The NatWest Group Retirement Savings Plan (the Plan)
Statement of Investment Principles as at 15 May 2024

BACKGROUND

Introduction

1. Under Section 35 of the Pensions Act 1995, subsequently amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, trustees are required to prepare a statement of principles governing decisions about investments for their pension funds. This document contains that statement and describes the investment policy pursued by NatWest Group Retirement Savings Trustee Limited) in its capacity as the trustee (the '**Trustee**') of The NatWest Group Retirement Savings Plan (the '**Plan**').

2. The Trustee has given consideration to the principles of investment for defined contribution schemes, as contained in the Myners Review of Institutional Investment in the United Kingdom and is committed to adopting them where desirable and appropriate.

3. In preparing the Statement of Investment Principles (the '**SIP**'), the Trustee has consulted National Westminster Bank plc (company number **00929027**) (the '**employer**'), and the Trustee will consult the employer before revising this document. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

4. The Trustee takes written investment advice from appointed investment advisers ("**Investment Advisers**") which considers the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The Trustee has satisfied itself that its Investment Advisers are qualified in, and have appropriate knowledge and experience of, the management of the investments of schemes such as the Plan. Advice is taken in relation to the choosing and (at appropriate intervals) retention of investments.

5. The responsibilities under the remit of Trustee and other stakeholders are set out in **Appendix C: Roles & Responsibilities** and (particularly in relation to the RBS Investment Executive) the investment management and advisory agreement ("IAMA").

6. The Trustee will review the SIP, in consultation with its Investment Advisers, at least every three years; and without delay after any significant change in investment policy or the circumstances of the Plan (as described more particularly in the relevant legislation). In preparing the SIP the Trustee has had regard to the requirements of the Pensions Act 1995 (the "**1995 Act**") and any subsequent amendments / relevant statutory instruments and will consider those requirements on any review of this document or any change in its investment policy. The Trustee will refer to the SIP where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as is practicable.

7. In accordance with the Financial Services and Markets Act 2000, the Trustee will set a general investment policy, but will delegate the responsibility for selection of specific investments either directly to an appointed investment manager or managers. The investment managers shall provide the skill and expertise necessary to manage the investments of the Plan competently and in accordance with the principles of this SIP. The Trustee has appointed RBS Investment Executive, an asset manager ("**Asset Manager**"), to manage the underlying funds offered to members under delegated authority as set out in the **IAMA**.

8. For completeness and to support the operation of the IAMA, **Appendix D: Investment Strategy** is appended to this SIP.

9. When choosing investments, the Trustee and the Asset Manager (to the extent delegated) is required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005, the Occupational Pension Scheme (Charges and Governance) Regulations 2015 and the principles contained in this statement.

10. In determining the investment arrangements, the Trustee also took into account the best interests of members and beneficiaries by considering;

i. the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;

ii. the risks and rewards of a number of different lifestyle strategies; and

iii. the need for appropriate diversification within the default strategy and between other investment options offered to members.

Structure of the Plan's Investment Arrangements

11. The Trustee decided to offer a number of unit-linked investment options (the investment '**Funds**'), in which members' contributions will be invested. Each investment fund is linked to one or more underlying investment vehicle chosen by or under the authority of the Trustee; these underlying investment vehicles include both active and passive management strategies.

12. Each investment fund and its underlying investment vehicle(s) has a specific set of performance objectives, which are consistent with the overall objectives of the Plan, the level of skill and risk being exhibited by the managers and the overall risk tolerance of the Trustee. The SIP sets out the range of investment funds, their specific performance objectives and the current underlying investment(s).

13. The Trustee has entered into a contract with a platform provider, which makes available the range of investment options to members. There is no direct relationship between the Plan and the underlying investment managers of the investment funds. The Trustee has signed an agreement with a platform provider in respect of the Plan, setting out in detail the terms on which the platform operates. The Trustee also has a limited amount of Plan assets held outside of the platform, including a policy in place with Standard Life in relation to a with-profits policy, as a legacy of a transfer into the Plan.

14. Upon joining, members have the opportunity to self-select a Fund. Those that do not are allocated to the default investment arrangement ("**Default**") known as the "Drawdown Lifestyle Option". For technical reasons, the Plan has further defaults.

15. The UK Equity Tracker Fund (the "**UK Equity Default**") which only applies to small group of members historically and is not used as the default investment arrangement for new joiners to the Plan. The Cash Fund (the "Cash Default"), which received contributions intended for the Property Fund while the Property Fund was gated as a consequence of the COVID-19 pandemic. Given the structure of the Plan's investments, this SIP relates to the Drawdown Lifestyle Option except where specific reference is made to the UK Equity Default, the Cash Default and the self-select options or otherwise.

16. The day-to-day selection of investments in the Default is delegated to the Asset Manager, RBS Investment Executive and Legal & General. The Asset Manager is authorised and regulated by the Financial Conduct Authority.

17. Information which supplements the content of **GOVERNANCE: POLICIES** and **GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS** is set out in **Appendix A**: **INVESTMENT OPTIONS**.

18. In this SIP the aims and objectives of the Default and the policies together comprise "**the Default strategy**". Similar principles apply in relation to the strategy for the UK Equity Default and Cash Default.

GOVERNANCE: POLICIES

19. Under the Investment Regulations, the SIP is required to include policies relating to various aspects of investment. The following considerations, taken into account by the Trustee, form part of the policies in each case as appropriate:

i. the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;

ii. the risks and rewards of a number of possible asset classes and different lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;

iii. the need for appropriate diversification within the Default, UK Equity Default, Cash Default and between the other investment options offered to members to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset class risks are appropriate;

iv. the need for appropriate diversification within the other investment options offered to members;

v. any other considerations which the Trustee considers financially material over the periods until members' retirement, or any other timeframe which the Trustee believes to be appropriate; and

vi. the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

20. The UK Equity Default is designed to provide a return in line with a broad UK Equity index. It is a default only on a technicality on the basis that it received assets from a closed actively managed UK equity where there was no alternative member investment instruction.

21. The Cash Default is designed to provide stability and capital preservation. It is a default only on a technicality and is intended, outside of a prior member instruction, only to have contributions allocated to it as a temporary measure during Property Fund gating. As the gating has now lifted, contributions allocated to the Cash Default in the meantime have been allocated to the Property Fund in accordance with member instructions. The Cash Default remains a default arrangement despite the movement of funds allocated to it moving back to the Property Fund.

Choosing investments

22. As required by Regulation 2(3)(a) of the Investment Regulations, the Trustee's policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments) is set out in this section.

23. The Trustee considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes, as well as how these risks can be mitigated where appropriate. The key financial assumption made by the Trustee in determining the investment arrangements for the Default and the UK Equity Default is that equity-type investments, over the long-term, will outperform gilts. The Cash Default is chosen since it offers stability and is expected to provide a return in line with the UK money market.

Kinds of investments

24. As required by Regulation 2(3)(b)(i) of the Investment Regulations, the Trustee's policy for the kinds of investment to be held is set out in this section.

25. The Asset Manager may invest in a wide range of investment instruments including equities, bonds and property. The investments in each fund will depend on the nature of the fund, its objective and benchmark and the risk controls which operate.

Balance between different kinds of investments

26. As required by Regulation 2(3)(b)(ii) of the Investment Regulations, the Trustee's policy for the balance between different kinds of investment is set out in this section.

27. When choosing the type of investments, consideration will be given to the Trustee's policy to ensure there is an appropriate balance between the different kinds of investments, in the Default, UK Equity Default, Cash Default and self-select Funds. General considerations set out in section 15 also apply.

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

28. As required by Regulation 2(3)(b)(iii) of the Investment Regulations, the Trustee's policy for measurement and management of risk is set out in this section.

29. The Trustee recognises a number of risks involved in the investment of the assets of the Plan, and monitors these risks on a regular basis:

i. Diversification - The choice of benchmarks is designed to ensure that the Plan's investments are adequately diversified. In addition, the specific investment objectives for each Fund ensure that the Plan avoids undue concentration at a stock selection level. The Trustee believes that the Plan's Default is adequately diversified between different asset classes and within each asset class and the fund options offered provide a suitably diversified range for members to choose from. This was a key consideration when determining the Plan's investment arrangements and is monitored by the Trustee on a regular basis. In addition, the Trustee believes that the UK Equity Default is adequately diversified within the UK equity asset class.

ii. Underperformance and manager risk is managed by monitoring the actual deviation of returns relative to the benchmarks (taking into consideration factors that support the manager(s)' investment process) and by offering members index tracking options. As members' benefits are in part dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the Default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the Default a "lifestyle" strategy.

iii. Risk from excessive charges – if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Plan are in line with market practice and assesses regularly whether these represent good value for members.

iv. Political risk is the risk of an adverse influence on investment values arising from political intervention and it is managed and monitored by regular reviews of the investment processes adopted by the Asset Manager.

v. Suitability - The Trustee has taken advice from its investment consultant to ensure that the underlying investment vehicles are suitable as linked investments for the Plan's investment funds.

vi. The risk of fraud and/or dishonesty is mitigated through a crime insurance policy, and internal and external audit.

vii. Environmental, social and governance ("**ESG**") factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on its behalf. From time to time it reviews how these risks are being managed in practice.

30. In addition to these risks the Trustee recognises that members face four specific investment risks in a defined contribution arrangement: inflation, capital, sequencing and pension conversion. These risks and the Trustee's objective for each risk are considered below:

i. Inflation risk is the risk that investments do not provide a return at least in line with inflation, such that the ‘purchasing power’ of the ultimate fund available to provide the benefits is not maintained. To mitigate this risk the Trustee provides investment options which are expected to provide long-term rates of return that match or exceed inflation.

ii. Capital risk is the risk that the monetary value of a member’s account falls. To mitigate this risk the Trustee provides investment funds that offer different levels of capital protection, for example the Cash Fund. Early in the members’ journey to retirement this risk is less significant and is managed in the Default strategy using diversification. As members in the Default strategy approach retirement, it becomes significantly more important and so the strategy de-risks over the 7 years prior to retirement to mitigate the risk of an expected loss close to retirement.

iii. Sequencing risk is the risk that a member is disadvantaged by the timing of their investments and disinvestments. For example, the member may contribute in times where market prices are high and withdraw benefits when prices are low. To mitigate this risk, the Default strategy uses a Diversified Growth Fund to reduce the amount of volatility compared to that of equity markets. This risk is also mitigated by member contributions being typically paid on a monthly basis.

iv. Pension conversion risk is the risk that assets held do not match fluctuations in annuity rates as a member approaches retirement. To manage this risk the Trustee provides two investment funds whose returns generally reflect changes in long term interest rates in the belief that the cost of many annuities will be based, at least in part, on these rates.

Expected return on investments

31. As required by Regulation 2(3)(b)(iv) of the Investment Regulations, the Trustee's policy expected return on investments is set out in this section.

32. The single most significant contributor to long term returns will be the strategic asset allocation. Within the Diversified Growth Fund ("**DGF**"), the Trustee should not seek to add value by making short term asset allocation changes. However, it can add value by making longer term asset allocation decisions, based on the appropriate advice.

33. Diversification is an important means of reducing risk to members and of reducing the disparity of outcomes between different cohorts of members. Within the DGF, this is achieved by investment in a wide range of asset classes and is monitored by sources of return, style, sector and geography as well as by asset type. Assets will be selected on the basis of a positive beta risk premium and the basis of their contribution to the total risk and expected return, not its expected risk and return in isolation. Within the UK Equity Default, diversification is achieved through investing in a wide range of companies from different geographical regions and different sectors of the market. The Cash Default is not chosen for expected returns, it is designed to offer stability.

34. The Trustee does not believe that leverage is appropriate within its strategic asset allocation or support the use of levered beta to achieve returns. The Trustee invests in some underlying funds which have leverage in order to seek to achieve their required returns or manage risk.

35. Asset classes exhibit a degree of mean reversion and, therefore, all other things being equal, rebalancing enhances returns. The Trustee seeks to use cash-flows to maintain alignment with the strategic benchmark in order to minimise transaction costs.

36. Whilst some active managers will outperform over long periods, the ability to spot these managers ex-ante is difficult and active fees make the net return for our members unlikely to exceed that of a passive alternative in the equity space.

37. The forward swap and gilt curves are the best estimates of the probability of the future course of inflation and interest rates.

38. Capitalisation weighted benchmarks are sub optimal and/or unnecessarily risky in the corporate bond space.

39. The Trustee does not seek to avoid owning assets that correlate with the employer / Bank in a stressed scenario as it believes that the majority of members of participating schemes may have more than one employer over their savings period.

40. Fees are a drag to performance and the Trustee should seek the lowest fee possible whilst taking into account the operational, business and investment risks of the underlying fund manager. Transaction costs are a drag on performance and all other things being equal should be minimised. The Trustee is comfortable with the vast majority of members investing in a lifestyle option. Investment outcomes are not necessarily improved by engagement with members. However, an accurate Target Retirement Date is an important influence in investment outcomes for members.

Realisation of investments

41. As required by Regulation 2(3) (b)(v) of the Investment Regulations, the Trustee's policy on realisation of investments is set out in this section.

42. The Trustee is aware of the importance of fund liquidity and the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds within the Default, UK Equity Default and diversifying the strategy across different types of investments. The Cash Default is more easily realisable.

43. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). In general, the Trustee's policy is to allocate the majority of assets within the DGF in the Default to daily dealing funds with a small proportion of the DGF allocated to non-daily dealing funds. Cash flows are used to rebalance the DGF's assets towards the strategic asset allocation on a daily basis. This ensures that the DGF provides daily liquidity to members.

44. As such the investment funds all provide daily liquidity. The members' accounts are held in funds that can be realised to provide pension benefits on retirement, death, or earlier on to transfer to another pension

arrangement. The liquidity of the underlying assets of each fund, and how it is managed, is monitored by the investment consultant, in conjunction with the RBS Investment Executive, as part of its responsibilities.

Illiquid Investments

45. As required by Regulation 2A (1) (aa) and 2A (1A) of the Investment Regulations, the Trustee's policy on illiquid assets is set out below.

46. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are illiquid. In general, the Trustee's policy is to allocate the majority of assets within the Default to daily dealing funds with a small proportion of the Default allocated to illiquid non-daily dealing funds. Members aged between 18 and 65 (assuming a target retirement age of 65) will have investments in illiquid assets. The illiquid assets invested in by the Plan are accessed via collective investment schemes.

47. The illiquid asset investments in the Default are insurance-linked securities, UK property, renewable energy infrastructure and distressed credit. The Trustee's policy is to have exposure to illiquid assets within the Default because it believes that this offers members a greater level of diversification and hence better risk management in the overall asset allocation. The Trustee also believes that long-term net risk-adjusted investment returns of the Default may be improved by investing in illiquid assets. Although illiquid investment options in the market remain limited relative to more traditional asset classes, the Trustee believes that the expertise RIEL has developed in this area means it is well-placed to take advantage of available opportunities.

48. It is the Trustee's intention to remain invested in illiquid assets in the future. The Trustee may increase the size of investments in illiquid assets in future if it believes this to be in the best interest of members, taking into account the extent to which investments must be realisable in a timely manner for retirements and transfers.

Financially material considerations

49. As required by Regulation 2(3) (b)(vi) of the Investment Regulations, the Trustee's policy for financially material considerations is set out in this section. This is a requirement from 1 October 2019.

50. The Trustee has considered how financially material considerations (including ESG) and non-financially material considerations (e.g. ethical factors) should be taken into account in the selection, retention and realisation of investments, over short-, medium- and long-term time horizons of the Plan and its members. The Trustee considers the appropriate long-term time horizon to be over 40 years in the circumstances of a defined contribution scheme with a wide age range of members.

51. The Trustee recognises that it has an important influence on the Plan's approach to ESG and other financially material considerations through its investment strategy and manager selection decisions. The extent to which ESG considerations are taken account of in the selection, retention and realisation of investments can be seen below.

52. Given that most of the Default's risk asset exposure is to passive equity, the Trustee believes that engaging with managers (who will in turn engage with investee companies) to reduce the potentially negative impact of ESG risks is the most effective way of improving expected risk adjusted returns in the portfolio.

53. Climate risk represents both a threat and an opportunity to the Plan and the Trustee would welcome the development of investment strategies to exploit this opportunity particularly within illiquid assets.

54. These financially material considerations are assessed and monitored with manager input and policies, as detailed below. The relative importance of these factors compared to other factors will depend on the asset class being considered.

55. The financially material considerations are taken into account in the selection, retention and realisation of investments by the Asset Manager. The Asset Manager does this in different ways depending on the mandate and the asset class as follows:

i. Equity managers – those which invest in line with market capitalisation are expected use stewardship to influence companies to take account of this risk.

ii. Bond managers – where actively managed, these managers are expected to integrate the financially material considerations into their investment process.

   Where passively managed, the bond managers are expected use stewardship to influence companies to take account of these risks.

iii. Alternative asset managers – these managers actively select investments based on their future risk and return potential and as such, consider the financially material risks as part of their investment process.

56. In general, the Trustee monitors and manages these financially material considerations by expecting all of its investment managers (including the Asset Manager and any underlying investment managers) to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and regularly reviews how its managers are taking account of these issues in practice.

57. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. It does this by writing to managers for further information and explanation when specific issues are highlighted by its Investment Advisers. If the Trustee does not receive a satisfactory response, the relevant investment manager will be invited to attend a Trustee Board meeting. Specific issues include: a poor voting record showing a lack of enforcement, a low number of engagements with companies or a lack of commitments to industry codes or organisations such as the UK Stewardship code.

Non-financially material considerations

58. As required by Regulation 2(3)(b)(vii) of the Investment Regulations, the Trustee's policy for non-financially material considerations is set out in this section. This is a requirement from 1 October 2019.

59. The Trustee notes empirical evidence from a number of sources that pension scheme members are likely to welcome the integration of ESG factors into portfolios. This includes evidence from a Deliberative Democracy exercise the Trustee carried out over the course of 2022, which involved a number of education and discussion sessions after which a small but representative group of members ranked sixteen beliefs around pension investment. The output of this exercise revealed a general preference from members to 'invest in a more resilient and positive future' and to 'engage actively, creating avenues for members to have more say in their pension and investments'.

60. The Trustee has decided not to take non-financial considerations into account in the selection, retention and realisation of investments, however the output of the Deliberative Democracy exercise has been taken into account in respect of stewardship and governance decisions. For this purpose, non-financial matters includes the views of the individual members and beneficiaries as the Trustee is of the view that there's still a lack of consensus of ethical views amongst the member base.

Stewardship & Voting rights

61. As required by Regulation 2(3)(c) of the Investment Regulations, the Trustee's policy in relation to stewardship & voting rights is set out in this section. This is a requirement from 1 October 2019 duly updated for further requirements applicable from 1 October 2020.

62. The Trustee expects the underlying fund managers to follow best practice Engagement, Stewardship and Governance practices.

63. The Trustee recognises its responsibilities as an owner of capital. It believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and are the most effective way of mitigating systemic ESG risks. The Trustee has delegated to the Asset Manager the exercise of rights attaching to investments, including voting rights and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

64. Where requested by its managers, the Trustee is prepared proportionately to engage directly with companies and other relevant parties, to improve the impact of engagement.

65. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice. It expects its investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

66. The Trustee has considered both engagement and exclusion as means of integrating ESG factors into the passive equity exposure within the Default fund. It is strongly supportive of engagement as a means of improving the behaviour of market participants, thereby improving the returns delivered by the market as a whole. The Trustee has a general preference for engagement over exclusion, however in certain cases it is supportive of exclusions where it believes that engagement is unlikely to be successful. These cases are also those where the Trustee believes holding such companies may result in risks to financial value. It is not supportive of exclusions that simply result in the ESG problem being moved to different ownership, where scrutiny and challenge may be less robust.

67. The Trustee notes members can benefit from a secondary effect by simply relying on the efforts of other market participants. However, as one of the largest UK DC schemes, the Trustee believes it has an obligation to support market leading behaviours by helping to set an example. It believes that our members are more likely to enjoy stable incomes in retirement in a world where rises in global temperatures are limited and other ESG risks are well managed.

68. The above policies also apply to the UK Equity Default as a pooled fund which makes up part of the self-select range. There is no meaningful application to the Cash Default.

Asset manager arrangements

69. As required by Regulation 2(3)(d) of the Investment Regulations, the Trustee's policy in relation to asset manager arrangements is set out in this section. This is a requirement from 1 October 2020.

70. The Asset Manager and the platform provider are appointed by way of contractual terms. These contractual terms, the associated fee structures and accountability measures (eg performance and other reporting) essentially constitute the "arrangements" with asset managers (since there is no direct relationship between the Plan and the underlying investment managers of the DC investment funds).

71. When considering new investment funds or selecting direct investment options the Trustee's selection and de-selection criteria for assessing investment managers will include considerations set out in **Appendix B: Manager Selection and De-Selection**.

72. The Asset Manager has full discretion for undertaking engagement activities in respect of the investments and the Trustee adopts a monitoring and engagement role:

i. with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);

ii. about relevant matters includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

73. Under the Investment Regulations the Trustee must document the methods by which and the circumstances under which the Trustee monitors and engages with the relevant persons about relevant matters.

74. The Trustee believes in the importance of monitoring the investment Funds and the underlying investment managers as a means of creating long term relationships which should increase the likelihood of meeting the performance objectives. The detailed monitoring responsibility is delegated to the Investment Advisers who meet with the underlying investment managers at regular intervals to review performance, investment policy and compliance.

75. Under the arrangement with the Asset Manager, the Trustee has limited influence over the underlying managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its underlying managers to improve their practices where appropriate. However the Trustee does have policies in relation to the underlying manager, as set out below.

76. The Trustee's view is that the fees paid to the Asset Manager and underlying managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice, underlying managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

77. It is the Trustee's responsibility to ensure that the underlying managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects underlying managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring underlying managers.

78. The Trustee evaluates underlying manager performance by considering performance over both shorter (quarterly) and longer-term periods (5 years and more) as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

79. The Trustee's policy is to evaluate each of its underlying managers by reference to the relevant manager's individual performance as well the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each underlying manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

80. The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the underlying managers. The Trustee expects its Investment Advisers to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates. The Trustee then reviews these figures and monitors the level of the costs and turnover.

Regulation 2(3)(d)(i)

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

Regulation 2(3)(d)(ii)

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

Regulation 2(3)(d)(iii)

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

Regulation 2(3)(d)(iv)

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

Regulation 2(3)(d)(v)

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

GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS

86. Under the Investment Regulations, the SIP is required to include content relating to default investment arrangements. To recap, the Plan has three such default investments arrangements, the latter two arising on a technicality due to circumstance:

i. the " Drawdown Lifestyle Option", referred to throughout as the **Default** which is the investment into which members are auto-enrolled unless they self-select an alternative;

ii. the "UK Equity Default", which is a pooled fund generally offered as a self-select option; and

iii. the "Cash Default" which is, a cash option also generally offered as a self-select option.

Aims & Objectives

87. As required by Regulation 2A(1)(a) of the Investment Regulations, this section sets out the aims and objectives of the Trustee in respect of the default investment arrangements.

88. The Trustee's primary objective for the Default and self-select range is to provide members with access to a:

i. range of investment options that will generate income and capital growth which, together with new contributions from the members, will provide an appropriate fund at retirement. The range of investment options is designed to be wide enough to allow members to manage changes in investment risk tolerance throughout their working life; and

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

89. The UK Equity Default is a technical default (having arisen by way of circumstance) and the objective for is to provide a return in line with a broad UK equity index. The Cash Fund has the objective of providing a return in line with the UK money market. This objective forms part of the range described above.

Default policies

90. As required by Regulation 2A(1)(b) of the Investment Regulations, the policies for the Default, UK Equity Default and the Cash Default are set out in **GOVERNANCE: POLICIES** above.

91. The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the Default, which is managed as a "lifestyle" strategy (i.e. it automatically combines investments in proportions that vary according to the time to target retirement age).

Strategy & Member Best Interests

92. As required by Regulation 2A(1)(c) of the Investment Regulations, this section explains how the default strategy ensures that investment is in the best interests of members (and beneficiaries).

93. For these purposes, the Default strategy comprises the aims and objectives mentioned above and the policies mentioned in **GOVERNANCE: POLICIES** above.

94. The Default was designed to be in the best interests of the majority of the members. Members' best interests were established by reviewing the demographics of the Plan's membership and determining members' expected needs. It was found that members' investment needs change as they progress towards

retirement age. Younger members and those with more than 7 years to retirement have a greater need for real growth to attempt to ensure their investment accounts keep pace with inflation and, if possible, salary escalation. Younger members will also, all other things being equal, have a greater tolerance for fluctuations in returns, as they have both a longer time horizon and potentially greater human capital (human capital is the income or salary that a person will earn during their future working life; the higher the human capital the greater the tolerance for fluctuations in the accumulated benefit as the member can compensate for current falls with additional future contributions). On the other hand, members near to retirement need a greater level of stability in the value of their account.

95. The Default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form and if they don't, there is relatively little downside from this approach compared to alternative strategies. In the initial growth phase the Default option is invested in risky assets to target a return of CPI + 3 – 5%, and then in the 7 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

96. To help manage the volatility that members' assets experience in the growth phase of the Default, the Trustee has constructed the Diversified Growth Fund, which over the long term has an aim of generating returns of CPI + 3 – 5%, but with lower volatility than equities.

97. Regardless of age, different members also have different tolerances for the level of risk that is acceptable. Members should therefore have the facility to reflect their own preferences in this regard, whilst maintaining a suitable spread of investments.

98. The Trustee will monitor the relevant members' behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

99. The UK Equity Default was selected as a default for members who historically invested in the UK Equity – Active Fund and did not select an alternative investment choice when the fund was closed. The UK Equity Default has been selected to be in the best interest of members as it provides similar asset class exposure but is passively managed rather than actively managed. It is monitored in line with its objective regularly at Trustee Board meetings. The Cash Default was selected as the receiving fund for contributions intended for the Property Fund while it was subject to COVID-19 related gating. It was considered to be in the best interests of members to use the Cash Fund as a capital protection measure.

APPENDIX A: INVESTMENT OPTIONS

1. The Trustee's policy is to seek to achieve its objectives through providing a suitable range of investment options that meets individual member needs. It recognises that the returns on real assets, while expected to be greater over the long term than those on monetary assets, are likely to be more volatile. The range of options provided allows members to diversify across asset classes, if they wish, which should provide the level of returns required by individual members at an acceptable level of risk.

2. The Trustee encourages its Investment Advisers to research and present proposals for investment in asset classes (or combinations of asset classes) that are not currently utilised within the Plan.

3. The Trustee offers white-labelled investment funds to members. Each investment Fund maintains a consistent objective whilst the underlying investment vehicles can be changed at the discretion of the RBS Investment Executive.

4. Whilst the Trustee is not involved in the funds' day to day method of operation and therefore cannot directly influence the performance target, it will assess performance and review the underlying investment vehicles on a quarterly basis.

5. The selected investment managers should achieve their principal objective in the majority of periods under consideration. It is not necessarily expected that the active managers will achieve their objective over every period. However, they should demonstrate that the skills they exercise on the funds are consistent with these targets, and that the level of risk is appropriate.

6. In addition to the individual white-labelled funds on offer to members, the Plan makes available three Lifestyle Options.

The Default Drawdown Lifestyle Option

7. The Default Drawdown Lifestyle Option uses Diversified Growth, Income Drawdown and Cash Funds to create an asset allocation strategy that changes during the member's working life. The current strategy involves a gradual switch from the DGF, when the member is more than 7 years from retirement, into the Income Drawdown and Cash Funds (split 75% Income Drawdown and 25% Cash) as retirement approaches. The aim of this strategy is to maintain exposure to growth assets at retirement to help members fund their drawdown income.

8. For each of the lifestyle options, when a member reaches their Target Retirement Age if they decide to continue to work and contribute into the Plan, their Plan savings will stay invested in the same allocations as they were at the point of their Target Retirement Age and will no longer be adjusted so the allocation percentages may drift over time.

9. The Drawdown Lifestyle Option was made the Default option following the transition of administration to L&G and following a full review of the Default Lifestyle including consideration of the capabilities of the administrator, membership behaviours generally and within the Plan post Freedom & Choice.

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

The Annuity Lifestyle Option

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

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

The Lump Sum Lifestyle Option

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

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

APPENDIX B: MANAGER SELECTION & DE-SELECTION

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

Investment Manager Selection Criteria

Business

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

People

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

Process

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

Performance

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

Investment Manager De-selection Criteria

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

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

APPENDIX C: ROLES & RESPONSIBILITIES

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

Division of Responsibilities

Specifically the Trustee is responsible for:

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

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

- advisory services: including without limitation self-select options, permitted assets and asset allocation ranges for the RSP DGF and the RSP Lump Sum Fund.
- assistance services: including without limitation reviews of investment objectives and asset allocation policy for the funds, monitoring the performance of any third-party manager or platform provider and reporting the performance (and other relevant issues) of investment funds and underlying investment vehicles to the Trustee.

- management services: including without limitation manage the Investments on a discretionary basis.
- assistance with the review of the SIP least every three years and following any significant change in investment strategy and reporting requirements associated with the Plan's investments.

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

The investment platform provider is responsible for:

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

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

- making tactical asset allocation decisions relative to their prescribed benchmarks within stated guidelines;
- making security selection decisions within each asset class;
- ensuring appropriate diversification of investments within their vehicles; and
- providing the RBS Investment Executive with a quarterly report on actions and future intentions, and any changes to the processes applied to the investment vehicles.

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

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

Fee Structure

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

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

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

APPENDIX D: INVESTMENT STRATEGY

Background

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

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

Meaning of Investment Strategy

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

I. in relation to any default arrangement, the default strategy as defined in the Investment Regs 2005;

II. the beliefs, policies, aims and objectives for any non-default arrangements as described in the Statement of Investment Principles;

III. benchmark and performance objective and fund investment and manager selection other than for the DGF and Lump Sum Fund as set out in the Investment Guidelines within the IAMA;

IV. the Member Life-Styling Strategy;

V. asset allocation ranges, volatility constraints and other constraints described in the Investment Guidelines within the IAMA (but excluding, for the avoidance of doubt, the asset allocation within the asset allocation ranges for each of the DGF and the Lump Sum Fund); and

VI. ad hoc policies adopted from time to time

Current Investment Strategy

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

I. The scheme's standard default arrangement is the Drawdown Lifestyle option and default strategy (as defined in the Investment Regs 2005) is as per the SIP;

II. The policies, aims and objectives of non-default arrangements are as set out in the SIP;

III. The benchmark and performance objective and fund investment referred to in Part2, Schedule 2 (Investment Guidelines) of the IAMA and manager selection other than for the DGF and Lump Sum Fund, are all as referred to in Part2, Schedule 2 (Investment Guidelines) of the IAMA. For the avoidance of doubt these include the following benchmarks and performance objectives in relation to the DGF and Lump Sum Funds where RIEL has discretion

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

IV. In relation to Member Life-Styling Strategy, the design, switching periods and selection of underlying funds for the drawdown, annuity and lump sum lifestyle options are as described in the SIP.

V. The asset allocation ranges for the DGF and Lump Sum Fund as described in the Part 2 Schedule 2 (Investment Guidelines) of the IAMA. For the avoidance of doubt the strategy provides for but does not at present include volatility or other constraints.

VI. At this time there are no ad hoc policies which form part of the Investment Strategy

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

I. The asset allocation benchmarks for the DGF and Lump Sum Fund remain as one of the measures against which the Trustee's wish to monitor the performance of the funds; and

II. RIEL are expected to establish and share with the Trustee rebalancing policies which are consistent with the asset allocation ranges

DATE: 22 March 2024