-end review of payments technology and architecture was being undertaken.</p> <p>Given the extensive competition for talent and cost of living crisis, the Committee considered how people risk was being managed and mitigated across NatWest Group.</p>

(*) Reviewed by BRC in line with the Committee's role to review reports and regulatory submissions on behalf of the Board and recommend them for approval.

Theme	Principal areas of Board Risk Committee focus	Outcomes
Data management and BCBS239	Data is an emerging area of focus for the BRC and it received reports on the data management risk profile, including the activity underway to transform data consumed by Risk and Finance functions for risk and regulatory reporting purposes and to respond to issues identified as part of an industry-wide data thematic review.	<p>The Committee received regular updates on compliance with BCBS239, challenging management on its approach to assessment of NatWest Group’s compliance status. Changes to the Risk Data Aggregation & Reporting Framework were reviewed and approved by the Committee under Board delegated authority.</p> <p>The Committee continues to have concerns on the timeliness and accuracy of some data and requested sight of plans to improve the risk reporting processes, particularly through the Risk and Finance Data Transformation Programme. The Committee asked to see regular updates on progress against programme milestones. An update on the programme was discussed at a joint BRC/GAC visit to Finance in December 2022 and will continue to be an area of focus.</p>
Outsourcing and third party risk management	BRC maintained oversight of NatWest Group’s outsourcing and third party risk management to facilitate oversight of the identification and management of third-party related risks. In particular, the Committee focussed on the Cloud Hosting strategy and management of related risks.	<p>BRC discussed changes in Board accountabilities for Outsourcing following the publication on SS2/21. The Committee challenged management regarding how their approach satisfied regulatory expectations and requested further updates to the third-party risk management dashboards and policies which facilitated oversight of the identification and management of third-party related risks. The Committee requested clarification of the delineation of responsibilities between the Board and Executive and challenged management on its assessment of exit planning, including timings. In addition, the Committee recommended the outsourcing policies for Board approval.</p> <p>The Committee also considered the Cloud Hosting strategy which had been approved by management and received updates on management’s response to the findings of a benchmarking review of NatWest Group’s Cloud Hosting strategy compared to peer banks. The Committee considered the enhancement of risk appetite measures in relation to cloud hosting and the Committee requested that the proposed future approach to concentration risk be considered in response to Committee concerns. The Committee has requested further detail on NatWest Group’s transition to the cloud.</p>

Theme	Principal areas of Board Risk Committee focus	Outcomes
Financial and Strategic risks	<p>Regular monitoring of principal financial and strategic risks is a pivotal part of BRC’s role both via routine risk reporting and via regular focused reports.</p> <p>BRC completed a detailed review of capital, funding and liquidity requirements and also reviewed capital distribution proposals prior to Board consideration.</p> <p>BRC received separate updates in respect of the retail and wholesale credit risk portfolios in addition to reporting on credit and market risk within the risk management report. The Committee also received updates on the Commercial & Institutional (ring-fenced bank) credit portfolio and credit decisions made by the Executive Credit Group. Further spotlights were considered in respect of traded and non-traded market risk.</p>	<p>Credit and market risk – These updates provided insight into the sources of the risk, including asset quality, risk management approach and risk appetite, controls as well as testing and monitoring activity undertaken. The Committee challenged whether the level of the BRC’s oversight of traded market risk was appropriate and whether capabilities were comparable to peers. This resulted in traded market risk stress limits being revised and external insight from EY being provided. The Committee also questioned management on the measures being put in place to support customers in difficulties due to the cost of living crisis, including problem debt preparedness and monitoring for signs of stress. The Committee received regular status updates and assurances from management that a pro-active approach was being taken across NatWest Group and that there were sufficient resource levels in the customer services teams.</p> <p>ICAAPs, ILAAPs and Budget and Risk Appetite Stress Tests^(*) – The Committee reviewed and recommended to the Board the scenarios to be used during 2023 for the budget process, IFRS9 management and for the monitoring of the risk profile relative to the approved Risk Appetite. BRC considered the budget and budget stress test as well as the ILAAP and ICAAP for the NatWest Group and recommended them to Board for approval. It supported Risk and Internal Audit improvement recommendations which will be incorporated in 2023 submissions.</p> <p>Capital distributions – The Committee provided detailed review of proposals to increase capital distributions to shareholders prior to approval by the Board, including an in-market buy-back and payment of a special dividend with consolidation features, following the improved projected capital position of NatWest Group. The Committee reviewed and recommended initial proposals for year-end capital distributions to the Board ahead of final approval in February 2023.</p> <p>The Committee challenged management on the appropriateness of reducing the level of capital held above regulatory supervisory levels, the manner in which capital would be deployed over the plan, and the level of anticipated future capital distribution. The Committee recommended the Capital Management Enhancement Plan to the Board for approval and had oversight of its delivery which would be required to support 2022 year-end capital distributions.</p> <p>Climate risk – The Committee considered the Climate Biennial Stress Test Results Round 2^(*) (CBES 2) in detail prior to Board approval. Following the embedding of climate risk into the existing EWRMF, BRC received a spotlight on climate risk which considered the status of franchises and functions against maturity plans and embedding of the Climate Risk framework together with feedback from the PRA on CBES2. The continued challenge to achieving NatWest Group’s climate ambition and maintaining its position versus peers was discussed.</p>

(*) Reviewed by BRC in line with the Committee’s role to review reports and regulatory submissions on behalf of the Board and recommend them for approval.

Theme	Principal areas of Board Risk Committee focus	Outcomes
Stress testing, recovery plans and the resolvability self-assessment	BRC reviewed in detail the stress testing activity undertaken by management to identify and monitor risks and threats.	Stress testing scenario – Stress testing scenarios used to monitor and measure risk profile have been kept under close review by the Committee given the significant changes to the external environment and the importance of capturing the range of outcomes NatWest Group needs to be prepared for. Management responded quickly to the impact of the Russia/Ukraine conflict providing the Committee with updated scenarios to reflect the range of potential risk and uncertainties posed. BRC considered the stress scenarios to be used for monitoring a moderate, severe and extreme stress, including for the 2023 Bank of England Annual Cyclical Scenario (ACS) Stress Test and recommended the same to the Board for approval.
	BRC also monitors and challenges the development of plans which would allow NatWest Group to be dealt with effectively in the event of financial failure.	Bank of England stress tests — BRC challenged and scrutinised the outputs of the 2022 Bank of England Annual Cyclical Scenario (ACS) Stress Test ^(*) and recommended it to the Board. Overall, the results showed that NatWest Group remained within risk appetite and remained above regulatory thresholds in all stress scenarios, which the Committee noted reflected strong capital and risk management by NatWest Group. The Committee questioned management on the results, focusing particularly on ensuring that the results and the methodology met regulatory expectations. The Committee sought clarity on the Prudential Regulation Authority’s views of the credit submission. Recovery Plan – BRC performed a detailed review of changes to the NatWest Group Recovery Plan ^(*) prior to approval by the Board. The Committee noted the mature process now in place and improvements that had been implemented in the past year. It was acknowledged that NatWest Group had adequate capacity and capabilities in a recovery scenario. Resolvability self-assessment – The Committee reviewed the Resolvability self-assessment ^(*) and recommended the final submission to the Board for approval. The Committee discussed market disclosure requirements and future reporting requirements. It considered management’s response to regulatory feedback on the Resolvability self-assessment particularly the Board’s role in resolution, and was keen to understand how NatWest Group compared to peers. BRC received updates on resolution planning and retained oversight over material Resolution Programme deliverables to year end, including Operational Continuity in Resolution.

(*) Reviewed by BRC in line with the Committee’s role to review reports and regulatory submissions on behalf of the Board and recommend them for approval.

Theme	Principal areas of Board Risk Committee focus	Outcomes
Control environment	BRC continued to monitor the effectiveness of internal controls required to manage risk and was provided with updates regarding the control environment ratings of NatWest Group, franchises, functions, services, and legal entities.	Particular areas of focus were in respect of financial crime, model risk, operational risk and data risk. The Committee received regular updates on trends in Early Escalation Events and management focus on the culture of escalating issues timeously. The Committee reviewed and supported management’s report on the effectiveness of internal controls required to manage risk. BRC received updates on Intelligent Risk Taking as a fundamental pillar within the One Bank culture. This included an update on the development of further guidance regarding expected behaviours including examples. The Committee continuously challenged progress towards a CE2 rating as it came through in a number of discussions through the year. The Financial Crime CE rating was a particular area of focus.
Accountability and remuneration	BRC continued to provide oversight over the risk dimension of performance and remuneration arrangements, as well as accountability review recommendations, working closely with RemCo.	Remuneration – The risk and control goals of the NatWest Group Executive Committee members and relevant attendees (ExCo) were considered by the Committee, with particular focus on ensuring alignment with regulatory expectations. These were recommended to RemCo, together with the individual performance goals for the Group Chief Risk Officer. In addition, the Committee considered the risk and conduct performance of ExCo and made recommendations to RemCo regarding risk related adjustments to variable pay, including annual bonus awards, the grant of relevant Restricted Share Plan awards and vesting of the 2020 Long-Term Incentive awards, thereby ensuring fair reflection of risk and conduct performance in variable pay award and vesting outcomes. More generally, the Committee considered and recommended to RemCo adjustments to NatWest Group’s bonus calculation to reflect NatWest Group’s risk and conduct management performance. Remuneration policy – The Committee conducted its annual review of the Material Risk Taker identification process. In addition, the Committee commissioned a review of its role in the NatWest Group’s remuneration governance framework. The review concluded that, whilst the Committee’s involvement in performance and remuneration arrangements is in line with both regulatory expectations and UK peer banks, improvements were required to the format and content of remuneration-related materials presented to the Committee. Improvements are underway and will remain a focus in 2023. Accountability – The Committee continued its oversight of regulatory reportable events, other material investigations and resultant accountability review recommendations, ensuring the appropriateness of these recommendations from a risk perspective. Further detail on how risk is considered in remuneration decisions can be found in the Report of RemCo from page 138.

Report of the Group Sustainable Banking Committee



Letter from Mike Rogers,

Chair of the Group Sustainable Banking Committee

Dear Shareholder,

I am pleased to present my fifth and final report as Chair of the Group Sustainable Banking Committee (the Committee or SBC).

Delivering against the purpose-led strategy

The Committee continued to support the Board in overseeing, supporting and challenging actions being taken by management to run the bank as a sustainable business, capable of generating long term value for stakeholders. This included playing an important role in overseeing progress and performance against NatWest Group’s purpose-led strategy on behalf of the Board. This year our agendas and discussions have reflected the challenging external environment, both economic and regulatory, and how it is impacting our stakeholders as well as our sustainable business model.

In response to feedback arising from the 2021 performance evaluation and working together with the management team, we have worked to drive action and effect change in the areas within our remit.

2022 Highlights

We held several spotlight sessions throughout the year, covering the pillars of our purpose (climate, learning and enterprise), as well as customer, people and culture, and conduct and ethics. The views of internal and external stakeholders were sought wherever possible and meeting time was prioritised towards meaningful debate and discussion.

Membership, Meetings and Escalation

There were no changes to the Committee’s membership during 2022. Membership of the Group Sustainable Banking Committee continued to comprise three non-executive directors as members, with two non-executive directors from NatWest Group’s ring-fenced bank Board observing, along with management attendees. More details of membership and attendance of the Committee can be found in the Corporate Governance report.

‘This year our agendas and discussions have reflected the challenging external environment and how it is impacting our stakeholders as well as our sustainable business model.’

The Committee continues to hold five meetings per annum and reports to the Board on the Committee’s activities after each meeting, escalating matters for the Board’s attention as appropriate. An ad hoc meeting was scheduled in 2022 to revisit Climate transition plan progress including management actions raised ahead of consideration by the Board. The Committee operates under delegated authority from the Board and its terms of reference are available on natwestgroup.com. These are reviewed annually and approved by the Board.

Performance evaluation

The annual review of the effectiveness of the Board and its senior committees was conducted internally in 2022. It was determined that the Committee continued to operate effectively and have in-depth discussion on areas of critical importance to the purpose and long-term sustainability of NatWest Group. It was suggested that the structure of meetings be re-visited to receive more frequent updates on key matters, including emerging issues and not be duplicative with other forums. The Committee is keen for its discussions to be useful for management whilst driving further action.

In 2023 the Committee will look to ensure the areas considered by the Committee continue to add value to the Board and management, with well structured, forward-looking, customer-focused and strategic discussions. Challenging views and a diverse range of insights will continue to be sought to support the 2023 meetings.

The Committee operated within its terms of reference during the year. In July, the Committee’s terms of reference were broadened to incorporate environmental (including biodiversity, forests and water) oversight to help promote the topic within the Board-level governance framework and this will be an area of focus in 2023.

Conclusion

The Committee has continued to effectively support the Board in overseeing progress on the embedding of purpose, which will drive NatWest Group as a sustainable business generating long-term value for stakeholders. We have continued to benefit from a broad range of internal and external stakeholder perspectives, to better understand how NatWest Group’s actions are supporting our customers, colleagues and society.

I would like to take this opportunity to thank everyone who has contributed to the Committee’s activities during 2022 and throughout my tenure as Committee Chair, including my fellow directors, attendees, and presenters, for their commitment and dedication.

Mike Rogers

Chair of the Group Sustainable Banking Committee
16 February 2023

Below are the key discussion points and outcomes for 2022.

Theme	Principal areas of Committee focus	Outcomes
Climate and broader environmental progress	<p>The Committee discussed climate change action and progress across the broader environmental agenda. This included updates on the challenge faced, new initiatives, carbon measurement, and a detailed discussion on climate transition sector plans. The Committee welcomed representatives from an external asset management firm to share their views on NatWest Group’s climate and ESG progress and to help promote investor voices in the boardroom.</p> <p>The Committee reviewed NatWest Group’s Environmental, Social and Governance rating performance and key themes arising in relation to this.</p> <p>The Committee considered steps being taken and analysis of the current position on decarbonising the bank’s supply chain to support efforts to achieve NatWest Group’s net zero ambition in relation to its own operations. The work emphasised how purpose is embedded in NatWest Group’s whole eco system. Further updates will be provided as implementation continues.</p>	<p>Discussion and challenge focused on:</p> <ul style="list-style-type: none">Decision-making: We discussed management governance and the role of the Climate Executive Steering Group and Reputational Risk Committees in considering challenging decisions. In the context of carbon measurement, it was acknowledged that the process of systematically transforming the organisation will take time;Assurance: We discussed how we as the Board can get comfortable with the underlying data supporting the external disclosure and the assurance activity underway with NatWest Group’s external auditors;Prioritisation & opportunities: We learned more about the sectoral interdependencies and interconnected actions/ opportunities from the management teams involved. The emerging commercial opportunities are also something to factor into our future Board strategy sessions;Policy influencing: Following on from an action raised by the Committee, management presented their policy influencing plan which focused on home energy given the particular challenges felt in that sector.The Committee also sought further detail on sector plan progress ahead of Board discussion and an ad hoc meeting was arranged to address this.

Theme	Principal areas of Committee focus	Outcomes
Customer experience	<p>The Committee considered actions being taken by management to improve customer service and experience across key customer segments. Committee discussion focused on vulnerable customers and problem debt in response to the economic environment and provided an important customer and colleague listening opportunity, as well as a chance to get into the detail on some experimental work.</p> <p>The Committee had a spotlight session on customer journey improvements stemming from complaints data analysis assessed at the Voice of the Customer forum.</p> <p>The Committee also received the annual Internal Audit Behavioural risk review. This provided an overview of the work of the team during the year to understand customer behaviours and outcomes quantitatively, highlighting the good progress made in remediating issues and opportunities to enhance understanding and evidencing.</p>	<p>The Committee agreed that it supported the approach to customer journeys, and explored scaling opportunities and the associated challenges.</p> <p>In the context of the cost-of-living crisis, we were joined by the frontline Financial Health & Support telephony team to listen to real customer calls. Two key challenges discussed with the Financial Health & Support teams were supporting colleagues' mental health and responding to the growing issue of supporting vulnerable customers. The Committee requested further detail on NatWest Group's vulnerable customer strategy, acknowledging the increasing number of customers deemed vulnerable. This became part of wider Board and Executive discussion on Consumer Duty and ensuring that NatWest Group has a sustainable strategy as a relationship bank in a digital world for all customers.</p>
Enterprise	<p>The Committee received updates on how the business supports NatWest Group's ambitions in relation to Enterprise. Progress and future plans for Enterprise were reported to the Committee, including a spotlight on the partnership with Aston University to develop impact-based reporting measures. External insight was also provided from Martin McTague, Federation of Small Businesses.</p>	<p>The Committee discussed both the growth opportunity and challenges in relation to NatWest Group's Enterprise ambitions. The Committee noted the innovative approach presented in relation to measuring impact, which would provide robust analysis and metrics upon which stakeholders could measure NatWest Group. The Committee discussed the challenges around building customer confidence during challenging financial times in the small and medium-sized enterprises market and how partnerships could be used to provide layered support for customers in these circumstances. The Committee encouraged management to focus on how NatWest Group can leverage its products and communicate with customers in an impactful way as a relationship bank in a digital world.</p>

Theme	Principal areas of Committee focus	Outcomes
People, culture and learning	<p>The Committee oversees action taken by management to engage today's workforce and build the workforce for tomorrow. It focused on work being undertaken on talent acquisition; internal mobility and reskilling; and strategic workforce planning for the future. We invited colleagues to join the meeting to provide their experience of upskilling and reskilling.</p> <p>The Committee reviewed progress of the cultural change to building a purpose-led bank through consideration of our colleague survey results and workforce policies and practices, including how our values and purpose are at the centre of our approach to support long term, sustainable success and driving a diverse and inclusive workforce.</p>	<p>The session considered the strategic future for the workforce at a macro level and highlighted the scale and criticality of the people transformation for the organisation in the next three to five years.</p> <p>The changing nature of the mindset and skills of the workforce of the future was discussed. Challenges of attracting talent, recruiting at speed, retaining colleagues and reskilling were all considered. The Committee noted the commitment to supporting colleagues through internal mobility and reskilling and developing the talent pipeline and discussed the scale of the ambition. The Committee requested further detail on the shape and size of programmes in future and noted the inherent risk of dilution of experience and knowledge whilst retaining the organisation's culture as a result of the changing workforce. Strategic workforce plans for the future were outlined and will be considered again at a future meeting once further evolved.</p>

Theme	Principal areas of Committee focus	Outcomes
Conduct and ethics	<p>In support of the Committee’s responsibilities to challenge management on ensuring decisions are purpose-led, the Committee’s session on conduct and ethics focused on the important area of financial wellbeing and work across Retail to support the financial health of customers. Updates on previous Committee discussions on improving the Financial Health Check, branch strategy and branch culture were provided. We were joined by Caroline Siarkiewicz (CEO, Money and Pension Services (MaPS)), who provided external insight and an overview of the MaPS UK strategy for financial wellbeing and current demand and usage levels as a result of macro events such as cost of living pressures.</p> <p>SBC considered NatWest Group’s updated Human Rights Position Statement and Modern Slavery and Human Trafficking Statement and recommended them to Board for approval. The Committee was provided with a comprehensive update on progress on Human Rights.</p>	<ul style="list-style-type: none">Financial wellbeing: The session provided the Committee with a comprehensive update on key activities and actions underway to advance NatWest Group’s approach to financial wellbeing. This included discussion on the future vision of the financial wellbeing proposition and roadmap to deliver, as well as how our colleague, channel and product strategies will support customer wellbeing. The Committee discussed how a more advanced and personalised offering for customers could be achieved through data and online and physical presence and how potential conduct implications could be managed. The importance of helping customers build lasting financial capability habits and how NatWest Group’s tools could support this were examined. External insight highlighted the significance of local and regional collaboration and the Committee suggested consideration be given to NatWest Group’s presence in regional areas to support this. The Committee discussed the number of bodies supporting financial wellbeing and how impact could be scaled through a more coordinated approach.A spotlight on mortgages was provided in the context of the current environment, including the impact of interest rates and end of fixed term rates and the Committee considered the actions being taken to support customers.Human Rights and Modern Slavery: Modern Slavery discussions focused on supply chain and third party contract controls to ensure NatWest Group’s principles are upheld by its suppliers. The Committee noted the progress made in relation to human rights and the challenges faced and actions being taken to drive improvement. Reflecting on ESG benchmarks and ratings, the Committee challenged whether more could be done to ensure NatWest Group’s public disclosures reflect the work undertaken, particularly in relation to social issues.

Theme	Principal areas of Committee focus	Outcomes
Supporting long-term value creation	<p>The Committee received a purpose dashboard at each scheduled meeting allowing it to monitor progress towards our strategic purpose targets and metrics. It had oversight of cost-of-living metrics and actions being taken by management to support our customers, communities and colleagues.</p> <p>The Committee also considered its role in the performance and remuneration process, agreeing it was appropriate for it to continue to provide advice to the Group Performance and Remuneration Committee on customer, strategy and people-related measures, advocating for sustainable targets within the incentive framework.</p> <p>The Committee noted progress made on the UN Principles for Responsible Banking and the target setting requirements, noting that most, but not all, criteria were currently met.</p>	<p>The Committee sought improvements in the presentation of the dashboard to improve clarity. It challenged whether targets were sufficiently ambitious, progress on CMA rankings, and the effectiveness of financial capability targets for improving financial health.</p> <p>The Committee found the costs of living dashboard a useful tool to oversee NatWest Group’s position and monitor the actions being taken. They discussed how customers were being supported in relation to mortgages and future activities in development.</p>

Report of the Technology and Innovation Committee



Letter from Yasmin Jetha,
Chair of the Technology and Innovation Committee

Dear Shareholder,

I am delighted to present my third report as Chair of the Technology and Innovation Committee (the Committee or TIC). TIC is responsible for supporting the Board by overseeing, monitoring, and challenging the actions being taken by management in relation to technology and innovation. In doing so, the Committee also gives due consideration to NatWest Group’s purpose throughout discussions. Authority is delegated to TIC by the Board and a regular report of the Committee’s activities is provided to the Board. The terms of reference are available on natwestgroup.com. These are reviewed annually and approved by the NWG Board.

During 2022, the Committee has played an important role in helping to support and challenge management plans to develop sustainable relationships with our customers through technology and innovation. Below is a summary of the themes and principal areas of focus of the Committee during the year.

Membership and meetings

The Committee is comprised of three non-executive director members, Frank Dangeard, Patrick Flynn, and me. More details of membership and attendance at meetings can be found on pages 86 to 89 of the Governance Report. As agreed, as part of the 2021 Committee evaluation, an invitation to each TIC meeting was extended to all Board members and a number of Board Directors have attended meetings during the year.

‘The Committee has played an important role in helping to support and challenge management plans to develop sustainable relationships with our customers through technology and innovation.’

The Committee is supported by management and the Group CEO, Group CFO, Group Chief Information Officer (previously the Chief Administration Officer), Group CRO, Director of Strategy & Corporate Development and Chief Technology Officer are all standing attendees. External insights were provided through the updates provided by management and through attendance by external guests.

The Committee held four scheduled meetings during 2021. One meeting was convened virtually with three meetings held in person.

Performance evaluation

The 2022 review of the Committee’s effectiveness was undertaken internally. Key findings included a reduction in the number of meetings to three longer meetings each year from 2023; the opportunity for management to make greater use of the Committee as a sounding board; and consideration of how the expertise of the Technology Advisory Board could be leveraged more. It was agreed that these actions would be addressed during 2023. The Committee continued to act in accordance with its terms of reference throughout the year.

Conclusion

I am delighted to chair this Committee as it continues to support the Board in an area core to the Group’s purpose to champion potential, helping people, families, and businesses to thrive.

The Committee’s primary focus is on management plans to leverage changes to future technology, the innovation landscape and its impact on NatWest Group’s purpose to ensure we remain relevant for the future and improve service provided to the customers, colleagues and communities which we serve.

I want to take the opportunity to thank the Committee members and attendees for their continued commitment during 2022.

Yasmin Jetha
Chair of the Technology & Innovation Committee
16 February 2023

Theme	Principal areas of Committee focus	Outcomes
Digitisation of NatWest Group to deliver enhanced customer value	The Committee has considered how the modernisation of our technology is helping us better address customer needs, and improve the health and resilience of our estate.	Modernisation of the technology estate: The Committee was keen to understand how NatWest Group was positioned versus peers. The Committee queried how challenges resulting from internal processes slowing progress on delivery for customers and colleagues would be addressed and encouraged strong linkage to important business services and customer journeys to ensure customer centricity of design for new architecture. A spotlight on a new depository services platform within C&I, which would help protect investors and oversee fund managers, was provided. Open finance: Management explained the approach to driving increased commercialisation of open finance and the Committee discussed the potential size of the opportunity together with how initiatives could be used across the organisation. Leveraging cloud: The Committee discussed NatWest Group’s position versus peer banks, with reference to a Gartner research paper, and how this aligned with regulatory views on NatWest Group’s position. Consideration was given to the potential impact of the entry of large cloud service providers into financial services. Data Strategy: The update considered potential disruption to NatWest Group’s income streams from big technology companies. It also considered the purpose-led approach to the implementation of the data strategy with firm guardrails established to ensure that public trust was not eroded.
	To support this area of focus the Committee received an update on modernising technology and progress made by NatWest Group. In particular on resolving legacy and complexity issues in respect of the architecture, allowing increased agility and responsiveness to customer and colleague needs. This included the use of predictive modelling of customer lifetime value.	
	The Committee also discussed the evolution of open finance from a response to a regulatory requirement to focus on new products, services and revenue streams which leverage the modern architectural patterns used within NatWest Group.	
	A spotlight on the use of the cloud, including how NatWest Group leveraged a variety of hosting environments; and how this would drive competitive advantage was considered. Finally, an update on the data strategy was provided.	

Theme	Principal areas of Committee focus	Outcomes
Powered by partnerships, Ventures and Innovation	<p>The Committee focused on the culture and use of new technology, innovation and partnership, including how we prioritise, partner and work.</p> <p>This included an update on the Ventures portfolio with deep dives on Mettle (our digital banking proposition for small businesses to combine their current account with invoicing, payments and bookkeeping capabilities) and Take Payments formerly Tyl (merchant acquiring) and Paylt (send and receive payments); and a deep dive on NatWest Group’s approach to partnerships.</p>	<p>Ventures: Key areas of discussion included the progress made on the growth ambitions for Take Payments and the launch of the cloud based platform for Mettle. Lessons learned including the level of talent attracted, support from the franchises and funding were considered. Use of NatWest branding for new innovation activity was discussed noting that this was in line with the decision to merge innovation with main business activity.</p> <p>Partnership update: considered how partnerships were being developed, were focused on genuine customer need, and were carried out on a One Bank basis. The culture of partnership working was considered and the Committee sought confirmation that a One Bank approach was taken to prioritisation decisions and allocation of seed funding. Useful external insights and commentary on NatWest Group as a partner were provided by Tim Larder and Dr Matt Wood from Amazon Web Services. The importance of speed in moving from ideation to proof of concept was emphasised and NatWest Group’s position versus peers in the UK was noted.</p>

Theme	Principal areas of Committee focus	Outcomes
Future Ready	<p>The Committee sought to understand the role NatWest Group can play in the value chain and future financial services to stay relevant to customers.</p> <p>This included discussion of the use of technology by the Security team and potential future opportunities to monetise NatWest Group’s services; NatWest Group’s approach to digital assets; and the evolving future landscape and technology trends.</p>	<p>Security, Trust & Protection: The Committee considered how NatWest Group’s position as trusted data custodian could help support customers from a security perspective, particularly customer identity attribute sharing and opportunities to help reduce levels of fraud across the industry. The challenges in progressing initiatives, including the value of industry-wide solutions and legal and regulatory hurdles was discussed. This is an area that will continue to be kept under consideration and investment in future.</p> <p>Digital Assets: The outcome of pilot activity undertaken to test NatWest Group’s appetite to offer digital currencies to a range of customer groups was discussed and the reduced attractiveness of digital currencies following external market developments was noted. The potential broader future use of digital assets and digital ledger technology would continue to be kept under review given the potential impact in future periods.</p> <p>Evolving landscape: the evolving landscape was discussed through consideration of five themes: digital, personal, embedded, safe and secure and polarised. Key areas of discussion included the evolution of AI capabilities and the importance of staying relevant to customers. The Committee recognised the need for safety and security of customer information and the opportunity to assist with technology skills and education for vulnerable customers as important considerations in NatWest Group’s response to the evolving landscape. Following discussion, the Committee requested future updates in respect of how the blurring of the physical and digital worlds might impact financial services and what NatWest Group’s response would be; and sight of NatWest Group’s response to recent regulatory consultations regarding the impact of big technology on Finance and a summary of the activity of other regulators in respect of digital markets.</p>

Directors' remuneration report

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Letter from Lena Wilson, CBE
Chair of the Group Performance and Remuneration Committee

Dear Shareholder,

This is my first report as Chair of the Group Performance and Remuneration Committee having succeeded Robert Gillespie in September 2022. I would like to place on record my sincere thanks to Robert for his considerable contribution to remuneration practices at NatWest Group. Robert steered the committee with great skill and determination through a period of significant transition for the organisation. I have been a member of the committee since April 2020 which has helped to facilitate a smooth handover in our responsibilities.

Supporting our colleagues with the cost of living

I want to begin by acknowledging that, very understandably, the cost-of-living crisis has been a great concern for many of our customers and colleagues. As a committee, we have discussed the impact of this situation at length and the ways in which we can help colleagues through this difficult and unsettling time. Our colleagues are at the heart of our purpose and our aim has been to respond in a sensitive and transparent way, as we have done throughout the COVID-19 pandemic.

As part of the process, we dedicated time to understand the concerns of individuals across the organisation. I have been particularly close to this in the role I held as Chair of the Colleague Advisory Panel. This has given me a deep understanding of our wider workforce practices and how colleagues feel about working for NatWest Group. Our approach to remuneration is that colleagues must be paid fairly for the role they perform and in ways that support our values and culture.

Support for colleagues over the last 12 months

April 2022 – scheduled annual salary review

- 3.6% average increase across our global workforce, our largest investment in pay for over five years.
- Majority of our most junior UK colleagues received at least 4% with 38% receiving 5% or more.

September 2022 – additional targeted action

- c.22,000 of our lowest-paid colleagues globally received a further permanent pay rise.
- UK colleagues earning £32,000 or less received a 4% salary increase and we increased our salary ranges by 4%. This resulted in an average increase of £1,000 for impacted colleagues.
- Our investment in fixed pay in April and September 2022 combined was £115 million per annum, an increase of 85% on 2021.

December 2022 – further support announced

- A one-off cash payment in January 2023 to approximately 60,000 colleagues, worth £1,000 for UK colleagues.
- From April 2023, nearly 90% of our junior UK colleagues (A and B grades) covered by our negotiated pay approach will receive a salary increase of at least 7%, and almost two thirds will receive 8% or more, on top of the £1,000 payment in January.
- Broad parts of the UK workforce, including A to C grade colleagues, will receive salary increases of at least £2,000 and salary ranges have also been improved by 6% or more since September 2022.

This support is in addition to the significant investment in colleagues' learning, development and wellbeing.

Following an extensive data-led review of pay across the organisation, a permanent uplift to base pay of 4% was agreed to support our lower paid colleagues from September 2022. This targeted action was made in consultation with our employee representative bodies and welcomed by many, and was intended to help those colleagues most likely to be affected by the sudden spike in inflation. However, I know that cost-of-living pressures have intensified since then and are being felt broadly across the workforce.

We have sought to build on this action as part of our year-end pay decisions for 2022. In the next stage of our support, we made a one-off cash payment to around 60,000 colleagues (more than 95% of the workforce) in January 2023. We also announced significant salary increases to take place from April 2023 for a broad range of colleagues.

If we look at the year-on-year position, a junior colleague in the UK will typically have received salary uplifts of 4% in both April and September 2022, a one-off payment of £1,000 in January 2023, with a further salary increase of c.7% to come in April 2023. In total this equates to a c.15% salary increase for most A and B grade colleagues. I believe this is a clear demonstration of our determination to invest in colleagues' pay. The lowest starting salary will also rise to £22,000 on a full-time basis, an increase of 16% since April 2022.

NatWest Group has been an accredited Living Wage employer in the UK since 2014 and sets pay levels above the real living wage (RLW) rates. We take a similar approach across our major hubs outside the UK. Following the early announcement of the new RLW rates in 2022, we agreed to immediately increase pay for our colleagues and relevant suppliers ahead of the May 2023 deadline.

In these current extraordinary circumstances, we know that it is impossible to entirely insulate colleagues from inflationary pressures. However, we believe the actions we have taken will deliver a significantly improved and competitive level of pay in all our markets. We engaged again with our employee representative bodies and I am delighted that the latest proposal was supported by their members in the ballot.

Our decisions aim to balance the current economic context and managing our long-term cost base with business performance and our need to pay fairly and retain critical market skills. It was important that we recognised the squeeze in living standards and the dedication of colleagues in delivering strong performance during a turbulent year.

Other support for the wider workforce

Financial wellbeing is vitally important and colleagues are supported with access to pension and protection products, shopping discounts, support with budgeting and help with managing debt. Over 20,000 colleagues contribute to Sharesave each month. Sharesave is available to 97% of colleagues, with participants across the UK, Ireland, India and Poland, and is particularly popular with our more junior colleagues. It provides an opportunity for colleagues to benefit from increases in the NatWest Group share price with limited risk, encouraging financial capability and aligning their interests with shareholders.

Another way that we champion the potential of colleagues is by providing extensive development opportunities and dedicated learning days. During 2022 we extended this to give each colleague two days to learn new skills for the future. There is also a comprehensive wellbeing programme, supporting a range of mental health and financial health initiatives.

I am also very proud of our new Partner Leave policies, promoting a shared approach to caring and helping growing families to thrive. The policies introduce the same pay and leave entitlements as local Maternity and Adoption Leave policies for eligible fathers and partners to share the caring responsibilities.

Pay gap reporting

We are making good progress in building a diverse, equitable and inclusive workplace and the committee reviews gender and ethnicity pay gap metrics as part of the process. This is the fifth year that we have published ethnicity pay gap information on a voluntary basis. For the first time, we have disaggregated our ethnicity pay gaps to compare Black, Asian, mixed and multiple and minority ethnic average hourly pay to that of White colleagues.

We are confident that our colleagues are paid fairly and policies and processes are kept under review to make sure this continues to be the case. You can find full details of our pay gap reporting in the Strategic report and at natwestgroup.com.

How we assess performance

Our purpose-led strategic priorities are communicated to all colleagues. The performance goals and measures agreed for the executive directors flow through to the executive management team, adjusted as appropriate to reflect individual areas of responsibility. The remuneration construct agreed for executive directors also applies to members of the NatWest Group and NWH Executive Committees.

This alignment at senior level is continued with performance goals and measures cascading further through the organisation, providing consistency in approach across the workforce. Performance against these goals and targets is directly linked to performance ratings and variable pay decisions at an individual level, and the business-level assessments are reflected in performance adjustments to the bonus pool.

Performance highlights for 2022

In a difficult macroeconomic environment, NatWest Group has demonstrated resilience and performed strongly in 2022. Income has grown, reflecting increased lending in key areas and the impact of base rate increases. In assessing the performance of the executive directors, we made a downward adjustment for the material changes in the base rate against our assumptions for the year. The adjustment was made so that management did not benefit from the element of performance that we deemed to be outside their control. Our capital distribution plan has continued to deliver good value for shareholders and we are well placed to invest for growth and provide the support our customers need.

Performance highlights

Income growth

26.15%

2021: 0.25%

Attributable profit

£3,340 million

2021: £2,950 million

RoTE

12.3%

2021: 9.4%

Climate and sustainable finance and funding

£24.5 billion

2021: £17.5 billion

Shareholder returns through dividends and buybacks

£5.1 billion

2021: £3.8 billion

Bonus pool for the wider workforce

The bonus pool is based on a balanced range of strategically important measures, including financial performance, customer outcomes, colleague experience and diversity, risk and progress against our climate and purpose ambitions. The bonus pool was determined in the context of strong financial and capital performance, with the distribution of £5.1 billion to shareholders through buybacks and dividends. The committee agreed a 2022 bonus pool of £367.5 million for those colleagues who are eligible to receive an award.

This is around 23% higher than the 2021 bonus pool, with the increase largely the result of strong performance, an increase in the number of bonus-eligible colleagues and the fact that last year's bonus pool was materially reduced to reflect the fine imposed by the FCA on National Westminster Bank Plc in 2021 for past breaches of the Money Laundering Regulations 2007.

Remuneration policy for executive directors

We obtained approval for a new directors' remuneration policy (the Policy) at our 2022 AGM. The Board was delighted with the strong level of support from shareholders, with around 93% of votes in favour. The final form of the Policy reflected feedback received from shareholders including a preference to reduce committee discretion in assessing performance.

Our previous Policy differed in a number of ways to traditional practice, with no annual bonus and a unique long-term incentive construct that delivered significantly reduced quantum compared to peers. As disclosed in last year's report, we considered shareholder guidelines that normally expect an appropriate discount, of at least 50%, to be applied when introducing restricted share plan (RSP) awards compared to a traditional LTIP. The committee was satisfied that the move to the RSP is aligned with the spirit of the guidelines as it delivers more than a 50% reduction when the RSP is compared to traditional LTIPs envisaged by the guidance.

Under the new Policy, annual bonus awards, with formulaic, weighted measures and purpose-led targets, are complemented by RSP awards that support longer-term performance and shareholder alignment. The Policy addresses our need for a more market-facing and competitive pay construct that still supports prudent risk management. The Board remains very aware of the importance of recognising good performance and the need to attract and retain highly talented colleagues.

Greater performance-related pay results in expected compensation rising, with the increase being phased over two years given this is a significant change. For 2022, the first year of the Policy, expected compensation rose 10% for the CEO and 4% for the CFO. A further increase for performance year 2023, the second year of the transition, will result in NatWest Group moving closer to, but still below, the average expected compensation levels paid by other major UK banks.

Strategic KPIs in annual bonus awards for 2022	Further information
Financial (60%)	The performance assessment against the bonus targets for 2022 is summarised on page 142 and set out in full on page 153. Details of how performance was considered for the 2022 RSP awards can be found on page 157.
Return on Tangible Equity	
Income growth	
Cost reduction	
Medium-term capital target	
Strategic ⁽¹⁾ (35%)	
Climate	
Customer	
Purpose, culture and people	
Enterprise and capability	
Personal (5%)	
CEO and CFO performance	

(1) ESG priorities are incentivised through the Climate, Purpose, culture and people, and Enterprise and capability elements of the scorecard.

A risk modifier also applies, enabling risk performance to be assessed and awards reduced, potentially to zero.

Remuneration outcomes for 2022

2022 was a strong year for the business and these results were directly reflected in remuneration outcomes. In the first year of the Policy, maximum bonus awards were limited to 85% of salary and RSP awards were limited to 125% of salary. The assessment of performance against the scorecard resulted in proposed awards for the CEO and CFO of 67.76% and 64.26% of maximum opportunity respectively. The committee considered this to be a fair reflection of an impressive performance, noting that the majority of targets were met or exceeded. While people and culture scores had deteriorated slightly, this was expected in the current macro environment and scores remain very strong compared to market norms.

The committee also approved that RSP awards would be granted at maximum as satisfactory performance had been achieved over the year prior to award. The vesting of the RSP awards will be subject to assessment against pre-determined criteria that take into account whether sustainable performance has been delivered over the three years after grant.

Long-term incentive (LTI) awards granted in 2020

LTI awards were granted to both executive directors in March 2020. Prior to the awards being granted to the CEO and CFO, reductions of 22% and 27% respectively were applied to the maximum award as a result of the pre-grant performance assessment over 2019. In December 2022, we considered whether anything had come to light since the grant which would change our original view of performance.

The outcome of the pre-vest assessment was that there had been no material deterioration in financial, customer, risk and culture performance since grant. Therefore, a sustainable level of performance had been achieved and no further adjustments were necessary under the pre-vest test.

2020 LTI shares	Maximum	Granted	Due to vest
Alison Rose	1,131,488	881,679	881,679
Katie Murray	881,679	646,565	646,565

Looking ahead

How we reward and support colleagues will remain under the spotlight for some time, given the macroeconomic headwinds and competitive market for the best talent. We will continue to monitor the impact of the cost-of-living crisis on the workforce and look to balance the needs of all our stakeholders through our oversight of performance and remuneration. Our approach is founded on rewarding colleagues in a fair, sustainable and transparent way.

With this in mind, and to support the refreshed strategy announced in February 2023 and new financial plan, the committee has approved a new Sharing in Success scheme to award colleagues NatWest Group shares. The scheme is intended to recognise one bank behaviours, drive a performance culture with purpose-led outcomes and further align colleagues with our strategic direction.

Since 2017, all A grade and most B grade junior colleagues have received fixed pay only which provides protection from pay volatility. As our performance has improved, it feels like the right time to recognise the contribution of all colleagues to the bank's success. The scheme will be a welcome addition to our employee value proposition, alongside broader policy enhancements, which will help in light of market competition for talent.

Subject to performance criteria being met over 2023, the first awards will be delivered to colleagues in NatWest Group shares in 2024. Awards will have a maximum value of £1,500 per colleague (adjusted for local salary levels). All colleagues will be eligible under the scheme.

The awards were granted at a time when the true impact of COVID-19 was just beginning to emerge. The committee has considered whether the vesting of these awards could result in a potential windfall gain. Using the methodology that we disclosed in our 2020 Directors' remuneration report, we looked at a range of factors including the LTI grant price against pre COVID-19 levels, the relative share price performance of NatWest Group and waivers and reductions applied to the executive directors' pay in the pre-vest period. The committee was satisfied that, taking all the relevant circumstances into account, no further adjustment for windfall gains was required. Further details on the performance and windfall gains assessment can be found on page 156.

Implementation of the Policy for 2023

In December 2022, we also approved salary increases for the executive directors at 3%, which is less than half of the average salary increase for the global workforce at 6.4%. The increases will apply from April 2023. As the transition period for the Policy has now ended, the maximum bonus opportunity for executive directors in 2023 will be 100% of salary and maximum RSP awards will be 150% of salary. The committee reviewed the 2023 performance measures for annual bonus awards and the underpin criteria for RSP awards, as detailed later in this report, which continue to align with our purpose-led strategy.

From my recent meetings with shareholders, I know that aligning ESG measures with executive directors' remuneration remains a priority area. It is vital that we deliver on our climate and broader societal ambitions. We will continue to use ESG performance metrics for variable pay that are demanding, quantifiable and clearly linked to our strategy.

We also discussed the UK Government's proposal to remove the bonus cap for UK banks, which is currently subject to consultation. The cap limits variable pay to no more than two times the level of fixed pay. NatWest Group has operated within a one-to-one ratio of variable to fixed pay since the regulations came into force in 2014.

The proposal is that, from performance year 2024, it will be up to UK banks to set an appropriate ratio between the fixed and variable components of total remuneration. Over the next year, we will assess any impact for NatWest Group and confirm details in our next report. Importantly, the strict rules relating to deferral, delivery in shares, and malus and clawback will all remain in place.

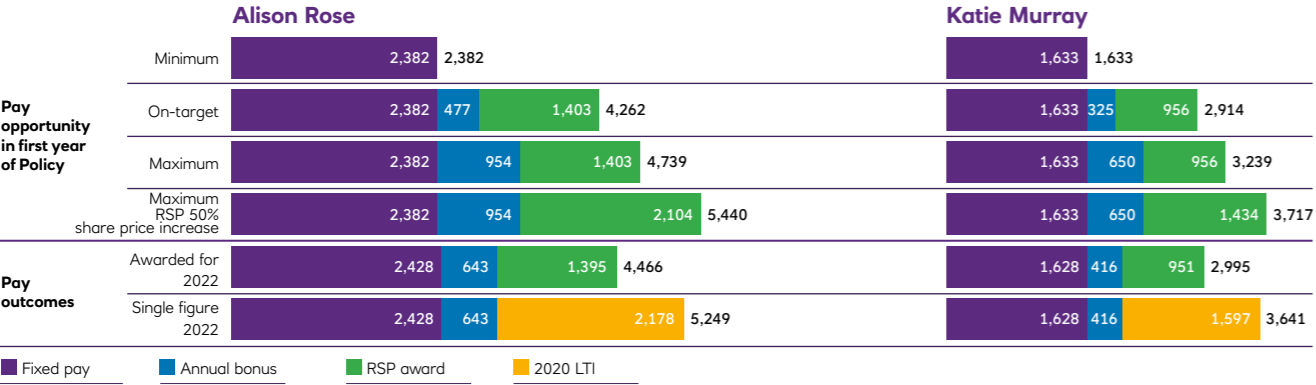
I hope this letter and the information that follows will explain our approach to remuneration for 2022. I am very grateful for the support received from our stakeholders during this process and would also like to thank my fellow committee members for their valuable contribution.

Lena Wilson, CBE

Chair of the Group Performance and Remuneration Committee
16 February 2023

Remuneration at a glance

Executive director remuneration outcomes (£000's)



(1) The charts above show pay opportunity for the first year of the Policy together with two pay outcomes for 2022. On-target opportunity is based on annual bonus awards at 50% of maximum and RSP awards vesting at 100% of maximum. The maximum opportunity is also shown together with the impact of a 50% increase in the share price for RSP awards over the period from grant to vest, in line with disclosure requirements.

(2) The fixed pay awarded differs slightly from that under the Policy opportunity for 2022 due to salary increases applying part way through the year and the inclusion of some benefits where the amounts are not known until year end. Full details of benefits paid for 2022 can be found in the single figure table later in this report. The maximum bonus and RSP outcomes are based on salary earned during the year, which is slightly lower than the Policy opportunity due to the salary change applying part way through the year.

Pay awarded to the executive directors for 2022, including fixed pay, annual bonus and RSP is broadly in line with that expected under the first year of the Policy, with strong performance resulting in above target annual bonus outcomes. The single figure of remuneration, as set out on page 152, includes fixed pay and annual bonus for 2022 along with the estimated vesting value of the LTI award granted in 2020 under the previous Policy. Therefore it is a combination of the new and the old Policy.

Annual bonus scorecard outcome for 2022

	Annual bonus measures	Overall Weighting	Minimum	On target	Maximum	Weighted outcome	
Financial (60%)	Go-forward group return measure	30%	<div></div>			26.44%	
	Underlying income growth	10%	<div></div>			9.21%	
	Cost reduction	10%	<div></div>			4.74%	
	CET1 ratio post distributions	10%	<div></div>			5.00%	
Strategic (35%)	Reduction in carbon emissions vs 2019 baseline	2%	<div></div>			2.00%	
	Climate and sustainable finance in 2022	4%	<div></div>			4.00%	
	Publish initial Climate transition plan	4%	<div></div>			2.00%	
	Customer scores	10%	<div></div>			5.25%	
	Purpose score	3.33%	<div></div>			1.53%	
	Culture score	3.33%	<div></div>			1.53%	
	Percentage of females in top three layers	1.67%	<div></div>			0.84%	
	Percentage of colleagues from ethnic minority backgrounds in top four layers	1.67%	<div></div>			0.62%	
	Supporting diverse enterprise	1.25%	<div></div>			1.10%	
	Encouraging youth participation in enterprise	1.25%	<div></div>			1.25%	
	Encouraging customers to save at least £100	1.25%	<div></div>			0.00%	
	Financial capability interactions delivered	1.25%	<div></div>			1.25%	
	Personal (5%)	Discretionary assessment at year end for both executive directors	5%	Strong contribution by the CFO was fully recognised in the scorecard outcomes above. Progress by the CEO on One Bank transformation, UBIDAC exit, the Commercial & Institutional segment, the climate agenda and strengthening relationships with external stakeholders led to 4.0% outcome under the CEO's personal measures.			4.0% (CEO) 0% (CFO) ⁽¹⁾
		Risk modifier	Downward risk modifier of 3% applied for the CEO and 2.5% for the CFO to reflect risk performance against core goals, balanced by strong leadership behaviour	Total scorecard outcome post risk modifier			67.76% (CEO) 64.26% (CFO)

(1) The CFO delivered strong performance against the targets set for the year, as reflected in the core scorecard outcome. For the personal measures, the committee considered that the key areas of strength were appropriately reflected in the financial and strategic outcomes above and opted not to make any additional award to the CFO for 2022.

RSP pre-grant performance assessment for 2022

Basis of assessment

RSP awards are granted provided performance has been satisfactory, based on our internal performance management ratings scale (1-5). A rating of three or above will normally result in the RSP award being granted at maximum. Awards are delivered in shares to align with long-term performance and shareholders.

Outcome of pre-grant assessment

The CEO and CFO received ratings of four and three respectively for 2022, meaning performance goals were fully achieved or exceeded and behaviours were demonstrated at the required level. All regulatory responsibilities were also met. As a result, RSP awards to be granted at maximum.

RSP awards to be granted in 2023

CEO – 125% of salary
CFO – 125% of salary

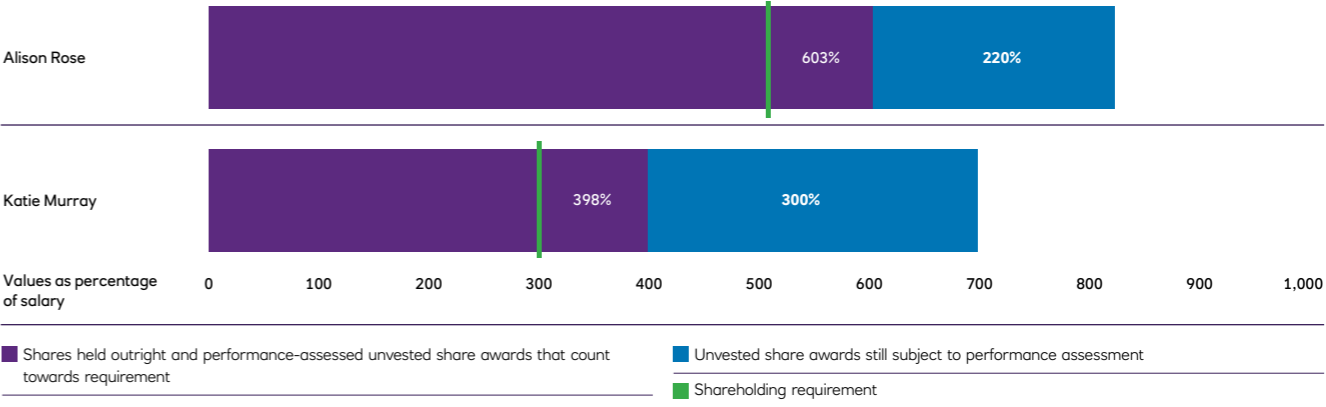
Awards will vest in 2026 subject to performance against underpin criteria over the three-year period. See page 157 for further details of the pre-grant and pre-vest performance assessments.

Payments for 2022 will be delivered over eight years

	Maximum opportunity for 2022	Awarded for 2022	Structure and timing of payments										
RSP	125% of salary	CEO: £1,395,625 (maximum) CFO: £951,563 (maximum)					Paid in shares Subject to underpin criteria being met, RSP awards vest in equal amounts between 2026 and 2030, with a 12-month retention period after each vesting						
Annual bonus	85% of salary	CEO: £643,059 (67.76% of maximum) CFO: £415,802 (64.26% of maximum)	Paid 50:50 cash and shares (12-month retention period for shares)				Malus and clawback provisions apply to annual bonus and RSP awards for up to 10 years post grant						
Fixed share allowance	100% of salary	CEO: £1,116,500 CFO: £761,250	Paid in shares with the shares released in equal amounts between 2023 and 2027				Nearly two-thirds of expected remuneration is delivered in shares and subject to long holding periods						
Pension & benefits ⁽¹⁾	10% of salary	CEO: £193,793 CFO: £105,650	Pension, standard benefits and salary paid in cash										
	Salary	CEO: £1,116,500 CFO: £761,250											
			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	

(*) Pension aligned with wider workforce rate at 10% of salary. Value shown also includes standard benefit funding as well as benefits detailed in the single figure of remuneration table.

Shareholding requirements for executive directors as at 31 December 2022



Wider workforce remuneration

How we align wider workforce and executive directors’ remuneration

We have invested significantly in colleague⁽¹⁾ pay throughout 2022, together with material salary increases and a one-off payment in 2023 to help large parts of the workforce with the cost-of-living crisis. Most of this investment is targeted towards our more junior roles as part of our commitment to deliver fair levels of pay throughout the organisation.

The remuneration policy supports a culture where individuals are rewarded for sustained performance and demonstrating the right behaviours. The same principles apply to everyone, adjusted to comply with local requirements. The principles are designed to:

- 1. support a performance culture** – we recognise colleagues’ skills and experience, the responsibilities of their job and their geographic location. Ultimately, we pay for performance, underpinned by a robust performance management process;
- 2. be market facing** – we benchmark ourselves against peers and ensure our pay is fair, competitive and affordable; and
- 3. ensure compliance and governance** – our reward design must be within policy, meet the expectations and requirements of our regulators and be appropriately aligned with the expectations of our shareholders and customers.

All colleagues	Certain colleagues depending on location, grade or job			Senior executives only
Base salary and pension funding	Benefits and share plans	Role-based allowances	Annual bonus	RSP awards
A competitive level of salary paid in cash and reviewed annually. Set to reflect the talents, skills and competencies that the individual brings to the business. Additional funding is provided which colleagues can use to save in a company pension scheme. UK colleagues receive pension funding at 10% of base salary, the same rate as executive directors. Rates in other locations reflect local market practice.	Some colleagues receive funding which they can use towards the cost of benefits or take as cash. Benefits offered include private medical cover, dental cover, personal accident insurance, life assurance and critical illness insurance. Individuals in some jurisdictions can also join share plans, providing an efficient way to buy NatWest Group shares and align their interests with our shareholders.	Role-based allowances reflect the skills and experience required for certain jobs. These are part of fixed remuneration for regulatory purposes. They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are released in instalments over a minimum three-year period with a five-year period applying to executive directors.	We reward individuals for delivering superior performance in line with risk appetite. The bonus pool is based on a scorecard of measures across our core strategic areas and our purpose. Allocation from the pool depends on the performance of the business area and the individual. Awards are made in cash and/or shares with larger amounts paid out over several years.	Encourages sustainable long-term performance. Awards are delivered entirely in shares to align with shareholders. Checks take place before grant and again after three years to ensure sustained performance has been achieved. Awards are paid out over eight years in total to encourage long-term thinking when making decisions. RSP participants are also subject to shareholding requirements.

Fixed pay			Variable pay	
Base salary	Pension & benefit funding*	Role-based allowances	Annual bonus	Mainly manager grade and above including executive directors.
			RSP awards	Executive directors and members of senior Executive Committees.
* Benefit funding applies to certain jobs		Provided to some Material Risk Takers (MRTs) only		

As set out on page 141, from 2023 we will launch our new Sharing in Success scheme, to recognise the contribution of all colleagues to our success and the achievement of our purpose-led strategic goals.

Pay for executive directors is aligned with the wider workforce, with two main differences: (i) the use of RSP awards; and (ii) a requirement to maintain a holding of shares in NatWest Group, both during and after employment. These differences are deliberate and recognise that it is in the best interests of our stakeholders for executive directors to have a significant proportion of their remuneration paid in shares and subject to long-term shareholding requirements.

(1) Colleagues means all employees and, in some instances, other members of the wider workforce (including contractors and agency workers).



We listen to colleagues and use the insight we gain to attract, engage and retain the talent we need for the future.

Regular engagement

- A colleague opinion survey (Our View) allows people to have a say on what it feels like to work at NatWest Group.
- Over 48,000 (82%) of our colleagues took part in the latest survey, one of our highest response rates in the last 10 years. We also benchmark our performance against financial services and global high performance norms.
- Regular question and answer sessions take place between colleagues and senior executives throughout the year.
- Feedback from colleagues forms part of the purpose, culture and people measures that impact pay.
- We also consult with our employee representative bodies on remuneration at relevant points during the year.

Colleague Advisory Panel (CAP)

The CAP helps us to strengthen the colleague voice in the Boardroom. It allows colleagues to engage directly with senior management and the Board on topics that are important to them. The CAP is chaired by one of our non-executive directors and membership of the panel was refreshed in 2022. It comprises a random selection of 28 colleagues who are self-nominated or part of an employee representative body.

After each meeting, the Board receives a summary and a follow-up call is held so that members can hear how their views were shared and what happened as a result. The forum continues to be highly regarded by those who attend and has proven to be an effective way of establishing two-way dialogue between colleagues and Board members.

In May 2022, a meeting was held with members in order to:

- increase the CAP’s understanding of our approach to executive pay and its link to our ESG priorities and our purpose; and
- gather the CAP’s views on our approach to wider workforce and executive remuneration.

Members asked thoughtful questions on a wide range of pay-related matters. There was a discussion on the new Policy for executive directors being more aligned to market practice.

The discussion also touched on the merits of increasing executive pay in the context of higher household bills. It was explained that the changes moved remuneration for executive directors closer to, but still below, the average paid by their peers. Members were also reminded that, at a previous session, some had asked whether pay for the CEO was enough. Colleagues are remunerated according to our Fair Pay Charter and consistent reward principles. Across the workforce we take into account the job market, company and individual performance as well as changes in the external environment.

The cost-of-living crisis was, understandably, one of the main themes during the discussion. The CAP acknowledged that the increase in the cost of living was not the bank’s sole responsibility but noted that front-line colleagues in particular were feeling the impact. It was confirmed that the issue was high on the Executive Committee’s agenda, and action was subsequently taken in September by providing a permanent salary increase for c.22,000 of our lowest-paid colleagues.

Another suggestion from members was that the benefit platform could be reviewed in light of the economic conditions and a number of enhancements were made to the offering in the second half of the year, including reducing the excess payable on some policies.

Wider workforce interventions and support in 2022



Cost-of-living crisis

c.£115 million

annualised spend on fixed pay increases in 2022, which included a further permanent increase in September for around 22,000 of our lowest-paid colleagues.

On top of the investment above, a one-off cash payment was made to c.60,000 colleagues in January 2023 and there will be significant salary increases from April 2023, with broad parts of the UK workforce to receive at least £2,000. The majority of colleagues at our two most junior grades in the UK will receive a salary increase of at least 7% in April 2023 in addition to the £1,000 payment in January. Salary ranges have been increased by 6% or more and the lowest starting salary will rise to £22,000 (pro rata), an uplift of 16% since April 2022.



Fair Pay

Accredited Living Wage

employer in the UK since 2014 and we set our pay levels above the real living wage (RLW) rates. We take a similar approach across our major hubs outside the UK.

Following the early announcement of the new RLW rates in 2022, we agreed to immediately increase pay for our colleagues and relevant suppliers.

Employee Value Proposition

New partner leave and menopause support

We offer a market-leading approach to partner leave, increasing the time that partners can spend with their new child. The policies introduce the same pay and leave entitlements as local Maternity and Adoption Leave policies for eligible fathers and partners to share the caring responsibilities.

This ultimately champions the potential of both parents and promotes gender equality in the workplace.

The menopause is such an important topic and, working with Peppy Health, we launched a brand new digital product providing colleagues and their partners with online support and access to specialist clinicians. Over 1,000 of our colleagues downloaded the app within the first few weeks.



Mental Health

We were delighted to partner with Just Ask A Question (JAAQ), a new mental health and wellbeing social media platform that will allow us to speak with colleagues in a new way.

Financial Wellbeing hub



We have provided colleagues with comprehensive financial wellbeing support including access to pension and protection products as well as colleague discounts, support with budgeting and planning, and help with managing debt and financial abuse.

We upgraded our benefits platform in 2022 and negotiated a reduction on the excess payable on some insurance products.

Dedicated learning and volunteering days



We give all colleagues two days each year so they can develop their skills, be future ready and have opportunities to progress. 96% of colleagues have accessed the NatWest Group Academy since its launch.

Colleagues also receive three volunteering days each year, an opportunity for them to help causes they care about and support local communities.

How the committee oversees wider workforce remuneration

Each year, the committee:

Approves the **remuneration policy principles**, which are applied consistently across NatWest Group, and reviews the policy's implementation. The committee is supported by Subsidiary Performance and Remuneration Committees which review whether the policies and practices are appropriate at the respective legal entity level.

Considers a report on **how pay has been distributed** across the workforce during the year. The report includes analysis of performance ratings by grade and diversity categories and there are checks in place to ensure that decisions are made fairly.

Reviews and **approves share plan offerings** for colleagues. In 2022, Sharesave was offered in the UK, Poland and India, encouraging colleagues to think about their financial wellbeing with an option to buy NatWest Group shares.

Reviews the **annual spend on fixed pay** (approximately half of the workforce receive fixed pay only). We have targeted recent increases towards our most junior colleagues, areas where specialist skills are required leading to high attrition rates and those lowest in their salary range.

Approves the bonus pool for bonus-eligible colleagues across the wider workforce. The bonus pool is determined after considering performance against a balanced scorecard of strategically-important measures.

Aligning remuneration with our culture

In determining performance outcomes, we consider both the achievements made and how they have been delivered. Our Code of Conduct sets out clear expectations of appropriate behavioural standards, supported by Our Values which guide colleagues in doing the right thing. In 2022, over 11,000 colleagues, customers and community partners helped to co-create our refreshed values to reflect our purpose.

Each role has defined behaviours set out in our Critical People Capabilities which directly link to our purpose and values and are used in performance management. If a colleague's behaviour falls below these expectations, this will be reflected in their performance rating, fixed pay progression and variable pay decisions (where their role is eligible to receive variable pay). The governance of culture is clearly laid out with specific senior manager roles having defined accountabilities which are reflected in their performance and pay decisions.

Creating a diverse, equitable and inclusive workplace is integral to fulfilling our purpose. It enables us to work together to achieve great things with our colleagues, communities and customers. Performance measures to support progress in this area affect the pay of executive directors, senior management and other bonus-eligible colleagues.

We have a target to have full gender balance in our CEO-3 and above global roles by 2030. At 31 December 2022, we had, on aggregate, 41% women in our top three layers⁽¹⁾, an increase of

3% since 31 December 2021. This represents an increase of 12% since targets were introduced in 2015.

Introduced in 2018, our ethnicity target is to have 14% of colleagues from an ethnic minority background in CEO-4 and above positions in the UK by 2025. At 31 December 2022, of 82% of colleagues who disclosed their ethnicity, we have an aggregate 11% of colleagues from an ethnic minority background in our CEO-4 and above positions. This represents a 3% increase since targets were introduced and remains consistent from 2021.

Pay equality, including neutrality in respect of protected characteristics such as sex and race is a core feature of our approach, to support equal pay for equal work.

Further information on our workforce approach

You can find the latest gender and ethnicity pay gap reporting for NatWest Group together with the steps being taken to address the position in the 'Diversity, equity and inclusion' section of the Strategic Report and at natwestgroup.com. You can also find the CEO-to-employee pay ratios for 2022 later in this report.

The 'Our Colleagues' section of the Strategic Report and our ESG Disclosures Report on natwestgroup.com set out further information on how we are helping colleagues to thrive and realise their potential, including providing fair pay, supporting their learning and wellbeing, and creating a diverse, equitable and inclusive culture.

(1) See footnote (7) on page 154 for further information.

Summary of the Policy for executive directors

The Policy was approved by shareholders at the AGM on 28 April 2022 and will apply until the 2025 AGM unless changes are required. There are no changes requiring shareholder approval at this time. A summary of the Policy is set out below together with how the Policy supports alignment with Provision 40 of the UK Corporate Governance Code (the Code). The full Policy can be found under the Governance section of natwestgroup.com.

Purpose and link to strategy	Operation	Maximum opportunity	Alignment with the Code
Base salary Providing fair levels of base salary supports the recruitment and retention of high-calibre executives to develop and deliver strategic priorities.	Base salary is paid monthly in cash and reviewed annually. Rates are determined based on the individual’s role, skills and experience and are benchmarked against market and peer practice. Salaries will be increased by 3% from 1 April 2023. See the implementation of the Policy for 2023 on page 159 for details.	Any salary increases will not normally be greater than the average salary increase for NatWest Group employees over the period of the Policy. Other than in exceptional circumstances, an executive director’s salary will not increase by more than 15% over the course of the Policy.	Risk Base salary is set at a competitive level which means there is less reliance on variable pay. This helps to discourage excessive risk-taking. Alignment with culture Base salary increases generally aligned to, or lower than, the average increase for the wider UK workforce.
Fixed share allowance Additional fixed pay that reflects the skills and experience required as well as the complexities and responsibilities of the role.	A fixed allowance paid entirely in shares. Individuals receive shares that vest immediately subject to any deductions for tax purposes. Shares are released on a pro-rata basis over five years from the date of each award. The directors are entitled to any dividends paid on the shares.	An award of shares with an annual value of up to 100% of base salary at the time of award.	Risk The fixed share allowance further supports the delivery of a balanced remuneration policy, with a suitable mix of fixed and variable pay, as well as creating alignment with the experience of shareholders, given it is paid entirely in shares.
Benefits Providing a range of flexible and market competitive benefits that colleagues value and that help them carry out their duties effectively.	Executive directors can select from a range of standard benefits including a company car, private medical cover, life assurance and critical illness insurance. Travel assistance is provided in connection with company business, including the use of a car and driver. Security arrangements may be put in place where that is deemed appropriate. NatWest Group will meet the cost of any tax due on these benefits.	A set level of funding for standard benefits (currently £26,250 per annum). We disclose the total value of benefits provided each year in the Annual remuneration report. The maximum value of benefits will depend on the type of benefit and the cost of providing it, which will vary according to market rates.	Proportionality A competitive benefits offering, which can be tailored to individual circumstances, together with broader support for executive directors to assist them in carrying out their duties.
Pension Encouraging planning for retirement and long-term savings.	A monthly pension allowance paid in cash, based on a percentage of salary. Recipients have the opportunity to use the cash to participate in a defined contribution pension scheme. CEO – 10% of base salary CFO – 10% of base salary	The pension allowance rate is the same as that applicable to the vast majority of the UK workforce (currently 10% of base salary).	Alignment with culture Reflecting best practice under the Code, pension rates for executive directors are aligned with the rate offered to the wider workforce.

Purpose and link to strategy	Operation	Maximum opportunity	Alignment with the Code
Annual bonus Supporting a culture where individuals are rewarded for the delivery of superior performance, with measures and targets reflecting NatWest Group’s strategic priorities and purpose. Performance is assessed based on a range of financial and non-financial measures that encourage long-term value creation. Awards are subject to malus and clawback adjustments to support long-term decision-making.	<ul style="list-style-type: none">financial measures account for between 50% and 60% of the annual bonus opportunity.non-financial measures account for at least 30% and personal measures may be used up to a maximum of 10% of the scorecard.awards will be delivered 50% in shares and 50% in cash.awards will be deferred in combination with RSP awards to meet regulatory requirements.a post-vesting retention period will apply to the amount delivered in shares (currently 12 months).malus provisions apply prior to vesting and clawback applies for seven (and potentially up to ten) years from the date of award.	Bonus awards will be granted up to a maximum value of 100% of base salary. The value of awards can also reflect a discount for long-term deferral, in line with regulatory guidelines. The level of the award can vary between 10% for threshold performance and 100% for maximum performance. Target performance will pay out at 50% of maximum. You can find the proposed performance measures and weightings for the 2023 financial year on page 159.	Clarity There is clarity on how performance will be assessed and the expected behaviours. We provide transparency through detailed disclosure and engage with shareholders as well as the workforce on our approach to executive pay. Simplicity Most of the remuneration for executive directors is share-based and subject to deferral and retention requirements, which creates simple and significant alignment with our shareholders. Risk We take risk into account at various stages of the performance assessment process, with underpins and malus and clawback provisions to adjust awards if necessary.
RSP awards Supporting sustainable performance over a multi-year period. Awards are delivered entirely in shares over many years to create simple and effective alignment with shareholders over the long term. Malus and clawback provisions discourage excessive risk-taking and other inappropriate behaviours.	<ul style="list-style-type: none">an award will be granted provided performance has been satisfactory over the prior year.after three years, performance will be assessed against pre-determined underpin criteria.awards will vest in combination with annual bonus awards to meet regulatory requirements for deferral (currently between three to seven years after grant).a post-vesting retention period will apply (currently 12 months).malus provisions apply prior to vesting and clawback applies for seven (and potentially up to ten) years from the date of award.the number of shares for RSP and bonus awards may be calculated using a price that is discounted to reflect the absence of the right to receive dividends or dividend equivalents during the vesting period.	RSP awards will be granted up to a maximum value of 150% of base salary. The value of awards can also reflect a discount for long-term deferral, in line with regulatory guidelines. Subject to the underpin criteria, the vesting level of RSP awards can vary between 0% and 100% of the original number of shares granted. The expected vesting level is 100% of maximum with safeguards in place to ensure no payments for failure. See page 160 for further information on RSP awards to be granted for the 2023 financial year.	Predictability Scenarios of the possible rewards to executive directors under the Policy for 2022 are set out on page 142. RSP award levels are intended to be more predictable and linked to long-term performance, helping to support prudent risk management. Proportionality Variable pay cannot be awarded above the level of fixed pay. We believe this is a restrained and proportionate approach to executive remuneration. Alignment to culture Variable pay is subject to the delivery of sustainable performance and progress against our purpose-led strategic goals. Payments are made over many years to encourage long-term thinking. Shareholding requirements further align the interests of executive directors with the returns to shareholders.
Shareholding requirements Executive directors must build and continue to hold a significant shareholding both during and after employment.	Shares and unvested awards count on a net-of-tax basis towards the requirement once any performance assessment has taken place. On leaving, shares must be held for a period of two years and procedures are in place to enforce the requirement.	CEO – 500% of salary. CFO – 300% of salary.	

Remuneration for the Chairman and non-executive directors

Purpose and link to strategy	Operation	Maximum opportunity
Fees Competitive fees that reflect the skills, experience and time commitment required for the role. Fees are set at an appropriate level to attract individuals with the attributes needed to oversee the Board’s strategy.	Fees can be paid in cash, shares or a combination of the two. From 2023, a portion of fees will be used to purchase shares under a new shareholding policy for the Chairman and the non-executive directors. Further details are set out as part of the Policy implementation on page 161. The level of fees is reviewed regularly. Additional fees may be paid for new Board Committees provided these are not greater than fees payable for the existing Board Committees. No variable pay is provided so that the Chairman and non-executive directors can maintain appropriate independence.	The rates for the year ahead are set out in the Annual remuneration report. Any increases to fees will not normally be greater than the average inflation rate or salary increases for the wider workforce. Other than in exceptional circumstances, fees will not increase by more than 15% over the course of the Policy.
Benefits Providing a level of benefits in line with market practice.	The Chairman and non-executive directors are entitled to travel assistance in connection with company business including the use of a car and driver. NatWest Group will meet the cost of any tax due on the benefit. Other benefits may be offered in line with market practice. The Chairman is entitled to private medical cover and life insurance cover provided the Board considers the costs to be reasonable.	The value of the private medical and life insurance cover for the Chairman, as well as other benefits, will be in line with market rates and disclosed in the Annual remuneration report.

Other policy elements for Directors

Element	Operation												
Recruitment policy	When recruiting new directors, the Policy aims to be competitive and to structure pay in line with the framework applicable to current directors, recognising that some adjustment to quantum may be necessary to secure the preferred candidate. A buy-out policy exists to replace awards forfeited or payments foregone, which is in line with regulatory requirements.												
Notice and termination provisions	<p>Under service contracts, NatWest Group or the executive director is required to give 12 months’ notice to the other party to terminate the employment. There is discretion for NatWest Group to make a payment in lieu of notice (based on salary only). The Chairman and the non-executive directors do not have notice periods and no compensation will be paid in the event of termination, other than standard payments for the period served up to the termination date.</p> <p>Non-executive directors have letters of appointment instead of service contracts and are appointed for three years initially. At the end of this term, a further three-year term may be agreed, and non-executive directors may be invited to serve beyond six years, up to a maximum tenure of nine years. The Chairman is subject to the Code’s requirements relating to the maximum tenure period for chairs. All directors stand for annual election or re-election by shareholders at the AGM.</p>												
	<p>Effective dates of appointment for directors:</p> <table><tr><td>Howard Davies – 14 July 2015</td><td>Alison Rose – 1 November 2019</td><td>Katie Murray – 1 January 2019</td></tr><tr><td>Frank Dangeard – 16 May 2016</td><td>Roisin Donnelly – 1 October 2022</td><td>Patrick Flynn – 1 June 2018</td></tr><tr><td>Morten Friis – 10 April 2014⁽¹⁾</td><td>Yasmin Jetha – 21 June 2017</td><td>Stuart Lewis – 1 April 2023</td></tr><tr><td>Mark Seligman – 1 April 2017</td><td>Lena Wilson – 1 January 2018</td><td></td></tr></table>	Howard Davies – 14 July 2015	Alison Rose – 1 November 2019	Katie Murray – 1 January 2019	Frank Dangeard – 16 May 2016	Roisin Donnelly – 1 October 2022	Patrick Flynn – 1 June 2018	Morten Friis – 10 April 2014 ⁽¹⁾	Yasmin Jetha – 21 June 2017	Stuart Lewis – 1 April 2023	Mark Seligman – 1 April 2017	Lena Wilson – 1 January 2018	
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Mark Seligman – 1 April 2017	Lena Wilson – 1 January 2018												
Treatment of outstanding share plan awards on termination	<p>On termination, we will treat awards in accordance with the relevant plan rules or other terms on which they were granted. Any deferred annual bonus awards that are unvested will normally lapse on leaving unless good-leaver circumstances apply, in which case the awards will normally continue to vest on the original vesting dates. In good-leaver circumstances, individuals will be eligible to be considered for an annual bonus award for their final year of employment.</p> <p>RSP awards that are unvested will normally lapse on leaving unless specified good-leaver circumstances apply. For good leavers, awards are pro-rated for time served during the three-year performance period and will normally continue to vest on the original vesting dates. Individuals will not be eligible to be considered for an RSP award for the final year of employment.</p>												

(1) As explained in the Corporate governance report, the Board confirmed that Morten Friis should continue to serve on the Board and be considered as an independent non-executive director until he steps down on 31 July 2023, notwithstanding that he will have served nine years and four months on the Board by that point.

Environmental, Social and Governance (ESG) priorities



There is clear alignment between our ESG priorities and the pay outcomes for executive directors. People targets have featured in our strategic scorecard for over ten years, evolving beyond employee engagement to incorporate purpose, culture and diversity targets. Playing an active role in the transition to a low-carbon economy is a core part of our purpose and climate targets have been part of our executive director scorecard since 2020. There are also targets to build financial capability and support equality of opportunity through diverse enterprise.

In a number of areas our ESG ambitions stretch over several years. However, we are clear on the specific measures and targets set for each year and publish these externally. The committee and the Board reviews and approves these annually to align with our latest strategic focus areas. You can find further information on how executive director performance measures align with the five principles of a purpose-led business in our ESG Disclosures Report, available on natwestgroup.com.

Turning to the wider workforce, the annual bonus pool is based on a balanced scorecard of measures which includes climate, enterprise, financial capability, purpose, culture and people measures, broadly aligning with the position for the executive directors. Allocation from the pool depends on the performance of the business area and the individual. This helps to provide a consistent approach to ESG performance and its impact on variable pay throughout the organisation.

Shareholder engagement outcomes

Every year we undertake an engagement programme with major shareholders and other stakeholders before the committee makes its final decisions on pay awards. In late 2022, we met with a number of our institutional shareholders, UK Government Investments, proxy advisors and the UK regulators to discuss our approach to remuneration for the year.

The meetings were generally positive with the committee Chair explaining our pay philosophy and no material concerns being raised. Wider workforce initiatives was the predominant issue raised, with investors and the proxy advisors interested to hear how the cost-of-living crisis was expected to impact NatWest Group’s approach to executive and wider workforce pay. The committee Chair explained the steps being taken to support the workforce at this time and confirmed that the Board takes wider workforce engagement very seriously.

Other recurring topics in meetings included our treatment of potential windfall gains, the measurement of bonus pool financial performance, the use of ESG metrics in remuneration and the retention and recruitment of talent. Investors also continued to stress the importance of clear disclosures to assist their view of our approach to pay.

In addition, we held two virtual shareholder events with retail shareholders in 2022 in order to hear from the wider shareholder base. During the events, shareholders raised questions on staff retention, our response to the impact of the cost-of-living crisis on our colleagues and the increase in remuneration for the CEO under the new Policy. We are very grateful that our stakeholders continue to take the time to engage with us in an open and constructive way.

Adjusting remuneration in light of new information

An accountability review process allows NatWest Group to respond where new information would change our variable pay decisions made in previous years and/or the decisions to be made in the current year. The process seeks to identify material risk management issues, control weaknesses, policy breaches and conduct failings, and enables commensurate ex-post risk adjustments to be applied to variable pay.

Malus provisions allow us to reduce the amount of any unvested variable pay awards, potentially to zero, prior to payment. Clawback can be used to recover variable pay awards that have already vested and we can also apply in-year bonus reductions to adjust variable pay that would have otherwise been awarded for the current year.

The circumstances in which we may make adjustments include:

- conduct which results in significant financial losses for NatWest Group;
- an individual failing to meet appropriate standards of fitness and propriety;
- an individual’s misbehaviour or material error;
- NatWest Group or the individual’s business unit suffering a material failure of risk management; and
- for malus and in-year bonus reduction only, circumstances where there has been a material downturn in financial performance.

This list is not exhaustive and further circumstances may be considered where appropriate.

Annual remuneration report

Single total figure of remuneration for executive directors for 2022 (audited)

	Alison Rose		Katie Murray	
	2022 £000	2021 £000	2022 £000	2021 £000
Base salary	1,117	1,100	761	750
Fixed share allowance ⁽¹⁾	1,117	1,100	761	750
Benefits ⁽²⁾	82	81	30	30
Pension ⁽³⁾	112	110	76	75
Total fixed remuneration	2,428	2,391	1,628	1,605
Annual bonus ⁽⁴⁾	643	n/a	416	n/a
Long-term incentive award ⁽⁵⁾	2,178	1,197	1,597	–
Total variable remuneration	2,821	1,197	2,013	–
Total remuneration ⁽⁶⁾	5,249	3,588	3,641	1,605

(1) The fixed share allowance is based on 100% of salary and, as part of fixed remuneration, is not subject to any performance conditions.

(2) Includes standard benefit funding at £26,250 per annum. In addition, Ms Rose received travel assistance in connection with company business (£39,542) and assistance with home security (£16,351) for 2022. Ms Murray also received assistance with home security arrangements (£3,275) for 2022.

(3) The executive directors receive a monthly cash allowance and can choose to participate in the company's defined contribution pension arrangements.

(4) Annual bonus awards were introduced as part of the Policy approved by shareholders at the 2022 AGM. In determining bonus awards for 2022, the committee assessed performance against financial, strategic and personal measures as set out below and on the next page.

(5) The 2022 value relates to LTI awards granted in 2020. The committee assessed performance prior to vesting and also considered whether the outcome could represent a windfall gain, as set out on pages 154 to 156. No discretion was exercised as a result of the share price changing over the performance period.

(6) The increase in total remuneration for the CEO compared to 2021 is primarily driven by the inclusion of annual bonus, in line with the Policy, and a higher estimated vesting value of the LTI award compared to last year. The CFO has annual bonus and the vesting of an LTI award included for the first time with no equivalent variable pay awards in 2021.

Annual bonus performance assessment for 2022

The committee considered performance against financial and strategic non-financial measures set to reflect our purpose-led strategy as well as personal performance by the executive directors. Bonus awards are expected to be made at 50% of maximum provided that target performance has been achieved. The outcome of the assessment against the measures and targets under the bonus scorecard is set out in full on the next page.

The committee noted that the CEO had performed strongly over the year, which was evident from the bonus scorecard and supported by other factors including positive share price movement and broker recommendations, indicating market confidence in management's actions. NatWest Group had remained open for mortgage business despite market volatility and the CEO had continued to build a strong team in a difficult hiring environment as well as implementing well-judged cost-of-living initiatives. In terms of personal measures, the committee recognised good progress on One Bank transformation, the exit of UBIDAC, standing up the new Commercial & Institutional business segment, supporting the climate agenda and cementing relationships with our key partners.

The CFO was also considered to have delivered good overall performance with strong engagement with investors throughout the year and her continued contribution to the long-term strategy and our investment cycle through to 2028. The committee noted that good progress had been made on the Finance transformation programme as well as succession planning and building bench strength. There had also been significant progress with our climate and purpose reporting framework.

The bonus scorecard takes into account the context in which performance was delivered. In assessing financial performance, a downward adjustment was made for the material changes in the base rate against our assumptions for the year, as explained in the footnotes to the scorecard. The committee also considered a downward risk modifier which enables risk performance to be assessed and awards reduced, potentially to zero. Downward adjustments of 3% were applied for the CEO and 2.5% for the CFO to reflect risk performance against core goals, balanced by strong leadership behaviours. The committee believed the final outcome reflected the considerable achievements by the executive directors through a challenging year and therefore no further discretion was applied to the resulting award levels.

The maximum bonus award under the Policy is set at 100% of base salary, however, in the first year of implementation awards were limited to 85% of the base salary paid during 2022. The final bonus amounts are set out below and awards will be made in early 2023, split equally in cash and shares. Malus and clawback provisions apply to the awards and the shares will be subject to a 12-month retention period.

	Maximum award	Reduction for performance	Final bonus award	Award level % of maximum
Alison Rose	£949,025	£305,966	£643,059	67.76%
Katie Murray	£647,063	£231,261	£415,802	64.26%

Annual bonus assessment for 2022

Annual bonus measures	Minimum (10% payable)	On target (50% payable)	Maximum (100% payable)	Weighting	Weighted outcome
Financial (60%)					
Go-forward group return measure ⁽¹⁾	6.9%	7.9%	10.9%	30%	26.44%
	Achieved 10.2%				
Underlying income growth excluding notable items of Go-forward group ⁽²⁾	£11.2 billion	£11.5 billion ⁽³⁾	£12.4 billion	10%	9.21%
	Achieved £12.3 billion				
Cost reduction based on Go-forward group operating expenses, excluding litigation and conduct costs	2%	3%	4%	10%	4.74%
	Achieved 2.9%				
Progress to medium-term capital target based on CET1 ratio post distributions ⁽⁴⁾	n/a	14%	n/a	10%	5.00%
	Achieved 14.2%				
Strategic (35%)					
Progress towards halving emissions by 2025, reduction in carbon emissions vs 2019 baseline	≥38%	40%	≥44%	2%	2.00%
	Achieved above 44%				
Funding and financing committed to Climate and Sustainable Finance	£16.62 billion	£17.5 billion	£19.25 billion	4%	4.00%
	Achieved £24.5 billion				
Develop and publish initial Climate transition plan with 2022 results ⁽⁵⁾	Achievement of goal			4%	2.00%
	Published on time				
Customer scores based on an aggregated view of NPS and Customer Touchpoint Rating ⁽⁶⁾	Met targets on average ⁽⁶⁾			10%	5.25%
	Target slightly exceeded				
Purpose score (Our View)	80	90	≥92	3.33%	1.53%
	Achieved 89				
Culture score (Our View)	73	83	≥85	3.33%	1.53%
	Achieved 82				
Percentage of females in the top three layers of the organisation (globally) ⁽⁷⁾	36%	41%	≥43%	1.67%	0.84%
	Achieved 41%				
Percentage of colleagues from ethnic minority backgrounds in the top four layers (UK) ⁽⁷⁾	9%	12%	≥14%	1.67%	0.62%
	Achieved 11%				
Supporting diverse enterprise ⁽⁸⁾	Support 35,000 businesses through enterprise programmes with 250,000 customer interactions			1.25%	1.10%
	53,000 businesses supported, 269,000 customer interactions				
Number of young adults engaged in enterprise and entrepreneurship activity	28,500	30,000	33,000	1.25%	1.25%
	Achieved 48,000				
Number of customers who, having never saved with us, or having saved less than £100, have now saved £100	503,500	530,000	583,000	1.25%	0.00%
	Achieved 477,000				
Number of financial capability interactions delivered ⁽⁹⁾	3.8 million	4 million	4.4 million	1.25%	1.25%
	Achieved 5.1 million				
Personal measures (5%)					
Discretionary assessment at year end for both executive directors	Strong contribution by the CFO was fully recognised in the scorecard outcomes above. Progress by the CEO on One Bank transformation, UBIDAC exit, the stand up of the Commercial & Institutional segment, personal leadership on the climate agenda and strengthening relationships with external stakeholders led to 4.0% outcome under the CEO's personal measures.			5%	4.0% (CEO) 0% (CFO) ^(*)
Downward risk modifier					67.76%
Downward risk modifier of 3% applied for the CEO and 2.5% for the CFO to reflect risk performance against core goals, balanced by strong leadership behaviour				Final outcome post risk modifier	(CEO) 64.26% (CFO)

(*) The CFO delivered strong performance against the targets set for the year, as reflected in the core scorecard outcome. For the personal measures, the committee considered that the key areas of strength were appropriately reflected in the financial and strategic outcomes above and opted not to make any additional award to the CFO for 2022.

The reconciliation to the reported figures and footnotes for the table above are set out on the next page.

Performance achieved in 2022

Reconciliation to reported figures and footnotes

	Amount	Go-forward group return measure	Go-forward income excluding notable items
Reported figure		16.9%	£13.1 billion
Base rate adjustment	£0.8 billion ⁽¹⁰⁾	(2.3%)	(£0.8 billion)
Gains from interest and FX risk management derivatives not in accounting hedge relationships/own credit adjustments/profit from insurance liabilities	£0.5 billion ⁽¹⁰⁾	(1.4%)	
Timing of FX and conduct losses	£0.4 billion ⁽¹⁰⁾	(1.3%)	
Deferred tax asset and tax rate	£0.4 billion	(1.7%)	
Figures used in bonus scorecard		10.2%	£12.3 billion

- (1) For the purpose of assessment under the bonus scorecard, the Go-forward group return measure adjusts the published Go-forward group RoTE to exclude material factors outside of management’s control. Items will only be adjusted if this results in an impact of at least 0.25% to the RoTE figure. For performance year 2022, these include:
- a. Material changes in base rate from that assumed at the beginning of the year;
 - b. Gains from interest and FX risk management derivatives not in accounting hedge relationships, own credit adjustments, profit from insurance liabilities and the timing of FX and litigation and conduct charges; and
 - c. Deferred tax asset and effective tax rate changes.
- (2) Similarly, for income, the definition for the purpose of the scorecard excludes the material changes in base rate from that assumed at the beginning of the year. No adjustments are required to the reported figure for gains from interest and FX risk management derivatives not in accounting hedge relationships, own credit adjustments, profit from insurance liabilities and FX losses as notable items are already excluded from the definition of the reported figure.
- (3) On-target income has been set at £11.5 billion, in line with the ‘above £11.0 billion’ market guidance issued at the beginning of 2022.
- (4) Capital has been assessed on a qualitative basis against the range.
- (5) The initial Climate transition plan was deemed ‘on target’ performance as it has been published although work will continue on the plan.
- (6) As NPS is not available for NatWest Markets, an internal Customer Touchpoint Rating is applied to assess NatWest Markets’ customer performance. The aggregated view reflects the contribution of each franchise to NatWest Group’s income. Targets: NatWest Retail Banking NPS 14 or be 2nd or better; NatWest Premier Banking NPS 19; Coutts NPS 48; NatWest Business Banking NPS 0 and be 3rd or better; NatWest Commercial & Corporate Banking NPS 24 and 1st; RBS International NPS 33; NatWest Markets Customer Touchpoint Rating 70. We met or exceeded 5 out of the 7 customer goals set for 2022. The weighted average rating across these 7 targets means that the Customer outcome is 5.25%.
- (7) The targets set at the start of 2022 were to increase the percentage of females in the top three layers by 3% on aggregate and to increase the percentage of colleagues from ethnic minority backgrounds by 1% on aggregate. Note that NatWest Group’s management structures were revised during 2022. The representation targets were set based on the management structures in place at the start of financial year 2022 with performance assessed against these at 31 December 2022. This will differ from the year-end position quoted elsewhere in our reporting suite, which uses the structures in place as at 31 December 2022.
- (8) Enterprise target aimed at supporting the recovery and prioritising support for harder to reach groups with higher barriers to entering and growing a business. The support was to be distributed as follows: 75% support to UK regions outside London & South East, 60% support to females, 20% support to individuals from ethnic minority backgrounds, and 20% to people intending to create purpose-led businesses. Minimum target: 33,250 businesses and 237,500 interactions, Maximum target: 38,500 businesses and 275,000 interactions (same percentage distribution as target).
- (9) The articulation of the 2022 target in last year’s report was to reach 4 million people through financial capability interactions. The intent was to deliver 4 million interactions during the year rather than reaching 4 million people. This is consistent with our overarching ambition of delivering 15 million financial capability interactions by 2023 and the wording used to describe the financial capability measure in last year’s report, which was based on the number of interactions. Performance has therefore been assessed against the intended target.
- (10) Amounts quoted are pre tax whereas RoTE impacts are post tax.

Vesting of 2020 LTI awards (audited)

The LTI award was granted in March 2020 in respect of performance year 2019. Prior to the awards being granted to the CEO and CFO, reductions of 22% and 27% respectively were applied to the maximum award as a result of the pre-grant performance assessment. The reductions were made as risk, customer and financial performance were not fully at the desired level. At the end of 2022, a further assessment took place to review whether anything had come to light which might call into question the original award.

The assessment found that there had been no material deterioration in financial, customer, risk and culture performance since grant. The forensic investigation of Financial Crime and Customer Due Diligence remediation had resulted in adjustments to prior vestings of the 2018 and 2019 LTI awards through the risk underpin. Given the financial crime return to risk appetite had remained on track for the objectives set, the committee and the Board determined that no further adjustment was necessary. It was noted that, while the timeline had slipped since the grant of the 2020 LTI award, this had been a contributory factor in the decision to make a 5% adjustment to the CEO and former CEO’s 2019 LTI awards last year. Overall, the data indicated that the required level of sustainable performance had been achieved and no further reductions were made to the 2020 LTI awards under the pre-vest test.

The committee also considered the potential application of risk and stakeholder perception underpins, which included a detailed discussion on whether the vesting outcome could result in potential windfall gains. The committee used our pre-disclosed framework and a range of other factors to assess windfall gains and believed there was a strong rationale for not making any adjustment. Details of the pre-vest performance assessment and the process to assess windfall gains can be found on the pages that follow.

A summary of the position from grant to vest is set out below along with the estimated vesting values for the 2020 LTI award, which is used in the single total figure of remuneration table. No dividend equivalents were paid prior to vesting. The shares will vest in equal amounts between 2023 and 2027, followed by a 12-month retention period. Malus and clawback provisions also apply.

2020 LTI award	Alison Rose		Katie Murray	
	Shares	Value	Shares	Value
Maximum at grant	1,131,488	£1,925,000	881,679	£1,500,000
Reduction for pre-grant test	(249,809)	(£425,000)	(235,114)	(£400,000)
Award granted	881,679	£1,500,000	646,565	£1,100,000
Reduction for pre-vest test	–	–	–	–
Amount post performance tests	881,679	£1,500,000	646,565	£1,100,000
Increase in value due to share price	–	£677,747	–	£497,016
Estimated vesting value	–	£2,177,747	–	£1,597,016

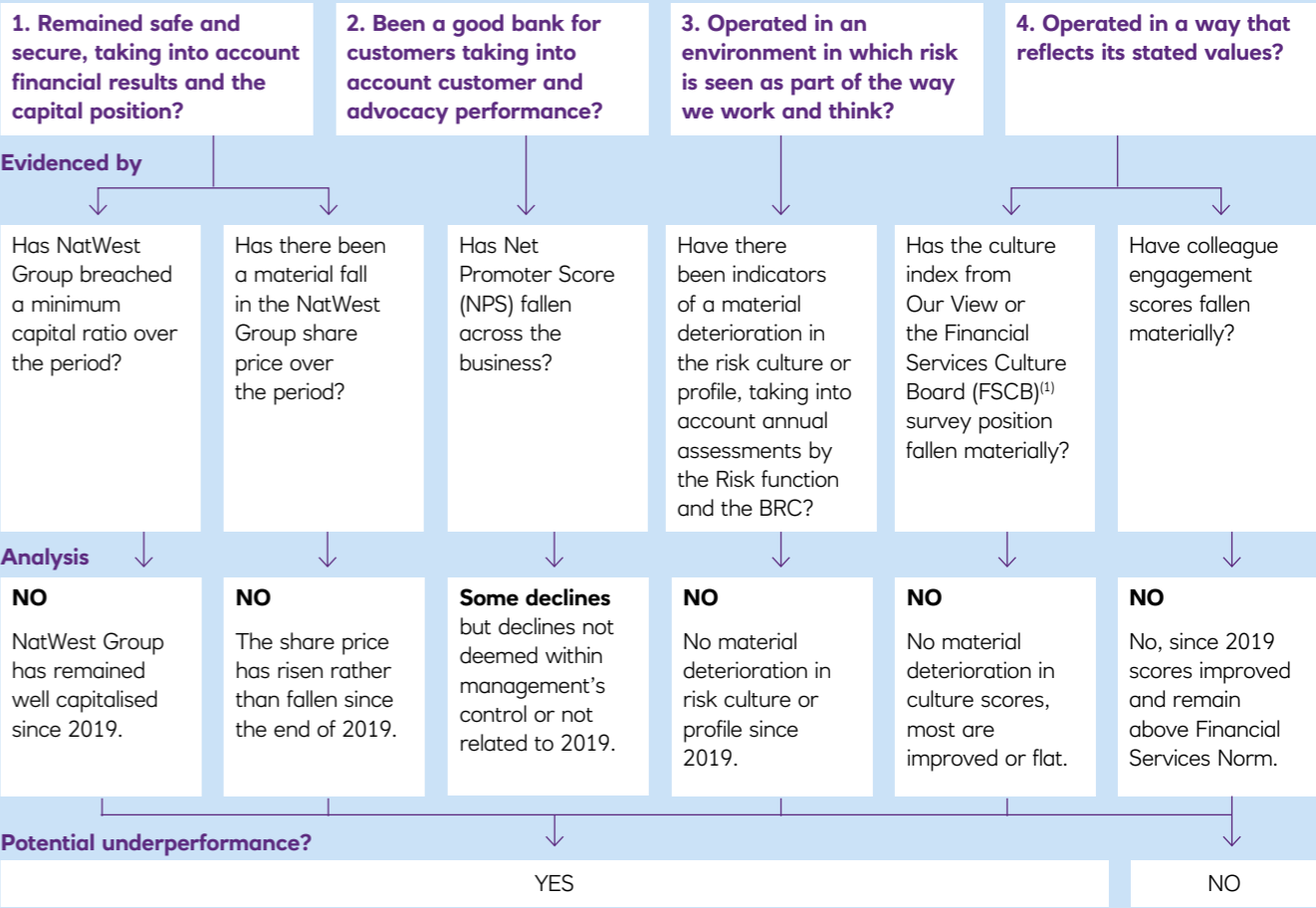
(1) Share price at grant was £1.701 and the estimated vesting value was based on share price of £2.47, the average over the three-month period from October to December 2022.

2020 LTI award – Pre-vest performance assessment framework

LTI awards were made in early 2020 following an assessment of performance over the 2019 financial year. Before vesting, the committee carries out a further review to consider whether anything has come to light which might call the original award into question. Internal control functions and PwC, as independent advisers, the Group Board Risk Committee (BRC) and the Group Sustainable Banking Committee (SBC) support the committee in this assessment, with the outcome set out below.

Looking back to performance for 2019 and ‘knowing what we know now’, has NatWest Group

Core questions



Where the answer is ‘Yes’, three further questions are considered:

1. Is the underperformance due to factors within management’s reasonable control in the circumstances?
2. Can the underperformance be linked back to the performance year to which the award relates, rather than to performance developments since?
3. Is it appropriate to reflect the underperformance in the current pre-vest test (i.e. if the underperformance has not been adequately reflected in other ways such as subsequent pre-grant tests for awards granted in the interim)?

If the answer to each of these questions is “Yes”, the committee may decide that a further adjustment prior to vesting is appropriate, and it has the discretion to decide the amount.

Further analysis

Since the declines in some customer metrics were not within management’s control or related to 2019, there was no deterioration in financial, customer, risk and culture performance that would merit a reduction prior to vesting. The committee noted the investigation of Financial Crime and CDD remediation had resulted in adjustments to prior LTI vestings through the risk underpin. Since the timeline for financial crime return to appetite had not worsened over the course of 2022, no further adjustments were considered necessary as part of the 2020 LTI pre-vest assessment.

(1) FSCB was formerly the Banking Standards Board. NatWest Group will cease to take part in the FSCB survey from 2022. Going forwards the LTI pre-vest culture assessment will be assessed using Our View; NatWest Group’s internal colleague opinion survey.

Achievement of ‘threshold level of sustainable performance’ has been evidenced.

No adjustment proposed, subject to underpins to consider any significant risk, stakeholder or reputational matters not already captured in the performance assessment, with advice from the BRC and the SBC.

Windfall gains

The 2020 LTI award was granted in March 2020 at a time when the true impact of COVID-19 was just beginning to emerge. Following the grant, the committee noted shareholder expectations on the need to consider whether this grant could result in potential windfall gains.

In line with guidance issued by shareholders in 2020, we implemented and disclosed a framework to assess any windfall gains related to our LTI awards. Under this framework, we take into account factors such as:

- a. the level of grant price in comparison to pre-COVID-19 levels;
- b. share price appreciation over the pre-vest period, including any share price appreciation specific to NatWest Group which would be indicative of strong management performance;
- c. the level of share price appreciation that would indicate exceptional share price performance, such as an upper decile share price, suggesting a windfall gain may have arisen; and
- d. reductions already applied to the executive directors' pay and award levels during the pre-grant and pre-vest performance period of the relevant LTI grant.

For the 2020 LTI award, the committee's assessment considered the following factors:

- The share price for the March 2020 LTI award was 35% below the prior grant. However, the grant was not made at the lowest point of the market as both the NatWest Group share price and the FTSE saw further significant falls in the period following grant, due to the impact of COVID-19. It is only this further drop after the grant date which saw a quick recovery over 2020 as market uncertainty was removed.
- During the pre-vest period following the grant of the 2020 LTI award, NatWest Group's share price performed strongly (+87%), which exceeded that of the FTSE350 Banking Index (+20%) and the FTSE100 index (+25%). This upward trend reflected the significant improvement in NatWest Group's performance over the same period, evidenced by factors such as:
 - our strong capital position and continued capital generation meaning we are well placed to invest for growth;
 - improvement in operating performance including achievement of cost reduction targets during the pre-vest performance period; and
 - return of surplus capital, with shareholder returns increasing from £0.4 billion in 2020 to £3.8 billion for 2021 and £5.1 billion for 2022.
- The committee also noted that the NatWest Group LTI construct was different to a more traditional LTIP construct in that LTI awards delivered lower maximum opportunity but more predictable levels of pay. Our LTI awards have the main performance test prior to grant with a further assessment prior to vesting to ensure the performance has been sustainable.

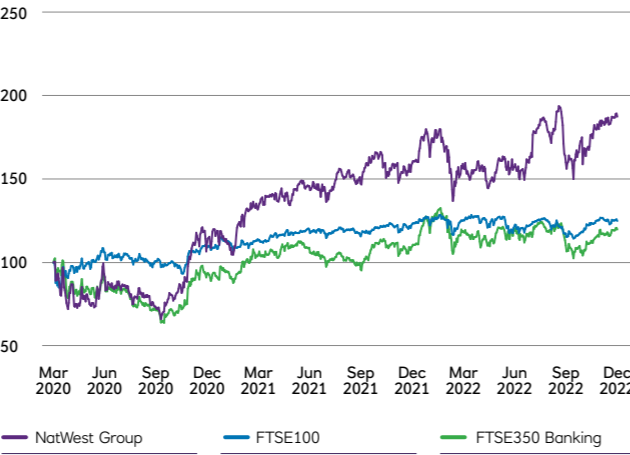
- Under this construct, the March 2020 LTI grant to the CEO and CFO for performance year 2019, was reduced to 78% and 73% of maximum respectively, based on performance against pre-set and unadjusted targets. The committee considered this was another important consideration in making the windfall gain assessment. As the shares from the 2020 LTI award will vest between 2023 and 2027, followed by a 12-month retention period after each vesting, this will ensure there is long-term alignment with the interests of shareholders.
- For the 2020 performance year, the pay for the CEO and CFO was reduced through voluntary waivers and a COVID-19 related reduction respectively. In April 2020, the CEO voluntarily decided to forgo 25% of her total fixed pay for the remainder of 2020 (reducing her fixed share allowance by £426,000). In addition, the CEO confirmed she did not wish to receive an LTI award for the 2020 performance year which the committee determined to be £899,000 as noted in the 2020 Directors' remuneration report. In total, the CEO waived £1,325,000 of her 2020 pay. The CFO's LTI award for 2020 after adjustment for performance was reduced by a further £418,000 (38%) to reflect the impact of COVID-19.

The committee noted that this was a complex area and one which required them to apply judgement and to make a holistic assessment of whether, based on all relevant facts and circumstances, a windfall gain could be said to have arisen in respect of the 2020 LTI awards held by the executive directors.

Whilst the committee acknowledged there was a share price fall prior to grant and a subsequent improvement, given the mitigating factors set out above, it concluded that no windfall gain had arisen and that no further adjustment was required to be made to the 2020 LTI awards prior to vesting.

The committee Chair discussed our windfall gains assessment framework in detail with our key shareholders and proxy advisors as part of the recent engagement programme, and the stakeholders at these meetings noted our proposed approach.

Share price comparison over post-grant period



Scheme interests – LTI awards granted during 2022 (audited)

	Grant date	Face value	Award price	Shares awarded ⁽¹⁾	Vesting levels	Performance requirements
Alison Rose	7 March 2022	£1,598,000	£1.8205	877,781	Between 0% – 100% with no set minimum vesting	The award was subject to a pre-grant assessment of performance over 2021. A further assessment will take place following the end of the 2024 financial year to check that nothing has come to light that would change the original decision. This assessment will operate in a similar way to the framework for the 2020 LTI award pre-vest assessment, as set out above.
Katie Murray	7 March 2022	£1,057,500	£1.8205	580,885		

(1) The conditional share awards granted to Ms Rose and Ms Murray equated to 145% and 141% of base salary respectively. The number of shares was calculated taking into account performance and the maximum potential award. The award price was based on the average share price over five business days prior to grant. Subject to the pre-vest assessment, these awards will vest in equal amounts between years 2025 and 2029. Service conditions and malus provisions apply up until vest, and clawback provisions apply for a period of at least seven years from the date of grant.

RSP awards to be granted for 2022 (audited)

RSP awards are granted provided the committee considers performance over the prior year has been satisfactory, based on an assessment against our internal performance management framework. The determination of whether satisfactory performance has been achieved is based on our internal ratings scale (one to five) with a rating of three or above normally resulting in the RSP award being granted at maximum. A three rating means performance goals have been fully achieved throughout the year and behaviours have been demonstrated at the required level. Performance against regulatory accountabilities are also considered.

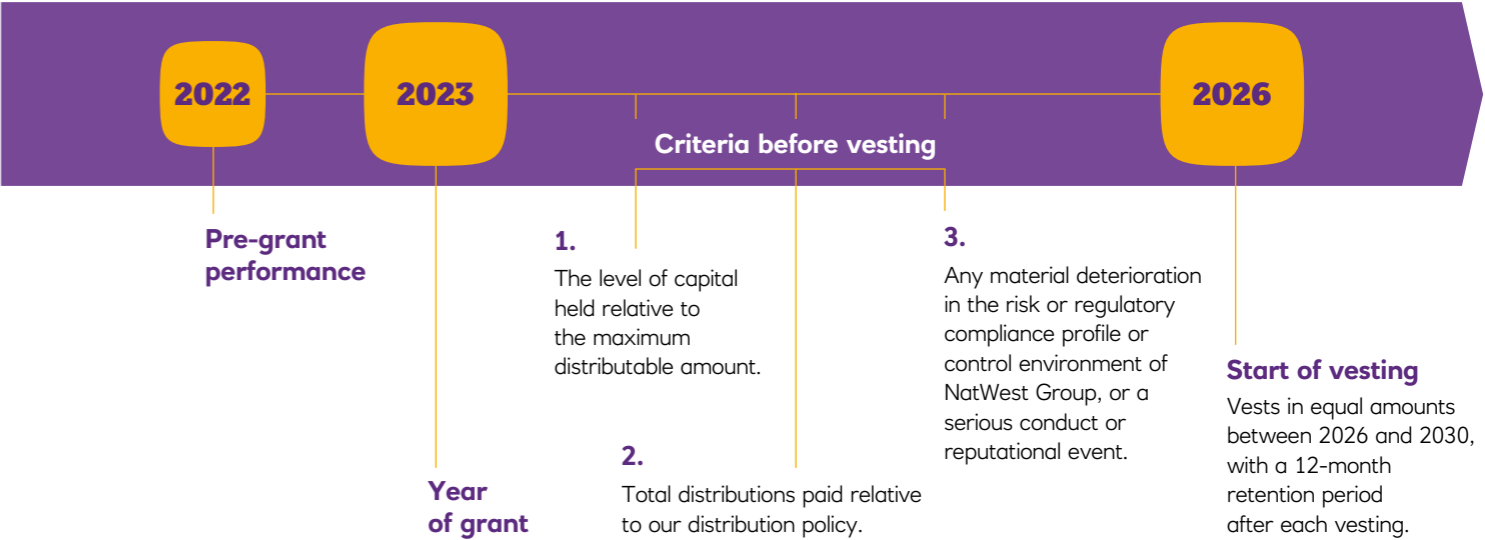
The maximum RSP award under the Policy in the first year of implementation was limited to 125% of base salary. The CEO and CFO received ratings of four and three respectively for 2022, meaning performance goals were fully achieved or exceeded and behaviours were demonstrated at the required level. All regulatory responsibilities were also met. Noting the achievements by both executive directors over the year and the subsequent performance ratings, the committee agreed that RSP awards would be granted at maximum, in line with the Policy.

As a result, the CEO and CFO will receive RSP awards of £1,395,625 and £951,563 respectively. The awards will be delivered entirely in shares and subject to conditions before vesting as well as significant holding periods to create long-term alignment with the experience of shareholders. Malus and clawback provisions will also apply.

Pre-vest underpin

The committee will make an assessment at the end of the three-year performance period (covering financial years 2023 to 2025) to determine whether sustainable performance has been achieved. Before vesting, the outcome will be reviewed using the underpin criteria below. Following the assessment, RSP awards may vest in full, in part or lapse in their entirety, with discretion to consider other factors and apply discretion before deciding the final vesting outcome. This will mitigate any potential unintended outcomes that might arise and ensure that there is a fair outcome.

A sustainable level of performance over the period will be considered with reference to:



Remuneration for the Chairman and non-executive directors in 2022

The basic Board fee was increased from £80,000 to £82,000 per annum from 1 May 2022. This was the first change to the basic Board fee since 2017 and the decision was made after considering the fees paid by other major UK banks as well as salary increases for the wider workforce. The 2.5% increase was lower than the 3.6% average salary increase applied across our global workforce from April 2022. The fees for the Chairs of the Group Audit Committee, Group Board Risk Committee and the Group Performance and Remuneration Committee were increased from £68,000 to £73,000 per annum to bring the rates closer to market practice and to acknowledge the considerable time commitment of these roles in a regulated major bank. The composite fee for Frank Dangeard was increased from £264,000 to £270,000 to reflect the change in the basic Board fee and in view of his commitments and responsibilities as Chairman of NatWest Markets Plc. All of the changes were within the scope of the remuneration policy approved by shareholders and no directors were involved in decisions regarding their own remuneration.

For NatWest Group plc Board directors who also serve on the Boards and Committees of NatWest Holdings Limited, National Westminster Bank Plc and The Royal Bank of Scotland plc, the fees below reflect membership of all four boards and their respective Board Committees. Directors may also receive fees for membership of other subsidiary company Boards and Committees, the value of which is included below. No variable pay is provided to the Chairman and non-executive directors.

Total remuneration for the Chairman and non-executive directors in 2022 (audited)

	Fees		Benefits ⁽¹⁾		Total	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Chairman (composite fee)						
Howard Davies	750	750	14	13	764	763

Non-executive directors

	Board £000	N&G £000	GAC £000	BRC £000	RemCo £000	SBC £000	TIC £000	SID £000	CAP £000	Other £000	Fees 2022 £000	2021 £000	Benefits ⁽²⁾ 2022 £000	2021 £000	Total 2022 £000	2021 £000
Frank Dangeard ⁽³⁾										268	268	262	3	1	271	263
Roisin Donnelly ⁽⁴⁾	21										21	–	6	–	27	–
Patrick Flynn	81	15	72	34			30				232	227	5	1	237	228
Morten Friis	81	15	34	72							202	197	44	22	246	219
Robert Gillespie ⁽⁵⁾	78	14	33	33	52						210	227	17	2	227	229
Yasmin Jetha	81					30	60				171	170	4	1	175	171
Mike Rogers	81				34	60			4		179	172	15	–	194	172
Mark Seligman	81	15	34		34			34			198	191	5	1	203	192
Lena Wilson	81	4		34	45	30			11		205	195	17	5	222	200

(1) The benefits column for Howard Davies, Chairman, includes private medical cover, life cover and expenses in connection with attendance at Board meetings.
(2) Non-executive directors are reimbursed expenses incurred in connection with travel and attendance at Board meetings. The value of benefits had fallen in 2020 and 2021 due to less travel during the COVID-19 restrictions but have returned to more typical levels in 2022.
(3) Under the ‘Other’ column, Frank Dangeard received a composite fee as Chairman of the NatWest Markets Plc Board.
(4) Roisin Donnelly was appointed to the Board with effect from 1 October 2022.
(5) Robert Gillespie stepped down from the Board with effect from 15 December 2022.

Key to table:

N&G	Group Nominations and Governance Committee	SBC	Group Sustainable Banking Committee
GAC	Group Audit Committee	TIC	Technology and Innovation Committee
BRC	Group Board Risk Committee	SID	Senior Independent Director
RemCo	Group Performance and Remuneration Committee	CAP	Colleague Advisory Panel

Payments for loss of office and payments to past directors (audited)

There were no payments for loss of office made to directors in 2022. Ross McEwan stepped down from the Board as CEO in October 2019 and qualified for good leaver treatment in respect of his LTI awards. Mr McEwan received his final LTI award over 942,907 shares in 2020 with the award level reduced by 31% following the application of the pre-grant performance assessment. In line with the position for the current executive directors, no further reduction was made under the pre-vest test. The shares are due to vest between 2023 and 2027, subject to good leaver criteria continuing to be met. The value of the shares was £1,597,016, based on the average share price over October to December 2022. There are no other payments to past directors to disclose for 2022.

Implementation of remuneration policy in 2023

Pay arrangements

Both executive directors will receive annual bonus and RSP awards in March 2023 in respect of the 2022 performance year. You can find details of these awards on pages 152 and 157. A 3% increase to the base salary of each executive director has been agreed from 1 April 2023, which is less than half the expected average salary increase for the global workforce at 6.4%. Pay arrangements for the 2023 performance year are set out below.

	Salary (1 Jan 2023)	Salary (1 Apr 2023)	Standard benefits ⁽¹⁾	Pension	Fixed share allowance ⁽²⁾	Maximum bonus award for 2023 ⁽³⁾	Maximum RSP award for 2023 ⁽⁴⁾
Alison Rose	£1,122,000	£1,155,660	£26,250	10% of salary	100% of salary	£1,147,245	£1,720,868
Katie Murray	£765,000	£787,950	£26,250	10% of salary	100% of salary	£782,213	£1,173,319

(1) Amounts shown relates to standard benefit funding. Executive directors are also entitled to benefits such as travel assistance and security arrangements in line with the Policy. We will disclose the value of benefits received each year. Executive directors are eligible to participate in all-employee share plan arrangements on the same basis as colleagues.
(2) Fixed share allowance is payable broadly in arrears, currently in four instalments per year. The shares will be released in equal amounts over a five-year period.
(3) The maximum bonus award under the Policy is set at 100% of base salary and is calculated on salary earned over the year. The award is expected to vest at 50% where on-target performance is achieved across the scorecard.
(4) The maximum RSP award under the Policy is set at 150% of base salary and is calculated on salary earned over the year. The award is normally expected to vest in full, subject to underpin criteria that will ensure there is no payment for failure. The maximum remuneration receivable by the CEO and CFO would increase by £860,434 and £586,659 respectively in the event there was a 50% increase in the NatWest Group plc share price over the RSP three-year period from grant to vest.

Annual bonus performance assessment for 2023

The annual bonus scorecard will be based on weighted performance measures and appropriately stretching targets across financial and non-financial areas that align with our purpose-led strategy. The main updates to the measures for 2023 are retiring our reduction in carbon emissions from own operations as this transitions to business as usual and supporting the initial Climate transition plan by targeting progress against sectoral targets.

For 2023, financial performance will represent 60% of the scorecard with target ranges set in line with the budget. Non-financial measures will be focused across climate, customer, purpose, culture and people, and enterprise and capability. These measures represent an aggregate of 35% of the scorecard and reflect our ESG priority areas as well as the importance of good customer outcomes. The remaining 5% will be assessed on Personal measures based on a discretionary assessment of the performance of each executive director over the year. A downward Risk modifier will also apply, enabling risk performance to be assessed and awards reduced, potentially to zero.

Threshold and maximum targets will be disclosed retrospectively at the end of the performance period in the 2023 Directors’ remuneration report, alongside the actual level of performance achieved and associated narrative. No award will be made if threshold performance, as determined by the committee, is not achieved. The level of the award to be paid will vary between 10% for threshold performance and 100% for maximum performance. Target performance will pay out at 50% of maximum opportunity.

All assessments of performance are subject to the committee’s judgment to determine the appropriate outcome. Discretion will only be used by the committee when the application of the formulaic performance outcome drives an unrepresentative outcome or when it is necessary to take into account strategic, economic or societal impacts that were not or could not have been accounted for at the point of agreeing the bonus scorecard.

Annual bonus performance measures and targets for 2023

Category	Performance measures		Target	Weighting %
			Financial	
Financial (60%)	Group RoTE.		Targets set and the extent of their achievement will be disclosed in the 2023 Annual Report as the committee considers them to be commercially sensitive at this point in time.	30%
	Group underlying income excluding notable items.		£14.8 billion	10%
	Group operating expenses, excluding litigation and conduct costs.		£7.6 billion	10%
	Progress to medium-term capital target.		CET1 target range of 13-14%	10%
			Non-Financial	
Strategic (35%)	Climate	Funding and financing committed to climate and sustainable finance.	Funding and financing target of £25.3 billion towards the £100 billion target.	10%
		Implementation of the initial Climate transition plan.	Four sectors on target with one of the two Assets Under Management and Retrofit milestones achieved.	

Category	Performance measures		Target	Weighting %
Strategic (35%)	Customer	Net promoter score (NPS) and Customer Touchpoint Rating (CTR) for our brands.	Consumers: Improve NatWest Retail Main Bank NPS to +23 or 3 rd (from +22 and 3 rd). Businesses: Improve NatWest Business Banking £0-750k NPS to -6 or 3 rd (from -8 and 3 rd) and maintain NatWest Commercial Mid-Market £750k+ NPS at +17 or 1 st . Private Banking: Improve Premier NPS to +31 or 3 rd (from +29 and 3 rd). Achieve Coutts NPS (12MR) of +36 (from +38) or Coutts NPS (3MR) of +49 (from +28). RBSI: Maintain NPS of +35. NatWest Markets: maintain average CTR of 72%.	10%
		Purpose, culture and people	Purpose target from Our View = 87	10%
			Culture target from Our View = 80	
			Increase percentage in the top three layers to 42% on aggregate	
			Increase percentage in the top four layers in the UK to 12.5% on aggregate	
	Enterprise & capability	Support the sustainable growth ambitions of our customers. Prioritise support for harder to reach groups with higher barriers to entering and growing a business.	Support 35,000 businesses through enterprise programmes with 275,000 customer interactions. Support being distributed as follows: 75% to UK regions outside London & South East; 50% to females; 20% to individuals from ethnic minority backgrounds.	5%
		Encourage youth participation in enterprise.	50,000 young adults engaged in Enterprise and Entrepreneurship activity.	
		Number of financial capability interactions which require active engagement, give knowledge or skills or change behaviour.	Deliver 4 million financial capability interactions from key initiatives (MoneySense, Financial Health Checks, Spending Feature and Know My Credit Score).	
Personal (5%)	Discretionary assessment at year end for both executive directors.		CEO performance is based on recommendation from Chairman taking into account additional individual performance factors.	5%
			CFO performance is based on recommendation from CEO taking into account individual performance goals and the performance of the Finance function.	
Risk (0-100%)	Risk performance assessment based on Group, NatWest Holdings, Functional (CFO only) and individual risk performance.		Discretionary downwards modifier.	0
				-100%

RSP performance assessment for 2023

RSP awards are granted entirely in shares creating simple and effective alignment with the returns that shareholders receive over the long term. This is supported by annual bonus arrangements, which ensure that executive directors are also incentivised to deliver on the key strategic priorities of NatWest Group, with robust weighted performance measures as set out on the previous page. After the pre-grant test and underpin, the RSP would be expected to pay out at 100% in the vast majority of cases to deliver the expected value under the Policy.

Pre-grant test

Executive directors will be granted an RSP award in 2024 provided the committee considers performance over 2023 has been satisfactory, based on an assessment against our performance management framework.

Pre-vest underpin

RSP awards will not be subject to further performance conditions. However, before vesting, the committee will review the outcomes of the business against the following underpin criteria.

A sustainable level of performance over the period will be considered with reference to:

1. the level of capital held relative to the maximum distributable amount;
2. total distributions paid relative to our distribution policy; and
3. any material deterioration in the risk or regulatory compliance profile or control environment of NatWest Group, or a serious conduct or reputational event.

The committee will make an assessment at the end of the three-year performance period to determine whether sustainable performance has been achieved. The committee will refer to the above underpin criteria in determining whether this has been the case. Following the committee’s assessment, RSP awards may vest in full, in part or lapse in their entirety. The committee will also retain the right to consider other factors and apply discretion before making a decision on the final vesting outcome. This will mitigate any potential unintended outcomes that might arise and ensure that there is a fair outcome. The committee will explain its reasons for applying discretion in either direction, or for not doing so.

Chairman and non-executive directors’ shareholding policy and annual fees for 2023

The Chairman and non-executive directors typically hold shares in NatWest Group, recognising this is a practice that shareholders generally encourage. The shares have been acquired on a voluntary basis to date with no guidance on the level of expected shareholding. Having reflected on our current arrangements, and after considering the position at other major UK banks, the Board has decided to introduce a formal shareholding policy for these individuals from 1 January 2023. The policy does not apply to directors who are due to step down from the Board within 12 months of 1 January 2023.

Under the shareholding policy, NatWest Group will retain a portion of the net monthly basic fees (10% for the Chairman and 25% for non-executive directors) which will be used to purchase shares every quarter. The Chairman will be required to build towards a shareholding equivalent to four times the basic annual Board fee (currently £328,000) and for non-executive directors the target is one times the basic annual Board fee (currently £82,000). Once the target is achieved, monthly deductions and quarterly purchases will continue at a reduced percentage of net monthly fees (5% for the Chairman and 10% for non-executive directors). The shares purchased under the shareholding policy will be held in a nominee account with dividends reinvested and shares retained until the director steps down from the Board.

We believe this is a progressive and proportionate approach to shareholder alignment that will provide consistency and ultimately higher levels of shareholdings for this cohort. It will also ensure there is a continuous element of shareholder alignment as the Chairman and non-executive directors will continue to acquire shares over their entire tenure. The annual fees for 2023 are set out below, with the fees delivered in a combination of cash and shares in line with the shareholding policy above.

Fees for NatWest Group plc Board ⁽¹⁾		Rates from 1 January 2023	
Chairman (composite fee)		£750,000	
Non-executive director basic fee		£82,000	
Senior Independent Director		£34,000	
Fees for NatWest Group plc Board Committees ⁽¹⁾		Member	Chairman
Group Board Risk Committee		£34,000	£73,000
Group Audit Committee		£34,000	£73,000
Group Performance and Remuneration Committee		£34,000	£73,000
Group Sustainable Banking Committee		£30,000	£60,000
Technology and Innovation Committee		£30,000	£60,000
Group Nominations and Governance Committee		£15,000	–
Other fees for NatWest Group plc Board directors			
Chairman of NatWest Markets Plc (composite fee to cover all boards and committees)		£270,000	
Chairman of the Colleague Advisory Panel		£15,000	

(1) No additional fees are payable where the director is also a member of the boards and respective board committees of NatWest Holdings Limited, National Westminster Bank Plc and The Royal Bank of Scotland plc. Where appropriate, directors receive additional fees for membership of other subsidiary company boards and committees including NatWest Markets Plc. We will disclose the value of fees received in this report each year.

Other external directorships

The Board must approve any additional appointments undertaken by directors outside NatWest Group. Steps are in place to make sure that directors comply with regulatory limits on the number of directorships held. The Board also considers whether it is appropriate for executive directors to retain any remuneration from any new external roles, depending on the appointment. You can find details of current external appointments in the biographies section of the Corporate governance report.

Annual change in directors’ pay compared to average change in employee pay

Remuneration for employees is based on salary, benefits and annual bonus. The CEO and CFO receive fixed share allowances and, from the 2022 performance year onwards, annual bonus awards. As no bonus awards were made to the executive directors for the 2021 performance year, there is no prior year comparison in the table below. The Chairman and non-executive directors receive fees rather than salary and do not receive any variable pay. We regularly review membership of Board Committees and changes in membership will impact the level of fees paid to non-executive directors from one year to the next. The benefits figures for non-executive directors can also change significantly year on year depending on the amount of travel undertaken in connection with Board meetings. The data for non-executive directors below reflects the value of benefits mainly falling in 2020 and 2021, due to less travel during the COVID-19 restrictions, before returning to more typical levels in 2022.

Annual percentage change	2021 to 2022			2020 to 2021			2019 to 2020		
	Salary	Benefits ⁽¹⁾	Annual Bonus	Salary	Benefits ⁽¹⁾	Annual Bonus	Salary	Benefits ⁽¹⁾	Annual Bonus
UK employees ⁽²⁾	5.20%	6.34%	42.48%	2.02%	4.68%	35.24%	2.86%	1.70%	-32.4%
Executive directors									
Alison Rose ⁽³⁾	1.5%	0%	–	0%	0%	n/a	–	–	n/a
Katie Murray	1.5%	0%	–	0%	0%	n/a	0%	0%	n/a

Chairman and non-executive directors	Fees	Benefits	Annual Bonus	Fees	Benefits	Annual Bonus	Fees	Benefits	Annual Bonus
Howard Davies	0%	8%	n/a	0%	8%	n/a	0%	9%	n/a
Frank Dageard	2%	200%	n/a	1%	0%	n/a	0%	-75%	n/a
Roisin Donnelly ⁽⁴⁾	–	–	n/a	–	–	n/a	–	–	n/a
Patrick Flynn	2%	400%	n/a	0%	-67%	n/a	2%	-70%	n/a
Morten Friis	3%	100%	n/a	17%	214%	n/a	14%	-80%	n/a
Robert Gillespie ⁽⁴⁾	-7%	750%	n/a	3%	-33%	n/a	-3%	-84%	n/a
Yasmin Jetha ⁽⁴⁾	1%	300%	n/a	33%	100%	n/a	–	–	n/a
Mike Rogers	4%	–	n/a	1%	-100%	n/a	0%	-83%	n/a
Mark Seligman	4%	400%	n/a	1%	0%	n/a	-4%	-88%	n/a
Lena Wilson	5%	240%	n/a	8%	25%	n/a	16%	-64%	n/a

(1) Standard benefit funding for executive directors has remained unchanged. The figures above exclude any other benefits to executive directors such as travel assistance in connection with company business, the value of which is disclosed each year in the total remuneration table.

(2) NatWest Group plc is a holding company and is not an employing entity. Therefore the disclosure above is made on a voluntary basis to compare any change in directors' pay with all employees based in the UK. The data above is based on the average full time equivalent salary and benefit costs of UK based employees of NatWest Group, excluding the CEO and the CFO. This is considered to be the most representative comparator group, as it covers the majority of employees and the CEO and CFO are based in the UK. The average percentage change relates to salaries and benefits awarded in the respective financial years for UK employees and therefore may differ from figures quoted elsewhere in the report, for example, the proposed salary increases announced in December 2022 to be awarded from April 2023.

(3) Alison Rose, CEO, was appointed on 1 November 2019 and therefore the annual change comparison to 2020 is not applicable.

(4) Roisin Donnelly joined the Board on 1 October 2022 and Yasmin Jetha re-joined the Board on 1 April 2020, so there are no prior year comparisons. Robert Gillespie stepped down from the Board with effect from 15 December 2022.

CEO to employee pay ratios

The ratios on the next page compare the total pay of the CEO, as set out in the single figure of remuneration table in this report, against the pay of three employees whose earnings represent the lower, median and upper quartiles of the UK employee population. A significant proportion of the CEO’s total remuneration is delivered through long-term incentive arrangements, linked to performance and share price movements, which means this part of the ratio can fluctuate significantly from one year to the next. None of the three employees identified this year received equivalent long-term incentive arrangements. Information based on salary only is included as a further comparison.

The pay ratios reflect the diverse range of roles and pay levels across NatWest Group as a large financial services company. For the total remuneration comparison, the median employee for 2022 works in Services and the median pay ratio is consistent with the pay and reward policies for UK employees as a whole. We are determined to pay each individual a fair rate for the role performed, using consistent reward policies and offering opportunities for progression. We set out further information on our fair pay approach earlier in this report and in our supporting ESG Disclosures Report at natwestgroup.com. The change in the median pay ratio since 2018 is largely driven by the more volatile nature of performance-related pay for the CEO. In April 2020, the CEO decided to forgo 25% of her fixed pay for the rest of the year which contributed to the ratio falling in 2020 before rising in 2021.

The median pay ratio has increased further in 2022 primarily due to the CEO receiving an annual bonus award for the first time under the new Policy and a higher vesting value for the LTI award compared to last year, as a result of strong share price performance. The single figure of remuneration for the CEO, on which the pay ratio is based, includes a combination of our new and old Policies this year and this may impact the ratio in future years as any outstanding LTI awards complete their three-year performance cycle. The total remuneration for employees at the lower, median and upper quartiles have all increased year-on-year. On a comparison of salary only, the trend continues to be stable.

CEO to employee pay ratios

			Pay ratios			Remuneration values (£000)				
Year	Methodology		P25 (LQ)	P50 (Median)	P75 (UQ)	Calculation	CEO	Y25 (LQ)	Y50 (Median)	Y75 (UQ)
2018	A	Total remuneration	143:1	97:1	56:1	Total remuneration	3,578	25	37	64
		Salary only	44:1	30:1	19:1	Salary only	1,000	23	33	51
2019	A	Total remuneration	175:1	118:1	69:1	Total remuneration	4,517	26	38	66
		Salary only	44:1	30:1	19:1	Salary only	1,017	23	34	52
2020	A	Total remuneration	99:1	66:1	39:1	Total remuneration	2,615	26	40	66
		Salary only	46:1	31:1	20:1	Salary only	1,100	24	36	54
2021	A	Total remuneration	130:1	87:1	51:1	Total remuneration	3,588	28	41	70
		Salary only	44:1	29:1	20:1	Salary only	1,100	25	37	55
2022	A	Total remuneration	177:1	119:1	71:1	Total remuneration	5,249	30	44	74
		Salary only	42:1	28:1	19:1	Salary only	1,117	27	40	58

Supplementary information on the pay ratio table:

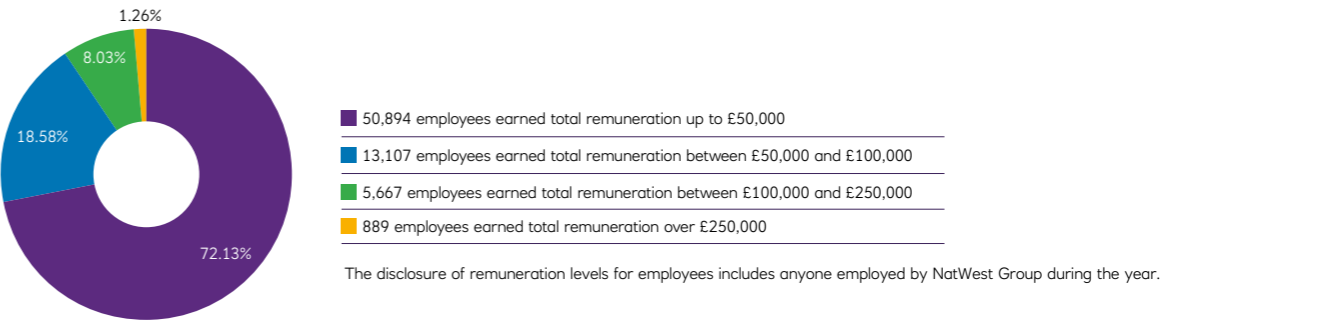
(1) The data for 2022 is based on remuneration earned by Alison Rose, as set out in the single figure of remuneration table in this report.

(2) The employees at the 25th, 50th and 75th percentiles (lower, median and upper quartiles) were determined as at 31 December of the relevant year, based on full-time equivalent remuneration for all UK employees. This includes fixed pay (salary, pension funding and where relevant benefit funding and other allowances) and also any variable pay (based on the amount to be paid). For employees who work part-time, fixed pay is grossed up to the full-time equivalent.

(3) ‘Option A’ methodology was selected as this is considered the most statistically accurate method. UK employees receive a pension funding allowance set as a percentage of salary. Some employees, but not the CEO, continue to participate in the defined benefit pension scheme. Under this, it would be possible to recognise a higher value, which would in turn reduce the ratios. However, for simplicity and consistency with regulatory disclosures, we have included the pension funding allowance value in the calculation for all employees.

(4) The data for the three employees identified has been considered and fairly reflects pay at the relevant quartiles among the UK employee population. Each of the three individuals was a full-time employee during the year and none received an exceptional award that would otherwise inflate their pay figure.

Summary of remuneration levels for employees in 2022



Remuneration of Material Risk Takers (MRTs) in 2022

Each year, we disclose the remuneration paid to individuals whose activities have a material influence over NatWest Group’s performance or risk profile, known as MRTs. The disclosures are made in line with regulatory requirements and full details can be found in our Pillar 3 reports on natwestgroup.com. The tables below summarise the total pay for staff identified as MRTs for one or more entities across NatWest Group along with the number of individuals earning more than €1 million for the year. Note that the number of MRTs excludes colleagues who left NatWest Group prior to 31 December 2022 in line with regulatory requirements.

Number of MRTs	704	Number of >€1m earners	
Remuneration (£millions)		€1.0 million to below €1.5 million	53
Total fixed pay	£196.33	€1.5 million to below €2.0 million	17
Total variable pay	£106.16	€2.0 million to below €2.5 million	6
Total remuneration	£302.49	€2.5 million to below €3.0 million	3
		€3.0 million to below €3.5 million	1
		€3.5 million to below €4.0 million	–
		€4.0 million to below €4.5 million	1
		Total	81

Directors’ interests in NatWest Group plc shares (audited)

Under the shareholding requirements, the CEO and CFO need to build up and maintain shares to the value of 500% of salary and 300% of salary respectively. The requirements apply both during employment and for two years after leaving, in line with best practice. Procedures are in place to enforce the shareholding requirements, and you can find further details on page 149. As set out earlier in this report, the Chairman and non-executive directors will be subject to a separate shareholding policy from 2023.

Share interests held by directors

	Alison Rose	Katie Murray	Howard Davies	Frank Dangeard	Roisin Donnelly ⁽¹⁾	Patrick Flynn	Morten Friis ⁽²⁾	Robert Gillespie	Yasmin Jetha	Mike Rogers	Mark Seligman ⁽⁴⁾	Lena Wilson
Shares held ⁽²⁾	2,117,170	1,044,209	102,142	4,642	–	18,571	18,570	23,214	27,857	18,571	27,857	27,857
Shareholding requirement	500% of salary	300% of salary	–	–	–	–	–	–	–	–	–	–
Position against requirement	603% of salary	398% of salary	–	–	–	–	–	–	–	–	–	–

(1) Roisin Donnelly was appointed to the Board from 1 October 2022.
(2) Shares owned beneficially as at 31 December 2022 or at the date of stepping down from the Board if earlier. Includes shares held by persons closely associated with the directors. As at 16 February 2023, there were no changes to the shares held as shown above. Share awards, as shown below, are also included for the purposes of the shareholding requirement once any performance assessment has been completed. All share awards are included net-of-taxes due to be paid on vesting. The position against the requirement was calculated as at 31 December 2022, at which point both executive directors exceeded the requirement based on the closing price of £2.652 on 30 December 2022.
(3) The share interest held is over 9,285 American Depositary Receipts representing 18,570 ordinary shares.
(4) 9,285 shares are held in the name of M Seligman & Co Limited, of which Mr Seligman and Louise Seligman are shareholders.
(5) The share interest figures above have been adjusted to reflect the 13 for 14 share consolidation on 30 August 2022.

Share awards under share plans

	Year	Awards held 1 Jan 2022	Awards granted	Award price £	Awards vested	Awards lapsed	Awards forfeited	Awards held 31 Dec 2022	Expected vesting dates
Alison Rose									
LTI award	2017	167,758		2.41	55,920			111,838 ⁽¹⁾	07.03.23 – 07.03.24
LTI award	2018	368,560		2.66	92,140			276,420 ⁽¹⁾	07.03.23 – 07.03.25
LTI award	2019	568,829		2.64	107,319	32,234		429,276 ⁽¹⁾	07.03.23 – 07.03.26
LTI award	2020	881,679		1.70				881,679 ⁽²⁾	07.03.23 – 07.03.27
LTI award	2022		877,781	1.82				877,781 ⁽²⁾	07.03.25 – 07.03.29
		1,986,826	877,781		255,379	32,234		2,576,994	
Total LTI awards subject to service								817,534 ⁽¹⁾	
Total LTI awards subject to performance and service								1,759,460 ⁽²⁾	
Katie Murray									
Deferred award ⁽⁴⁾	2017	17,084		2.41	17,084			–	
LTI award	2017	31,191		2.41	31,191			–	
Deferred award	2018	53,591		2.66	26,796			26,795 ⁽¹⁾	07.03.23 – 07.03.23
Deferred award	2019	208,945		2.64	41,790			167,155 ⁽¹⁾	07.03.23 – 07.03.26
LTI award	2020	646,565		1.70				646,565 ⁽²⁾	07.03.23 – 07.03.27
Sharesave	2020	3,200		1.12				3,200 ⁽³⁾	18.12.23
LTI award	2021	407,262		1.67				407,262 ⁽²⁾	07.03.24 – 07.03.28
LTI award	2022		580,885	1.82				580,885 ⁽²⁾	07.03.25 – 07.03.29
		1,367,838	580,885		116,861			1,831,862	
Total LTI and deferred awards subject to service								193,950 ⁽¹⁾	
Total LTI awards subject to performance and service								1,634,712 ⁽²⁾	
Total Sharesave options								3,200 ⁽³⁾	

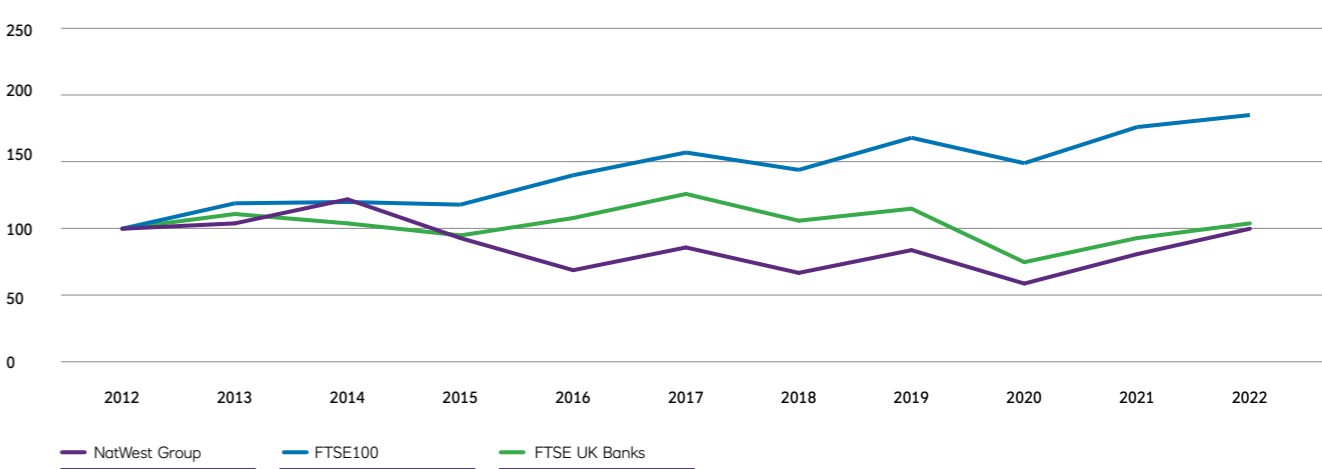
(1) Performance assessment has taken place and awards remain subject to deferral and employment conditions before vesting. These awards count on a net-of-tax basis towards meeting the shareholding requirement.
(2) Awards are subject to the LTI pre-vest performance assessment along with deferral and employment conditions before vesting. See earlier in this report for the pre-vest assessment of the 2020 LTI award. The first vesting of this award is due to take place in March 2023, which will be reflected in next year’s table together with any shares lapsed for performance.
(3) Sharesave options enable colleagues to save from their salary with an option to buy shares at the end of the savings period. The award price is the price at which shares can be bought. Sharesave options are normally exercisable for a period of six months from the maturity date at an option price that is discounted by up to 20% of the market value around the time of the award.
(4) Deferred awards relate to annual bonus awards granted to Ms Murray for performance prior to becoming an executive director, with payments deferred in line with regulatory requirements.

Shareholder dilution and share sourcing

NatWest Group can use new issue, market-purchase or treasury shares to deliver shares that are required for employee share plans. Best practice dilution limits are monitored and govern the number of shares that may be issued to satisfy share plan awards.

Total Shareholder Return (TSR) performance

The graph compares the TSR performance of NatWest Group with companies comprising the FTSE 100 Index over the last 10 years. We have selected this index because it represents a cross-section of leading UK companies. We have added the TSR for FTSE UK banks for the same period as a further comparison.

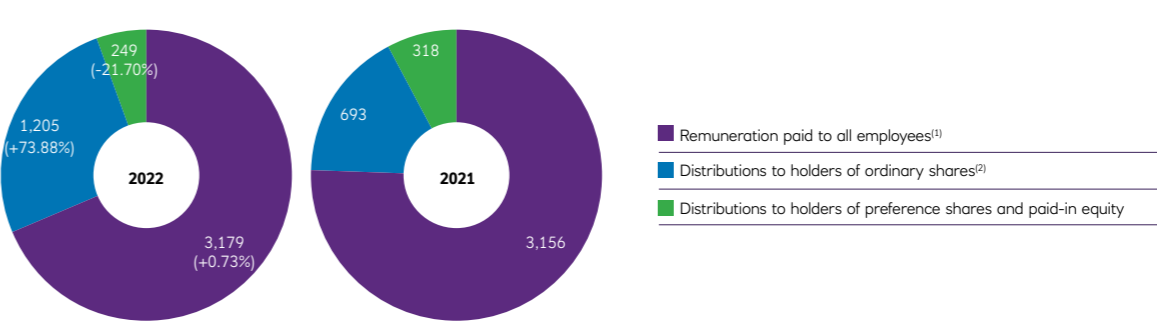


CEO pay over the same period

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£000s) ⁽¹⁾	AR							1,401	2,615	3,588	5,249
	RM	393	1,878	3,492	3,702	3,487	3,578	4,066			
	SH	1,235									
Annual bonus against maximum opportunity	AR										68%
	SH	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
LTI vesting rates against maximum opportunity	AR							60%	82%	83%	78%
	RM		73%	62%	56%	89%	41%	78%			
	SH	0%									

(1) CEOs are Alison Rose (AR), Ross McEwan (RM) and Stephen Hester (SH) with figures based on the single figure of remuneration for the relevant year.

Relative importance of spend on pay £m (% change on 2021)



(1) Remuneration paid to all employees represents total staff expenses as per Note 3 to the consolidated financial statements, exclusive of social security and other staff costs.
(2) Reflects distributions to shareholders through dividend payments during the financial year. The Board has confirmed its intention to pay a dividend of 10.0p per ordinary share in respect of financial year 2022, which will be paid in 2023 subject to approval by shareholders at the forthcoming Annual General Meeting.

Statement of shareholder voting

At the AGM held on 28 April 2022, the resolutions to approve the Policy and the Annual remuneration report received strong levels of support.

Directors' Remuneration Policy			Annual remuneration report		
Vote	Number of shares	Percentage	Vote	Number of shares	Percentage
For	33,883,943,928	92.75%	For	36,237,314,672	98.87%
Against	2,649,384,392	7.25%	Against	414,528,384	1.13%
Withheld	126,953,196	–	Withheld	8,356,700	–

The Group Performance and Remuneration Committee

Principal areas of focus

Wider workforce

- Approving and overseeing the NatWest Group-wide Remuneration Policy.
- Considering how pay has been allocated across the workforce, including analysis by colleague level, geography and diversity.
- Reviewing fixed pay proposals.
- Approving Sharesave offers to colleagues.
- Reviewing performance over the year and approving bonus pools for the business areas.
- Reviewing gender and ethnicity pay gap reporting.

Executive remuneration

- Reviewing performance assessments and remuneration arrangements for the committee's 'in scope' population.
- Setting performance objectives for senior executives for the year ahead.
- Approving the outcomes of variable pay awards.
- Approving remuneration for senior hires and arrangements for any leavers.
- Engaging with stakeholders on our remuneration proposals.
- Reviewing and approving the Directors' Remuneration Report.
- Receiving benchmarking data on executive pay and peer practice.

Governance and regulatory

- Approving agenda planners and ensuring the committee is meeting all its obligations under its terms of reference (ToR).
- Considering matters escalated by other Board Committees and subsidiary Performance and Remuneration Committees.
- Overseeing the MRT identification process.
- Approving submissions through the year to the UK regulators.
- Receiving quarterly updates on accountability reviews and approving accountability decisions for the population within its governance.
- Carrying out the annual evaluation of its performance.

The Group Performance and Remuneration Committee continued

Membership	All members of the committee are independent non-executive directors. In order to be considered for the role of committee Chair, an individual must first have served on a remuneration committee for at least 12 months. During 2022, Robert Gillespie was the committee Chair until 24 September 2022 when he stepped down and Lena Wilson became Chair, having been a member of the committee since April 2020. Frank Dangeard, Mike Rogers and Mark Seligman were members throughout 2022. The committee held six scheduled meetings in 2022 and a further three ad hoc meetings. You can find further details on members and attendance in the Corporate governance report on page 91.
Role of the Committee	<p>The committee is responsible for:</p> <ul style="list-style-type: none">• approving the remuneration policy for all colleagues and reviewing the effectiveness of its implementation;• reviewing performance and making recommendations to the Board on arrangements for executive directors;• approving remuneration for a defined 'in-scope' population comprising members and attendees of the Senior Executive Committees and direct reports of the CEO, control function heads and the Company Secretary. The committee also approves arrangements where individuals earn total compensation above £1 million; and• setting the remuneration framework and principles for colleagues identified as Material Risk Takers (MRTs). The ToR of the committee is reviewed annually and available on natwestgroup.com
Operation of the policy	The remuneration policy operated broadly as intended during the year, with pay awarded to executive directors for 2022 broadly in line with that expected for the year. Strong performance across the annual bonus scorecard resulted in above target outcomes. The committee spent a considerable amount of time discussing the support to be provided to the wider workforce in response to the cost-of-living crisis, with a range of enhancements to colleagues' remuneration being announced.
Managing conflicts	To mitigate potential conflicts of interest, directors are not involved in decisions regarding their own remuneration. It is the committee, rather than management, that appoints remuneration advisers. Attendees also play an important role in advising the committee but are not present when their own remuneration is discussed. The Group Chief People & Transformation Officer may be present when discussions take place on senior executive pay, as there is considerable benefit from her participation. However, she is never present for discussions on her remuneration.
Committee advisers	<p>PricewaterhouseCoopers LLP (PwC) was first appointed as remuneration adviser by the committee in 2010 and reappointed in 2022, following an annual review of the quality of advice and the level of fees. PwC is a signatory to the voluntary code of conduct in relation to remuneration consulting in the UK. The committee also took account of the views of the Chairman, the CEO, the CFO, the Group Chief People & Transformation Officer, the Director of Reward & Employment, the Group Chief Risk Officer and the Group Chief Audit Executive. The committee also received input from the BRC, the GAC, the SBC and the Performance and Remuneration Committees for the principal legal entities across NatWest Group.</p> <p>The professional services PwC provides in the ordinary course of business include assurance, advisory, tax and legal advice to NatWest Group subsidiaries. The committee is satisfied that the advice received is independent and objective. We also receive an annual statement setting out the protocols PwC has followed to maintain independence. There are no connections between PwC and individual directors to be disclosed. Fees paid to PwC for advising the committee are based on a fixed fee structure with any exceptional items charged on a time/cost basis. Fees for 2022 in relation to directors' remuneration amounted to £186,945 in total excluding VAT (2021 – £211,041 excluding VAT).</p>
Performance evaluation	<p>The 2022 evaluation was conducted internally by the Chief Governance Officer and Company Secretary. The committee acknowledged the former Chairman's stewardship through a period of significant change from a remuneration perspective, including the introduction of two new executive director remuneration policies.</p> <p>The committee also recognised the positive impact of recent improvements made by the new Chair to simplify the remuneration governance framework. Such improvements were designed to reflect feedback from the committee and other board committees during 2021. Reflecting on the success of the remuneration governance review, the committee requested management to explore opportunities to optimise remuneration policies and processes during 2023. The committee discussed the focus on wider workforce pay during 2022. In recent years, pay proposals relating to the population below executive level had increasingly become a feature of the committee's oversight responsibility, as required by the UK Corporate Governance Code. Given the impact of the cost-of-living crisis, the focus on wider workforce pay had understandably become even more pronounced during 2022. The committee agreed that it was important that it continued to have significant oversight of wider workforce pay in future.</p>

Lena Wilson, CBE

Chair of the Group Performance and Remuneration Committee
16 February 2023

Compliance report

Statement of compliance

NatWest Group plc is committed to high standards of corporate governance, business integrity and professionalism in all its activities.

Throughout the year ended 31 December 2022, NatWest Group plc has applied the Principles and complied with all of the Provisions of the UK Corporate Governance Code issued by the Financial Reporting Council dated July 2018 (the ‘Code’) except in relation to:

- Provision 17, in respect of the requirement that the Group Nominations and Governance Committee should ensure plans are in place for orderly succession to both the Board and senior management positions and oversee the development of a diverse pipeline for succession; and
- Provision 33 that the Group Performance and Remuneration Committee (Group RemCo) should have delegated responsibility for setting remuneration for the Chairman and executive directors.

In respect of Provision 17, whilst the Board is supported on board succession by the Group Nominations and Governance Committee, the Board considers this is a matter of significant importance which should rightly be reserved for the full Board. Adopting this approach ensures that all directors have an opportunity to contribute to succession planning discussions for Board and senior management, in support of achieving an appropriate balance of skills, experience, knowledge and diversity at senior levels within NatWest Group and on the Board. It also means that all directors have an opportunity to review, consider and become familiar with the next generation of executive leaders.

In respect of Provision 33, the Board also considers that this is a matter which should rightly be reserved for the Board and this is an approach the Board has adopted for a number of years. Remuneration for the executive directors is first considered by the Group RemCo which then makes recommendations to the Board for consideration. This approach allows all non-executive directors, and not just those who are members of the Group RemCo, to participate in decisions on the executive directors’ and the Chairman’s remuneration and also allows the executive directors to input to the decision on the Chairman’s remuneration. The Board believes this approach is very much in line with the spirit of the Code and no directors are involved in decisions regarding their own remuneration. A copy of the Code can be found at frc.org.uk.

The Board does not anticipate any changes to its approach on these aspects of the Code.

Further information on how NatWest Group plc has applied the Principles, and complied with the Provisions, of the Code can be found in the Corporate governance section of this report, which includes cross-references to relevant sections of the Strategic report and other related disclosures.

NatWest Group plc has complied in all material respects with the Financial Reporting Council Guidance on Audit Committees issued in September 2012 and April 2016.

Under the US Sarbanes-Oxley Act of 2002, specific standards of corporate governance and business and financial disclosures and controls apply to companies with securities registered in the US. NatWest Group plc complies with all applicable sections of the US Sarbanes-Oxley Act of 2002, subject to a number of exceptions available to foreign private issuers.

Internal control

The Board of Directors is responsible for the system of internal controls that is designed to maintain effective and efficient operations, compliant with applicable laws and regulations.

The system of internal controls is designed to manage, or mitigate, risk to an acceptable residual level rather than eliminate it entirely. Systems of internal control can only provide reasonable and not absolute assurance against material misstatement, fraud or loss.

Ongoing processes for the identification, evaluation and management of the principal risks faced by NatWest Group operated throughout the period from 1 January 2022 to 16 February 2023, the date the directors approved the Annual Report and Accounts. These included the semi-annual Control Environment Certification process, which requires senior members of the executive and management to assess the adequacy and effectiveness of their internal control frameworks and certify that their business or function is compliant with the requirements of Sarbanes-Oxley Section 404 and the UK Corporate Governance Code. The policies that govern these processes – and reports on internal controls arising from them – are reviewed by the Board and meet the requirements of the Financial Reporting Council’s Guidance on Risk Management Internal Control and Related Financial and Business Reporting.

NatWest Group operates a three lines of defence model, which provides an effective apportionment of responsibilities and accountabilities across the organisation. As part of its second line of defence role, the Risk oversight function exercises oversight and challenge of the risk management activities undertaken by the first line of defence, which is responsible for designing, implementing and maintaining effective processes, procedures and controls to mitigate risks within risk appetite. The Internal Audit function, which is the third line of defence, undertakes independent and objective assurance activities and provides reports to the Board and executive management on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate risks in achieving NatWest Group’s objectives.

The effectiveness of NatWest Group’s internal controls is reviewed regularly by the Board, the Group Audit Committee and the Group Board Risk Committee. In addition, the Board receives a risk management report at each scheduled Board meeting. Executive management committees in each of NatWest Group’s businesses also receive regular reports on significant risks facing their business and how these are being controlled. Details of the bank’s approach to risk management are given in the Risk & Capital Management section of the Annual Report and Accounts.

Throughout 2022 work continued to deliver enhancements to the control environment relating to financial crime risk. NatWest Group takes its responsibility to prevent and detect financial crime extremely seriously and continues to make multi- year investments to strengthen and improve its overall financial crime framework with prevention systems and capabilities. NatWest Group also recognises the requirement to continue to invest in payments systems and remediate end of life systems in line with agreed prioritisation. A payment review was initiated in late 2022 to assess control enhancements in response to manual payment risk.

NatWest Group continued to make enhancements to other aspects of the wider control environment in 2022. This has included the implementation of end-to-end risk and control self-assessments with a strategic effort to focus on control automation. This is part of the broader enterprise-wide risk management framework activity, which will continue throughout 2023. NatWest Group continued to focus on the embedding of a strong risk culture to support a robust control environment.

The remediation of known control issues continued to be an important focus for both the Group Audit Committee and the Board Risk Committee during 2022. For further information on their oversight of remediation of the most significant issues, please refer to the Report of the Group Audit Committee and the Report of the Group Board Risk Committee. The Group Audit Committee has received confirmation that management has taken, or is taking, action to remedy significant failings or weaknesses identified through NatWest Group’s control framework. The Group Audit Committee and the Group Board Risk Committee will continue to focus on such remediation activity, particularly in view of the transformation agenda.

While not being part of the bank’s system of internal control, the Group’s independent auditors present to the Group Audit Committee reports that include details of any significant internal control deficiencies they have identified. Further, the system of internal controls is also subject to regulatory oversight in the UK and overseas. Additional details of regulatory oversight are given in the Risk & Capital Management section.

The control environment remained largely stable in 2022. There was continuing management focus on the delivery of regulatory programmes – including the internal transformation programme established in response to updated IRB regulation from the Prudential Regulation Authority (PRA) and the European Banking Authority (EBA) – as well as a review of the controls and processes relating to certain regulatory reporting. There was also significant focus on work to enhance controls relating to financial crime risks – including ongoing work to strengthen customer due diligence standards. The focus of the of NatWest Group in establishing and maintaining a robust risk culture made a valuable contribution to the overall control environment.

Internal control over financial reporting

NatWest Group plc is required to comply with Section 404 of the US Sarbanes-Oxley Act of 2002 and assess the effectiveness of internal control over financial reporting as of 31 December 2022.

NatWest Group has assessed the effectiveness of its internal control over financial reporting as of 31 December 2022 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 publication of ‘Internal Control – Integrated Framework’.

Based on its assessment, management has concluded that, as of 31 December 2022, NatWest Group’s internal control over financial reporting is effective.

Management’s report on NatWest Group’s internal control over financial reporting will be filed with the Securities and Exchange Commission as part of the 2022 Annual Report on Form 20-F.

Disclosure controls and procedures

As required by Exchange Act rules, management (including the Group CEO and Group CFO) have conducted an evaluation of the effectiveness and design of NatWest Group’s disclosure controls and procedures (as defined in the Exchange Act rules) as at 31 December 2022. Based on this evaluation, management (including the Group CEO and Group CFO) concluded that NatWest Group plc’s disclosure controls and procedures were effective as of the end of the period covered by this Annual Report and Accounts.

Changes in internal control

There was no change in NatWest Group’s internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, NatWest Group’s internal control over financial reporting.

The New York Stock Exchange

As a foreign private issuer with American Depositary Shares representing ordinary shares, preference shares and debt securities listed on the New York Stock Exchange (the NYSE), NatWest Group plc is not required to comply with all of the NYSE corporate governance standards applicable to US domestic companies (the NYSE Standards) provided that it follows home country practice in lieu of the NYSE Standards and discloses any significant ways in which its corporate governance practices differ from the NYSE Standards. NatWest Group plc is also required to provide an Annual Written Affirmation to the NYSE of its compliance with the mandatory applicable NYSE Standards. In March 2022 NatWest Group plc submitted its most recent Annual Written Affirmation to the NYSE which confirmed NatWest Group plc’s full compliance with the applicable provisions.

The Group Audit Committee fully complies with the mandatory provisions of the NYSE Standards (including by reference to the rules of the Exchange Act) that relate to the composition, responsibilities and operation of audit committees. More detailed information about the Group Audit Committee and its work during 2022 is set out in the Group Audit Committee report on pages 108 to 116.

The Board has reviewed its corporate governance arrangements and is satisfied that these are consistent with the NYSE Standards, subject to the following departures:

- i. NYSE Standards require the majority of the Board to be independent. The NYSE Standards contain different tests from the Code for determining whether a director is independent. NatWest Group plc follows the Code’s requirements in determining the independence of its directors and currently has eight independent non-executive directors, one of whom is the Senior Independent Director.
- ii. The NYSE Standards require non-management directors to hold regular sessions without management present, and that independent directors meet at least once a year. The Code requires the Chairman to hold meetings with non- executive directors without the executives present and non-executive directors are to meet without the Chairman present at least once a year to appraise the Chairman’s performance and NatWest Group plc complies with the requirements of the Code.

- iii. The NYSE Standards require that the nominating/corporate governance committee of a listed company be composed entirely of independent directors. The Chairman of the Board is also the Chairman of the Group Nominations and Governance Committee, which is permitted under the Code (which requires that a majority of members of the committee should be independent non-executive directors). The terms of reference of the Group Nominations and Governance Committee differ in certain limited respects from the requirements set out in the NYSE Standards, including because the Group Nominations and Governance Committee does not have responsibility for overseeing the evaluation of management.
- iv. The NYSE standards require that the compensation committee of a listed company be composed entirely of independent directors. Although the members of the Group Performance and Remuneration Committee are deemed independent in compliance with the provisions of the Code, the Board has not assessed the independence of the members of the Group RemCo and Group RemCo has not assessed the independence of any compensation consultant, legal counsel or other adviser, in each case, in accordance with the independence tests prescribed by the NYSE Standards. The NYSE Standards require that the compensation committee must have direct responsibility to review and approve the CEO’s remuneration. As stated at the start of this Compliance report, in the case of NatWest Group plc, the Board rather than the Group RemCo reserves the authority to make the final determination of the remuneration of the CEO.
- v. The NYSE Standards require listed companies to adopt and disclose corporate governance guidelines. Throughout the year ended 31 December 2022, NatWest Group plc has complied with all of the provisions of the Code (subject to the exceptions described above) and the Code does not require NatWest Group plc to disclose the full range of corporate governance guidelines with which it complies.
- vi. The NYSE Standards require listed companies to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. NatWest Group has adopted a code of conduct which is supplemented by a number of key policies and guidance dealing with matters including, among others, anti-bribery and corruption, anti-money laundering, sanctions, confidentiality, inside information, health, safety and environment, conflicts of interest, market conduct and management records. This code of conduct applies to all officers and employees and is fully aligned to the PRA and FCA Conduct Rules which apply to all directors. The Code of Conduct is available to view on NatWest Group’s website at natwestgroup.com.

This Compliance report forms part of the Corporate governance report and the Report of the directors.

Report of the directors

The directors present their report together with the audited accounts for the year ended 31 December 2022.

Other information incorporated into this report by reference can be found at:

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Strategic report	
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Disclosures required pursuant to Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) ('2008 Regs') are located on the following pages:

Employee engagement (Paras 11 and 11A, Schedule 7, 2008 Regs):

- Pages 36 to 41 (stakeholder engagement and section 172(1) statement)
- Page 46 (Colleagues)
- Pages 99 to 100 (Corporate governance report, workforce engagement)

Engagement with suppliers, customers and others (Para 11B, Schedule 7, 2008 Regs):

- Pages 36 to 41 (stakeholder engagement and section 172(1) statement)
- Page 98 (Corporate governance report, stakeholder engagement)

Group structure

During 2018, in preparation for ring-fencing a number of changes were made to the NatWest Group structure. Following these changes the company owns three main subsidiaries, NatWest Holdings Limited (the parent of the ring-fenced group which includes National Westminster Bank Plc, The Royal Bank of Scotland plc and Ulster Bank Ireland DAC), NatWest Markets Plc (the investment bank and the parent of NatWest Markets N.V.) and The Royal Bank of Scotland International (Holdings) Limited (the parent of The Royal Bank of Scotland International Limited).

Further details of the principal subsidiary undertakings are shown in Note 9 of the parent company financial statements and a full list of subsidiary undertakings and overseas branches is shown in Note 12 of the parent company financial statements.

Following placing and open offers in December 2008 and in April 2009, HM Treasury (HMT) owned approximately 70.3% of the enlarged ordinary share capital of the company. In December 2009, the company issued a further £25.5 billion of new capital

to HMT in the form of B shares. HMT sold 630 million of its holding of the company’s ordinary shares in August 2015. In October 2015 HMT converted its entire holding of 51 billion B shares into 5.1 billion new ordinary shares of £1 each in the company. HMT sold a further 925 million of its holding of the company’s ordinary shares in June 2018.

In March 2021, the company carried out an off-market purchase of 591 million of its ordinary shares from HMT.

In May 2021, HMT sold 580 million ordinary shares through an accelerated book building process to institutional investors.

In July 2021, HMT announced its intention to sell part of its shareholding over a 12 month period from August 2021 via a trading plan, for up to 15% of the aggregate total trading volume. In June 2022 the trading plan was extended for a further 12 month term to August 2023.

In March 2022, the company carried out an off-market purchase of 550 million of its ordinary shares from HMT.

At 31 December 2022, HMT’s holding in the total voting rights of the company was 45.97%. The percentage was correct as at the date of notification on 21 December 2022.

Activities

NatWest Group is engaged principally in providing a wide range of banking and other financial services. Further details of the organisational structure and business overview of NatWest Group, including the products and services provided by each of its operating segments and the markets in which they operate are contained in the Business review. Details of the strategy for delivering the company’s objectives can be found in the Strategic report.

Results and dividends

UK company law provides that dividends can only be paid if a company has sufficient distributable profits available to cover the dividend. A company’s distributable profits are its accumulated, realised profits not previously distributed or capitalised, less its accumulated, realised losses not previously written off in a reduction or re-organisation of capital. At 31 December 2022, NatWest Group plc’s distributable profits were £33,134 million.

The profit attributable to the ordinary shareholders of NatWest Group plc for the year ended 31 December 2022 amounted to £3,340 million compared with a profit of £2,950 million for the year ended 31 December 2021, as set out in the consolidated income statement on page 299.

In 2022 NatWest Group paid an interim dividend of £364 million, or 3.5p per ordinary share (2021 – £347 million, or 3p per ordinary share).

In addition, the company also paid a special dividend of £1,750 million, or 16.8p per ordinary share.

The company has announced that the directors have recommended a final dividend of £1.0 billion, or 10.0p per ordinary share (2021 – £844 million or 7.5p per ordinary share). The final dividend recommended by directors is subject to shareholders’ approval at the Annual General Meeting on 25 April 2023.

If approved, payment will be made on 2 May 2023 to shareholders on the register at the close of business on 17 March 2023. The ex-dividend date will be 16 March 2023.

Subject to the above mentioned condition, the payment of interim dividends on ordinary shares is at the discretion of the Board.

Colleagues

As at 31 December 2022, NatWest Group employed 61,000 people (excluding temporary staff). Details of all related costs are included in Note 3 to the consolidated accounts.

Employment for disabled persons

NatWest Group makes workplace adjustments to support colleagues with disabilities to succeed. If a colleague becomes disabled NatWest Group will, wherever possible, make adjustments to support them in their existing role or re-deploy them to a more suitable alternative role.

The NatWest Group Careers site gives comprehensive insights into NatWest Group jobs, culture, locations and application processes. It also hosts a variety of blog content to portray stories of what it is like to work at NatWest Group. The company also makes sure that candidates can easily request any adjustments or help to complete their application or assessment.

Going concern

NatWest Group’s business activities and financial position, the factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Business review. The risk factors which could materially affect NatWest Group’s future results are set out on pages 403 to 424. NatWest Group’s regulatory capital resources and significant developments in 2022 and anticipated future developments are detailed in the Capital, liquidity and funding section on pages 244 to 263. This section also describes NatWest Group’s funding and liquidity profile, including changes in key metrics and the build up of liquidity reserves.

The directors have prepared the financial statements on a going concern basis after assessing the principal risks, forecasts, projections and other relevant evidence over the twelve months from the date the financial statements are approved.

UK Code for Financial Reporting Disclosure

NatWest Group plc’s 2022 financial statements have been prepared in compliance with the principles set out in the Code for Financial Reporting Disclosure published by UK Finance. The Code sets out five disclosure principles together with supporting guidance. The principles are that NatWest Group and other major UK banks will provide high quality, meaningful and decision-useful disclosures; review and enhance their financial instrument disclosures for key areas of interest to market participants; assess the applicability and relevance of good practice recommendations to their disclosures, acknowledging the importance of such guidance; seek to enhance the comparability of financial statement disclosures across the UK banking sector; and clearly differentiate in their annual reports between information that is audited and information that is unaudited.

Enhanced Disclosure Task Force (EDTF) and Disclosures on Expected Credit Losses (DECL) Taskforce recommendations

The EDTF, established by the Financial Stability Board, published its report ‘Enhancing the Risk Disclosures of Banks’ in October 2012, with an update in November 2015 covering IFRS 9 expected credit losses (ECL). The DECL Taskforce, jointly established by the Financial Conduct Authority, Financial Reporting Council and the Prudential Regulation Authority, published its phase 2 report recommendations in December 2019.

NatWest Group plc’s 2022 Annual Report and Accounts and Pillar 3 Report reflect EDTF and have regard to DECL Taskforce recommendations.

Authority to repurchase shares

At the Annual General Meeting in 2022 shareholders authorised the company to make market purchases of up to 1,122,905,024 ordinary shares. The authority was amended at the General Meeting held on 25 August 2022 to preserve the position as if the share consolidation had not taken place and shareholders will be asked to renew the authority at the Annual General Meeting in 2023.

The directors utilised the authority obtained at the 2021 AGM to conduct a share buyback programme (the ‘Programme’) of up to £750 million, as announced to the market on 30 July 2021. The Programme’s purpose is to reduce the ordinary share capital of NatWest Group. Taking into account the reduction in issued ordinary share capital which occurred as a result of the off-market buyback announced on 19 March 2021, the maximum number of ordinary shares that could be purchased by the company under the Programme was 1,157,583,542.

Phase 1 of the Programme commenced on 2 August 2021 and completed on 18 January 2022. 340,537,460 ordinary shares (nominal value £340,537,460) were purchased by the company at an average purchase price of 220.0199p per ordinary share for the total consideration of £749,250,031. Phase 2 of the Programme commenced on 21 February 2022 and completed on 15 July 2022. A further 346,835,822 ordinary shares (nominal value £346,835,822) were purchased by the company at an average purchase price of 216.2406p per ordinary share for the total consideration of £749,999,999 All of the purchased ordinary shares were cancelled, representing 11.23% of the company’s issued ordinary share capital.

On 6 February 2019 the company held a General Meeting and shareholders approved a special resolution to give the company authority to make off-market purchases of up to 4.99% of its issued ordinary share capital in any 12-month period from HMT (or its nominee) at such times as the directors may determine is appropriate. Full details of the proposal are set out in the Circular and Notice of General Meeting available at natwestgroup.com. This authority was renewed at the Annual General Meeting in 2022 and amended at the General Meeting held on 25 August 2022 to preserve the position as if the share consolidation had not taken place. Shareholders will be asked to renew the authority at the Annual General Meeting in 2023.

The company utilised the authority it obtained at the 2020 AGM to make an off-market purchase of 590,730,325 ordinary shares (nominal value £590,730,325) in the company from HMT

on 19 March 2021, at a price of 190.50p per ordinary share for the total consideration of £1,125,341,269, representing 4.86% of the company’s issued ordinary share capital. The company cancelled 390,730,325 of the purchased ordinary shares and held the remaining 200,000,000 ordinary shares in treasury. The company has used a total of 76,513,524 treasury shares to satisfy the exercise of options and the vesting of share awards under the employee share plans and the balance of ordinary shares held in treasury as at 31 December 2022 was 114,011,084. The figure has been adjusted to reflect the 13 for 14 share consolidation on 30 August 2022.

The company utilised the authority it obtained at the 2021 AGM to make an off-market purchase of 549,851,147 ordinary shares (nominal value £549,851,147) in the company from HMT on 28 March 2022, at a price of 220.5p per ordinary share for the total consideration of £1,212,421,779, representing 4.91% of the company’s issued ordinary share capital. The company cancelled all of the purchased ordinary shares.

At the 2021 Annual General Meeting, shareholders authorised the company to make an off-market purchase of preference shares in the company. In December 2021 the company used this authority to purchase 157,546 5.5% cumulative preference shares and 259,314 11% cumulative preference shares. The company cancelled all of the purchased preference shares. Shareholders will be asked to renew the authority at the Annual General Meeting in 2023.

Additional information

Where not provided elsewhere in the Report of the directors, the following additional information is required to be disclosed by Part 6 of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The rights and obligations attached to the company’s ordinary shares and preference shares are set out in our Articles of Association, copies of which can be obtained from Companies House in the UK or can be found at natwestgroup.com.

The cumulative preference shares represent less than 0.005% of the total voting rights of the company, the remainder being represented by the ordinary shares.

In a show of hands at a General Meeting of the company, every holder of ordinary shares and cumulative preference shares, present in person or by proxy and entitled to vote, shall have one vote.

On a poll, every holder of ordinary shares present in person or by proxy and entitled to vote, shall have four votes for every share held, and holders of cumulative preference shares shall have one vote for each 25p nominal amount held. The notices of Annual General Meetings and General Meetings specify the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting.

There are no restrictions on the transfer of ordinary shares in the company other than certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws). At the 2021 Annual General Meeting, shareholders gave authority to directors to offer a scrip dividend alternative on any dividend paid up to the conclusion of the Annual General Meeting in 2024. Pursuant to the UK Listing Rules, certain employees of the company require the approval of the company to deal in the company’s shares.

The rules governing the powers of directors, including in relation to issuing or buying back shares and their appointment, are set out in our Articles of Association. It will be proposed at the 2023 Annual General Meeting that the directors’ authorities to allot shares under the Companies Act 2006 (the Companies Act) be renewed. The Articles of Association may only be amended by a special resolution at a General Meeting of shareholders. The company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. There are no persons holding securities carrying special rights with regard to control of the company. A number of the company’s employee share plans include restrictions on transfers of shares while shares are subject to the plans. Note 3 sets out a summary of the plans.

Under the rules of certain employee share plans, voting rights are exercised by the Trustees of the plan on receipt of participants’ instructions. If a participant does not submit an instruction to the Trustee no vote is registered.

For shares held in the company’s other employee share trusts, accordance with investor protection guidelines, the Trustees abstain from voting. The Trustees would take independent advice before accepting any offer in respect of their shareholdings for the company in a takeover bid situation. The Trustees have chosen to waive their entitlement to the dividend on shares held by the Trusts.

A change of control of the company following a takeover bid may cause a number of agreements to which the company is party to take effect, alter or terminate. All of the company’s employee share plans contain provisions relating to a change of control. In the context of the company as a whole, these agreements are not considered to be significant.

Directors

The names and brief biographical details of the current directors are shown on pages 86 to 89.

Howard Davies, Frank Dageard, Patrick Flynn, Morten Friis, Yasmin Jetha, Katie Murray, Mike Rogers, Alison Rose, Mark Seligman and Lena Wilson all served throughout the year and to the date of signing of the financial statements.

Roisin Donnelly was appointed on 1 October 2022 and Robert Gillespie resigned from the Board on 15 December 2022.

Mike Rogers and Morten Friis have confirmed their intention to resign as non-executive directors on 25 April 2023 and 31 July 2023 respectively.

All directors of the company are required to stand for election or re-election annually by shareholders at the Annual General Meeting and, in accordance with the UK Listing Rules, the election or re-election of independent directors requires approval by all shareholders and also by independent shareholders. Mr Rogers will not be standing for re-election at the company’s 2023 AGM, having confirmed his intention to resign on 25 April 2023.

Directors’ interests

The interests of the directors in the shares of the company at 31 December 2022 are shown on page 164. None of the directors held an interest in the loan capital of the company or in the shares or loan capital of any of the subsidiary undertakings of the company, during the period from 1 January 2022 to 16 February 2023.

Directors’ indemnities

In terms of section 236 of the Companies Act, Qualifying Third Party Indemnity Provisions have been issued by the company to its directors, members of the NatWest Group and NWH Executive Committees, individuals authorised by the PRA/FCA, certain directors and/or officers of NatWest Group subsidiaries and all trustees of NatWest Group pension schemes.

Controlling shareholder

In accordance with the UK Listing Rules, the company has entered into an agreement with HM Treasury (the ‘Controlling Shareholder’) which is intended to ensure that the Controlling Shareholder complies with the independence provisions set out in the UK Listing Rules. The company has complied with the independence provisions in the relationship agreement and as far as the company is aware the independence and procurement provisions in the relationship agreement have been complied with in the period by the controlling shareholder.

Shareholdings

The table below shows shareholders that have notified NatWest Group that they hold more than 3% of the total voting rights of the company at 31 December 2022.

	Ordinary shares (millions)	% of issued share capital with voting rights held
Solicitor for the Affairs of His Majesty’s Treasury as Nominee for His Majesty’s Treasury	4,443	45.97
Norges Bank	323	3.07

(1) The ordinary shares figures above have been adjusted to reflect the 13 for 14 share consolidation on 30 August 2022 which left the percentages held by the shareholders unchanged. Percentages provided were correct at the date of notification on 21 December 2022 and 5 November 2021, respectively.

On 2 February 2023 a notification under Rule 5 of the Disclosure and Transparency Rules (‘DTR’) was received from HMT notifying that they held 4,254 million ordinary shares, representing 43.97% of the issued share capital with voting rights.

Listing rule 9.8.4

The information to be disclosed in the Annual Report and Accounts under LR 9.8.4, is set out in this Directors’ report with the exception of details of contracts of significance under LR 9.8.4 (10) and (11) given in Material contracts on page 425.

Political donations

At the Annual General Meeting in 2022, shareholders gave authority under Part 14 of the Companies Act 2006, for a period of one year, for the company (and its subsidiaries) to make political donations and incur political expenditure up to a maximum aggregate sum of £100,000. This authorisation was taken as a precaution only, as the company has a longstanding policy of not making political donations or incurring political expenditure within the ordinary meaning of those words.

During 2022, NatWest Group made no political donations, nor incurred any political expenditure in the UK or EU and it is not proposed that NatWest Group’s longstanding policy of not making contributions to any political party be changed. Shareholders will be asked to renew this authorisation at the Annual General Meeting in 2023.

Directors’ disclosure to auditors

Each of the directors at the date of approval of this report confirms that:

- a. so far as the director is aware, there is no relevant audit information of which the company’s auditors are unaware; and
- b. the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

Auditors

Ernst & Young LLP (EY LLP) are the auditors and have indicated their willingness to continue in office. A resolution to re-appoint EY LLP as the company’s auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Jan Cargill

Chief Governance Officer and Company Secretary
16 February 2023

NatWest Group plc
is registered in Scotland No. SC45551

Statement of directors’ responsibilities

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on pages 286 to 298.

The directors are responsible for the preparation of the Annual Report and Accounts. The directors are required to prepare Group financial statements, and as permitted by the Companies Act 2006 have elected to prepare company financial statements, for each financial year in accordance with UK adopted International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of NatWest Group.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of NatWest Group and to enable them to ensure that the Annual Report and Accounts complies with the Companies Act 2006. They are also responsible for safeguarding the assets of NatWest Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors’ report, Directors’ remuneration report and Corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with UK adopted International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors’ report (incorporating the Financial review) include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, the directors are of the opinion that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company’s position and performance, business model and strategy.

By order of the Board

Howard Davies
Chairman
16 February 2023

Alison Rose-Slade DBE
Group Chief Executive Officer

Katie Murray
Group Chief Financial Officer

Board of directors

Chairman
Howard Davies

Executive directors
Alison Rose-Slade DBE
Katie Murray

Non-executive directors
Frank Dageard
Roisin Donnelly
Patrick Flynn
Morten Friis
Yasmin Jetha
Mike Rogers
Mark Seligman
Lena Wilson