

Segment performance continued

Commercial & Institutional

	2023	2022	Variance	
	£m	£m	£m	%
Income statement				
Net interest income	5,044	4,171	873	20.9%
Non-interest income	2,377	2,242	135	6.0%
Total income	7,421	6,413	1,008	15.7%
Other operating expenses	(3,867)	(3,563)	(304)	8.5%
Litigation and conduct costs	(224)	(181)	(43)	23.8%
Operating expenses	(4,091)	(3,744)	(347)	9.3%
Impairment losses	(94)	(122)	28	(23.0%)
Operating profit	3,236	2,547	689	27.1%
Performance ratios (1)				
Return on equity	15.4%	12.2%	3.2%	
Net interest margin	3.84%	3.31%	0.53%	
Cost:income ratio (excl. litigation and conduct)	52.1%	55.6%	(3.5%)	
Loan impairment rate	7bps	9bps	(2bps)	

- During 2023, Commercial & Institutional continued to support customers with an increase in lending of 1.5% and delivered a strong performance with growth in revenues and operating profit supporting a return on equity of 15.4%, an increase from 12.2% in 2022.
- Commercial & Institutional provided £25.4 billion of climate and sustainable funding and financing in 2023 to support customers investing in the transition to net zero.
- Total income was £1,008 million, or 15.7%, higher than 2022 primarily reflecting higher deposit returns supported by interest rate rises, growth in lending and higher markets income partly offset by higher funding costs.
- Net interest margin was 53 basis points higher than 2022 reflecting higher deposit returns partly offset by higher funding costs.
- Non-interest income was £135 million, or 6.0%, higher than 2022 principally driven by higher lending and financing fees in relation to volume growth, increased credit and debit card fees reflecting higher volumes and margins, higher payment services fees and fixed income performance.
- Other operating expenses were £304 million, or 8.5%, higher than 2022 reflecting higher pay awards to support our colleagues with cost of living challenges and continued investment in the business.
- An impairment charge of £94 million in 2023, £28 million lower than 2022, reflecting good book releases and lower stage 3 charges.

	2023	2022	Variance	
	£bn	£bn	£bn	%
Capital and balance sheet				
Loans to customers (amortised cost)				
- Business Banking	4.5	6.1	(1.6)	(26.2%)
- Commercial Mid-market	71.5	71.7	(0.2)	(0.3%)
- Corporate & Institutions	57.4	53.7	3.7	6.9%
Total loans to customers (amortised cost)	133.4	131.5	1.9	1.4%
Loan impairment provisions	(1.5)	(1.6)	0.1	(6.3%)
Net loans to customers (amortised cost)	131.9	129.9	2.0	1.5%
Total assets	385.0	404.8	(19.8)	(4.9%)
Funded assets	306.9	306.3	0.6	0.2%
Customer deposits	193.4	203.3	(9.9)	(4.9%)
Loan:deposit ratio (excl. repos and reverse repos) (1)	68%	64%	4%	6.3%
Risk-weighted assets	107.4	103.2	4.2	4.1%

(1) Refer to the Non-IFRS financial measures section for details of basis of preparation and reconciliation of non-IFRS financial measures and performance metrics.

- Net loans to customers increased by £2.0 billion, or 1.5%, in 2023 reflecting an increase of £4.7 billion from growth in private financing activity, an increase in term loan facilities including an increase in revolving credit utilisations within Corporate & Institutions, and asset finance growth within Commercial Mid-market, partly offset by £2.7 billion of UK Government scheme repayments.
- Customer deposits decreased by £9.9 billion, or 4.9%, in 2023 primarily due to overall market liquidity contraction, particularly in Commercial Mid-market. We have seen strong growth in term deposits balances in 2023 which now represent 19% of deposit balances. Across the year we continued to see a reduction in non-interest bearing balances which now represent 36% of deposit balances.
- RWAs increased by £4.2 billion, or 4.1%, in 2023 primarily reflecting lending facility growth, partly offset by capital optimisation activity and foreign exchange benefits.

Segment performance continued

Central items & other

	2023	2022	Variance	
	£m	£m	£m	%
Income statement - continuing operations				
Total income	410	41	369	900.0%
Operating expenses (1)	(392)	(728)	336	(46.2%)
of which: Other operating expenses	(387)	(645)	258	(40.0%)
of which: Ulster Bank Rol direct expenses	(275)	(433)	158	(36.5%)
Impairment (losses)/releases	(5)	12	(17)	(141.7%)
Operating profit/(loss)	13	(675)	688	nm
of which: Ulster Bank Rol	(473)	(723)	250	(34.6%)

	2023	2022	Variance	
	£bn	£bn	£bn	%
Capital and balance sheet				
Net loans to customers (amortised cost) (2)	25.8	19.6	6.2	31.6%
Customer deposits	12.3	17.4	(5.1)	(29.3%)
RWAs	2.8	7.0	(4.2)	(60.0%)

- Total income was £369 million higher than 2022 primarily reflecting notable items including foreign exchange recycling gains of £484 million, lower losses on redemption of own debt, business growth fund gains and lower losses on liquidity asset bond sales, partially offset by lower gains on interest and foreign exchange risk management derivatives not in accounting hedge relationships and losses associated with property lease terminations.
- Other operating expenses were £258 million, or 40.0%, lower than 2022 principally reflecting the reduction in cost due to our withdrawal of operations from the Republic of Ireland.
- Net loans to customers increased by £6.2 billion, to £25.8 billion, over the year mainly due to reverse repo activity in Treasury.
- Customer deposits decreased by £5.1 billion 2023 primarily reflecting our withdrawal of our operations from the Republic of Ireland. Ulster Bank Rol customer deposit balances were £0.2 billion as at Q4 2023.

(1) Includes withdrawal-related direct program costs of £91 million for the year ended 31 December 2023 (31 December 2022 – £195 million).

(2) Excludes £0.3 billion of loans to customers held at fair value through profit or loss (31 December 2022 – £0.5 billion).

Summary financial statements

Summary consolidated income statement

For the year ended 31 December 2023

	2023 £m	2022 £m	2021 £m
Net interest income	11,049	9,842	7,535
Non-interest income	3,703	3,314	2,894
Total income	14,752	13,156	10,429
Operating expenses	(7,996)	(7,687)	(7,758)
Profit before impairment losses	6,756	5,469	2,671
Impairment losses	(578)	(337)	1,173
Operating profit before tax	6,178	5,132	3,844
Tax charge	(1,434)	(1,275)	(996)
Profit from continuing operations	4,744	3,857	2,848
(Loss)/profit from discontinued operations, net of tax	(112)	(262)	464
Profit for the year	4,632	3,595	3,312
Attributable to:			
Ordinary shareholders	4,394	3,340	2,950
Preference shareholders	-	-	19
Paid-in equity holders	242	249	299
Non-controlling interests	(4)	6	44
	4,632	3,595	3,312

Summary consolidated balance sheet

As at 31 December 2023

	2023 £m	2022 £m	2021 £m
Cash and balances at central banks	104,262	144,832	177,757
Trading assets	45,551	45,577	59,158
Derivatives	78,904	99,545	106,139
Settlement balances	7,231	2,572	2,141
Loans to banks and customers - amortised cost	388,347	373,479	366,672
Other financial assets	51,102	30,895	46,145
Other and intangible assets	16,374	16,292	14,965
Assets of disposal groups	902	6,861	9,015
Total assets	692,673	720,053	781,992
Deposits	453,567	470,759	506,089
Trading liabilities	53,636	52,808	64,598
Settlement balances, derivatives, other financial liabilities and subordinated liabilities	139,843	151,426	160,658
Other liabilities	5,202	5,346	5,797
Owners' equity	37,157	36,488	41,796
Notes in circulation	3,237	3,218	3,047
Non-controlling interests	31	8	7
Total liabilities and equity	692,673	720,053	781,992

NatWest Group's financial statements are prepared in accordance with UK adopted International Accounting Standards (IAS), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



Serving our customers every day

Governance

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Corporate governance

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 National Administration of Financial Regulation (formerly the China Banking and Insurance Regulatory Commission)



Paul Thwaite
Group Chief Executive
Officer

Date of appointment:

25 July 2023

Committee memberships:

N/A

Contribution to the Board:

An experienced leader of NatWest Group's Commercial & Institutional segment and Payments business, Paul was appointed NatWest Group CEO for an initial 12-month period in July 2023 and then permanently with effect from 16 February 2024. He brings a customer focus to the Board, as well as expertise in balance sheet management, transformation and risk and controls.

Paul was central to the formulation and execution of NatWest Group's strategy reviews in both 2014 and 2019, giving him a strong, enterprise-wide view. He has led the development and delivery of industry-leading initiatives on climate and support for SMEs, including the coordination of NatWest Group's business support during the COVID pandemic.

In addition, Paul has played an active role in NatWest Group's diversity, equality and inclusion agenda, sponsoring and progressing a number of targeted programmes including NatWest Group's Junior Management Team and Multicultural Network.

Relevant experience:

Paul has a track record of success in senior global roles within Wholesale, Corporate, International, Risk and Retail Banking, based across the UK, Europe and US. Most recently he was Chief Executive Officer of NatWest Group's Commercial & Institutional segment between July 2022 and July 2023, having previously led NatWest Group's Commercial Banking division as CEO since November 2019. As part of his most recent role, Paul also led NatWest Group's Payments business.

Current external appointments:

- Non-executive director of Pollinate Networks Limited



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 over 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 Group 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 of Scotland.

Current external appointments:

- Non-executive director of Phoenix Group Holdings plc

Board Committees

- A Group Audit Committee (GAC)
- N Group Nominations & Governance Committee (N&G)
- Re Group Performance & Remuneration Committee (RemCo)
- Ri Group Board Risk Committee (BRC)
- S Group Sustainable Banking Committee (SBC)

Underline denotes Committee Chair

Corporate governance continued



Mark Seligman
Senior Independent
Director

Date of appointment:

1 April 2017 (Board), 1 January 2018
(Senior Independent Director)

Committee memberships:



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.

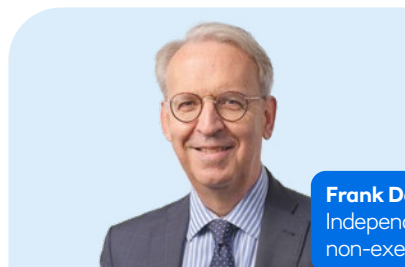
Relevant experience:

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:



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
- Chairman of the Advisory Board of STJ Advisors



Roisin Donnelly
Independent
non-executive director

Date of appointment:

1 October 2022

Committee memberships:



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.

In April 2023, Roisin was appointed as NatWest Group's Consumer Duty Board Champion. She is also the Chair of the NatWest Group Colleague Advisory Panel, which provides a valuable link to colleague and customer issues.

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

Corporate governance continued



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



Rick Haythornthwaite
Independent non-executive
director and Chair Designate

Date of appointment:

8 January 2024

Committee memberships:



Contribution to the Board:

Rick is a highly experienced Chair who combines a successful commercial career with a deep knowledge of financial services markets and technology, as well as a strong track record of delivery at significant customer-facing organisations. Rick's Chair experience extends across industry sectors, including Embedded Finance, a fintech company; QIO Technologies Limited, the industrial AI company that Rick co-founded; and Xynteo, a Norway-based sustainability consultancy.

Relevant experience:

Rick served as Chair of Mastercard Inc. during its transformation from a credit card company to a global technology company and an increase in its market value from \$5 billion to over \$350 billion. He also chaired Arc International Holdings, Centrica plc and Network Rail Limited, and was a partner at Star Capital. Rick's past non-executive directorships include Globant S.A., Cookson plc, Lafarge S.A., Land Securities plc and ICI plc. Rick also led the Haythornthwaite Review of UK Armed Forces Incentivisation.

Rick has been responsible for several high-profile business transformations and rescues, including Invensys, then one of the world's leading industrial controls companies, as CEO.

Current external appointments:

- Chair of Ocado Group plc
- Chairman of AA Limited
- Chairman of Embedded Finance Limited⁽¹⁾
- Senior advisory partner at Moelis & Co

⁽¹⁾ advisory role

Prior to becoming NatWest Group Chair, Rick will step down as Chairman of AA Limited (remaining as a non-executive director) and as advisory Chairman of Embedded Finance Limited.



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:

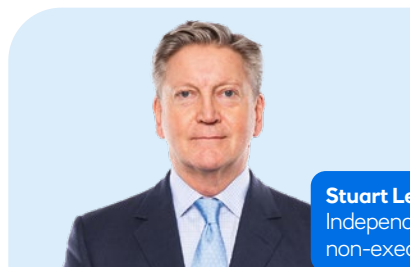
During her executive career, Yasmin held Chief Information Officer roles at Bupa and the Financial Times, where she later became the Chief Operating Officer. Prior to that Yasmin held a number of senior roles at Abbey National PLC, in a career spanning nearly 20 years, where latterly she served as an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

Corporate governance continued



Stuart Lewis
Independent
non-executive director

Date of appointment:

1 April 2023

Committee memberships:



Contribution to the Board:

Stuart brings extensive risk management, financial services and regulatory experience to the Board gained during his executive career, predominantly at Deutsche Bank. He also brings practical board-level experience, having served on a number of boards and committees in both executive and non-executive capacities. Stuart's strengths in risk and financial services complement and enhance the overall knowledge and experience of the Board, particularly in support of growth opportunities and continued organisational transformation.

Relevant experience:

Stuart served 10 years on the Management Board of Deutsche Bank as Chief Risk Officer, retiring in May 2022. He joined Deutsche Bank in 1996, where he held a variety of senior roles, including Deputy Chief Risk Officer, Global Chief Credit Officer and Chief Credit Officer for Asia Pacific. He was previously Head of European Credit Risk Management at Credit Suisse Financial Products.

Stuart served as a non-executive director of the London Stock Exchange Group plc (2013-2016) and in 2013 was elected to the Global Association of Risk Professionals Board of Trustees. He was also a Member of the Foundation Board of the International Financial Risk Institute (2010-2022) and served as Chair (2016-2018).

Current external appointments:

- Member of the Board of Trustees of the Global Association of Risk Professionals
- Member of the Advisory Committee of the International Association of Credit Portfolio Managers
- Visiting Professor in Practice in the Finance Department, London School of Economics



Lena Wilson CBE
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 a former Chair of the NatWest Group Colleague Advisory Panel, Lena provides valuable insights into customer and people 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
- 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:

Mike Rogers stood down as a director on 25 April 2023.

Alison Rose stood down as a director on 25 July 2023.

Morten Friis stood down as a director on 31 July 2023.

Corporate governance continued



Chairman's introduction

Letter from Howard Davies, Chairman of the Board

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95	Principal areas of Board focus

Dear Shareholder,

Welcome to the 2023 Corporate governance report.

It has been a challenging year for the Board with a number of changes to directors and committee structure and composition.

The most significant change was the departure of Alison Rose as Group CEO in July 2023. The Board, supported by the Group Nominations and Governance Committee, had considered Group CEO succession plans in February 2023. We were therefore ready to move quickly when she left. Paul Thwaite was appointed as Group CEO in July 2023 for an initial period of 12 months. We are grateful to Paul for stepping up at short notice, and to Katie Murray for her continued support as Group CFO. Following a robust recruitment process the Board appointed Paul as Group CEO on a permanent basis with effect from 16 February 2024. Further information on this process is available on page 109.

Other changes to Board membership during the year were Mike Rogers and Morten Friis stepping down as directors on 25 April and 31 July 2023 respectively. I would like to record our thanks to Mike and Morten for their significant contributions to the Board during their tenures.

Stuart Lewis was appointed as a director on 1 April 2023, succeeding Morten Friis as the Chair of the Group Board Risk Committee on 1 August 2023.

In September we announced the appointment of Rick Haythornthwaite as the next Chair of NatWest Group. You can read more about the process undertaken by the Group Nominations and Governance Committee to recruit Rick on page 108. The Board's role in the process is also described in our section 172 statement on page 24.

I also want to take the opportunity to thank Graham Beale who stepped down from the NWH Sub Group Boards, and his role as NWH Sub Group Senior Independent Director, on 31 August 2023. We welcomed Mark Rennison to the NWH Sub Group Boards on 1 September 2023 and Ian Cormack is now the NWH Sub Group Senior Independent Director.

During the year the Technology and Innovation Committee was retired, and the remit of the Group Sustainable Banking Committee (SBC) was expanded to include technology, data and innovation matters. Yasmin Jetha became Chair of SBC, succeeding Mike Rogers.

I am also delighted that Geeta Gopalan will join the Board as an independent non-executive director on 1 July 2024.

Given the significant changes in the leadership of NatWest Group, across 2023 and into the first part of 2024, the Board agreed that the 2023 annual evaluation of Board and committee effectiveness will be deferred until 2024 and undertaken by an external facilitator.

The Board maintained its close oversight of the business of NatWest Group through the year. Regular reports included spotlights on cost of living challenges and how the bank has been supporting colleagues and customers. Data on the impact of changes in the macro-economic environment on customer behaviour was considered regularly. The Board also oversaw the preparation for and implementation of the Consumer Duty requirements, which became effective on 31 July 2023.

The Board held a two-day strategy session in June 2023 which was focused on the impact of technological advances on the financial services sector.

Following the announcement that the UK Government will explore a potential retail share sale in 2024 as part of its plans to reduce its shareholding in NatWest Group plc, a Board Oversight Committee was established. This Committee is responsible for considering all matters and taking any necessary decisions in connection with a retail share offering.

Details of the Board's principal areas of focus and operations during 2023 are set out on pages 95 and 97 respectively.

I would like to thank my fellow Board members for their contribution, commitment and dedication during 2023 and also throughout my time as Chairman. I will hand over my chairing responsibilities to Rick Haythornthwaite on 15 April 2024.

Howard Davies
Chairman of the Board

15 February 2024

Corporate governance continued

Governance at a glance

Key activities in 2023

Chair appointment

We announced the appointment of Rick Haythornthwaite to succeed Howard Davies as Chair, following a rigorous search process.

 [Read more on page 108.](#)


Consumer Duty

Roisin Donnelly became our Consumer Duty Board Champion, and the Board reviewed Consumer Duty implementation across the bank.

 [Read more on page 24.](#)

Change in Group CEO

When Alison Rose agreed by mutual consent with the Board to step down as Group CEO, we implemented agreed contingency plans to appoint Paul Thwaite as Group CEO for an initial period of 12 months.

 [Read more on page 104.](#)

Risk management

The Group Board Risk Committee reviewed, and the Board approved, NatWest Group's Enterprise-Wide Risk Management Framework (EWRMF) and the annual refresh of risk appetite.

 [Read more on page 117.](#)

Streamlining Board committees

The remit of the Group Sustainable Banking Committee was expanded to include technology, data and innovation matters, and the Technology and Innovation Committee was retired as a standalone Board committee.

 [Read more on page 122.](#)

Board diversity

We maintained our focus on Board diversity, with reference to our Boardroom inclusion policy, as a number of changes were made to Board and committee composition.

 [Read more on page 107.](#)


Board Oversight Committees

We set up two Board Oversight Committees (BOCs) to support Board review and oversight of key areas of focus for the bank – the Customer Exit BOC and the Retail Share Offering BOC.

 [Read more on page 92.](#)

Supporting directors' professional development

We provided dedicated induction programmes for new directors and supported existing directors' transitions into new committee roles, alongside a bespoke training programme for all directors.

 [Read more on page 98.](#)

Board changes during 2023

1 April

Stuart Lewis joined the Board as an independent non-executive director and joined GAC and BRC. Roisin Donnelly joined SBC.

25 April

Mike Rogers stepped down as a non-executive director and SBC Chair.

26 April

Yasmin Jetha succeeded Mike Rogers as SBC Chair.

25 July

Alison Rose agreed by mutual consent with the Board to step down as Group CEO and Paul Thwaite was appointed as Group CEO for an initial period of 12 months.

31 July

Morten Friis stepped down as a non-executive director and BRC Chair.

1 August

Stuart Lewis succeeded Morten Friis as BRC Chair and joined N&G.

Board changes during 2024

8 January

Rick Haythornthwaite joined as an independent non-executive director and Chair Designate.

16 February

Paul Thwaite becomes permanent Group CEO

15 April

Rick Haythornthwaite will succeed Howard Davies as Chair of NatWest Group plc, and Howard will step down from the Board.

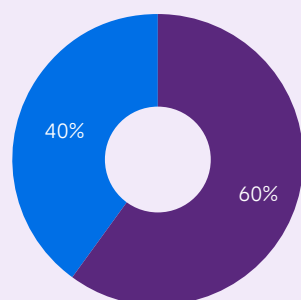
1 July

Geeta Gopalan will join the Board as an independent non-executive director.

Corporate governance continued

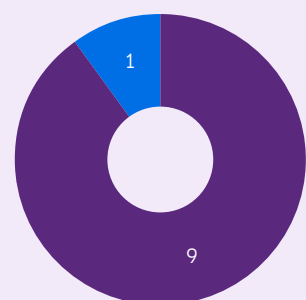
Board composition dashboard as at 31 December 2023⁽¹⁾

Sex



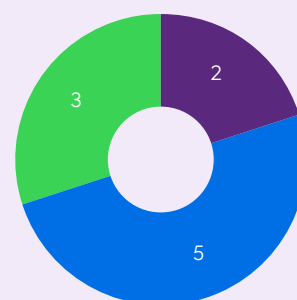
Male
Female

Ethnicity



White
Minority ethnic

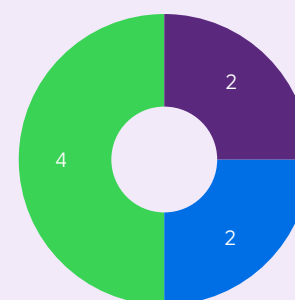
Age range



45-55
56-65
66-75

Tenure

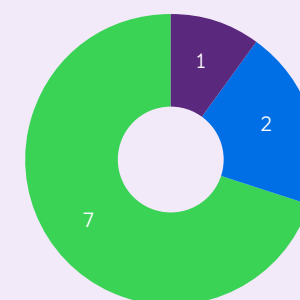
Chairman and
non-executive directors



0-3 years
3-6 years
6-9 years

Full Board average tenure: 4.2 years

Independence



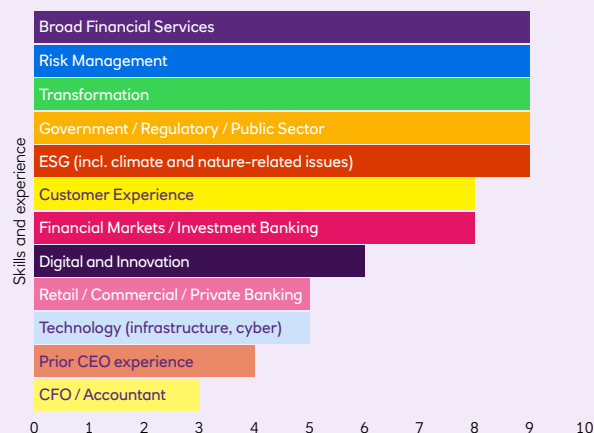
Chairman
Executive directors
Independent non-executive directors

Board 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 opposite 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.



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.

Our disclosures under UK Listing Rule 9.8.6(9) and (10) (Board and executive management diversity) can be found on page 107.

(1) As at 31 December 2023 there were 10 directors on the Board.

Corporate governance continued

UK Corporate Governance Code 2018

All directors are committed to observing high standards of corporate governance, integrity and professionalism. Throughout 2023, NatWest Group plc applied the Principles and complied with the Provisions of the 2018 UK Corporate Governance Code (the Code) with the following exceptions, as described in full in our Statement of compliance on page 162:

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

Provision 21 – that an annual evaluation of the performance of the Board and its committees should be undertaken. The Board agreed to defer the 2023 evaluation until 2024 for the reasons set out on page 104. The Board confirms there will be an evaluation in 2024, which will be externally facilitated.

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.

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.

The Listing Rules require companies to make a statement of how they have applied the Principles, in a manner that would enable shareholders to evaluate how the Principles have been applied. The table below includes signposts to key content in this report which describes how we have applied the Principles and complied with the Provisions of the Code during 2023, organised under the Code's five main section headings.

Board leadership and company purpose

- Our strategic framework (page 9)
- How We Create Value (pages 10 to 12)
- Principal areas of Board focus (page 95)
- Board oversight of our strategic framework (page 99)
- How the Board oversees and monitors culture (page 100)
- How the Board engaged with stakeholders, including our multi-channel colleague listening approach (pages 101 to 102)

Division of responsibilities

- Our governance framework (role and responsibilities of the Board and Board committees) (page 92)
- Division of responsibilities (page 93)
- Subsidiary governance and ring-fencing (page 94)
- Board and committee membership and attendance (page 97)
- External appointments and time commitment (page 103)

Composition, succession and evaluation

- Directors' biographies and committee memberships (pages 84 to 87)
- Board and Board committee composition (page 104) and changes in 2023 and 2024 (page 89)
- Board skills matrix (page 90)
- Board composition dashboard as at 31 December 2023 (sex, ethnicity, age, tenure, independence) (page 90)
- Our Boardroom inclusion policy (page 106)
- Board and executive succession planning (page 104)
- Deferral of the 2023 Board and committee evaluation (page 104)
- Group Nominations and Governance Committee report (page 105)
- UK Listing Rules Board and executive management diversity disclosures (page 107)
- Chair search process (page 108)

Remuneration

- Directors' remuneration report (page 127) (Group Performance and Remuneration Committee activity and decisions during 2023; remuneration policy for executive directors; wider workforce remuneration)

Audit, risk and internal controls

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:

- Group Audit Committee report (page 110)
- Viability statement (page 66)
- Compliance report (page 162)
- Group Board Risk Committee report (page 115)

The Board regularly assesses the company's emerging and principal risks in a variety of ways including through review of the risk management report and dedicated training.

Details of the company's principal risks, procedures in place to identify Top and Emerging Threats, and how these are managed or mitigated, can be found on pages 60 to 65 (Risk overview) and pages 170 to 282 (Risk and Capital Management).

Corporate governance continued

Our governance framework

NatWest Group plc Board

- Is collectively responsible for promoting the long-term success of the company, driving shareholder value and NatWest Group's contribution to wider society.
- Establishes NatWest Group's strategy and leads the development of its culture.
- Provides leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed.
- 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 allocation and raising of capital, and reviews business and financial performance.
- Ensures that the company's obligations to its shareholders and other key stakeholders are understood and met.

To assist in providing effective oversight and leadership, the Board has established the following principal committees:

Group Audit Committee (GAC)

- Assists the Board in discharging its responsibilities in relation to the disclosure of NatWest Group's financial affairs.
- Reviews accounting and financial reporting and regulatory compliance and NatWest Group's system of internal controls.
- Monitors the processes for internal audit, risk management, external audit and whistleblowing.

📄 Committee report on page 110.

Group Board Risk Committee (BRC)

- Provides oversight and advice to the Board in relation to current and potential future risk exposures of NatWest Group, future risk strategy, risk appetite and tolerance.
- Promotes a risk awareness culture within NatWest Group.

📄 Committee report on page 115.

Group Nominations and Governance Committee (N&G)

- Assists the Board in the formal selection and appointment of directors.
- Reviews the structure, size and composition of the Board, and approves appointments to the boards of NatWest Group's principal and material regulated subsidiaries.
- Monitors NatWest Group's governance arrangements.

📄 Committee report on page 105.

Group Performance and Remuneration Committee (RemCo)

- Responsible for the overview of NatWest Group remuneration policy and the directors' remuneration policy, ensuring that arrangements are designed to promote the long-term success of NatWest Group.

📄 Committee report on page 127.

Group Sustainable Banking Committee (SBC)

- Supports the Board in overseeing, supporting and challenging actions taken by management to run NatWest Group as a sustainable business, capable of generating long-term value for its stakeholders.
- Oversees how technology, data and innovation are used to support the customer and be a relationship bank for a digital world.

📄 Committee report on page 122.

The Group Executive Committee (ExCo) supports the Group CEO in discharging his responsibilities in managing NatWest Group's business day to day.

📄 For further information on individual roles and responsibilities, see page 93.

Governance framework changes during 2023

From 1 May, SBC's remit expanded to include technology, data and innovation matters and the Technology and Innovation Committee was retired. On 27 July a Customer Exit Board Oversight Committee (BOC) was set up to oversee and advise the Board in relation to the work and findings of reviews related to customer exits. On 11 December a Retail Share Offering BOC was set up regarding the proposed share offering to retail investors by UKGI.

Further information

- The terms of reference of the Board and its principal committees are available at natwestgroup.com and are reviewed at least annually.
- The Board terms of reference include a formal schedule of matters specifically reserved for the Board's decision.
- Internal reviews confirmed the Board and its principal committees had fulfilled their remits as set out in their terms of reference during 2023.

Corporate governance continued

Division of responsibilities

As at the date of publication of this report, the Board has 11 directors comprising the Chairman, two executive directors and nine 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 84 to 87.

Non-executive director independence

The Board considers that the current Chairman, Howard Davies, and Chair Designate, Rick Haythornthwaite were both independent on appointment and that all other current non-executive directors are independent for the purposes of the Code.

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 2023, 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.

Mr Seligman, on behalf of the Board, also led the process to identify and appoint a successor to Howard Davies as Chair of NatWest Group.

 [Read more about the Chair search process on page 108.](#)

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.

Executive management

The executive management team supports the Group CEO in managing NatWest Group's businesses.

Members of the executive management team, including the Group CEO, discharge their individual accountabilities to review, challenge and debate relevant items and support the Group CEO in forming recommendations to the Board.

Matters include strategy, financials, capital, risk, customers, colleagues⁽¹⁾ and operational issues affecting NatWest Group as well as monitoring the implementation of cultural change and executive succession planning.


Biographies of the executive management team can be found at natwestgroup.com.

(1) References to 'colleagues' in this report mean all permanent employees and, in some instances, members of the wider workforce e.g. temporary employees and agency workers.

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.

 [Details of the key responsibilities of the Chairman, Group CEO, Senior Independent Director and non-executive directors are available at \[natwestgroup.com\]\(https://natwestgroup.com\).](#)

Corporate governance continued

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, Ian Cormack and Mark Rennison. On 31 August 2023, Graham Beale stood down as NWH Sub Group Senior Independent Director (SID) and a DINED. On 1 September 2023 Ian Cormack assumed the SID role and Mark Rennison joined the NWH Sub Group Boards as a DINED.

Abridged biographies for the DINEDs are presented opposite with more detailed biographies available at natwestgroup.com (NWH Ltd 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. 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.

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 (N&G) 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 N&G report on page 105.



Ian Cormack
NWH Sub Group

Senior Independent Director and 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 was also chief executive of AIG's insurance, financial services and asset management business in Europe between 2000 and 2002 and served on the board of Luxembourg-based bond clearing house CEDEL. Ian has previously held non-executive positions with Just Group plc, Phoenix Group Holdings plc, Hastings Group Holdings plc, Bloomsbury Publishing plc and Broadstone Acquisition Corporation Inc.



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, a non-executive director of Capvis Private Equity and previously served on the Board of Coutts & Co (2012-2021), a NatWest Group subsidiary.



Mark Rennison
NWH Sub Group

Double independent non-executive director

Date of appointment
1 September 2023

Mark has extensive retail banking and financial services expertise, alongside substantial experience at board and committee level. With 12 years' experience on the Board of Nationwide as CFO, Mark brings a blend of technical knowledge and a deep understanding of the financial services sector.

Mark is a chartered accountant with over 30 years' experience in financial services. He began his career at Price Waterhouse (now PwC), where he spent twelve years as a partner specialising in financial services. He was CFO of Nationwide Building Society from 2007 to 2019. From 2020 to 2023 Mark was an independent non-executive director of TSB and Audit Committee Chair.

Mark is currently a non-executive director of Royal London and Homes England.

Corporate governance continued

Principal areas of Board focus in 2023

Regular reports

Group CEO reports
Group CFO reports
Board committee and NatWest Markets plc Chair reports
Business reviews
Risk management reports
Board business insights pack
Financial crime reports
Legal and regulatory updates
Colleague advisory panel reports
Consumer Duty updates

Key approvals

February: 2022 Annual Report and Accounts; ESG disclosure report; Climate-related disclosures report (including the initial iteration of the Climate Transition Plan) and associated documents; 2023 budget; Internal and external capital distributions
March: Recalibration of key risk appetite limits
April: Q1 financial results and ILAAP submission
June: ICAAP results; 2022 Modern Slavery & Human Trafficking Statement
July: H1 financial results and internal and external capital distributions; CEO appointment
September: Resolvability self-assessment; Chair appointment
October: Q3 financial results
December: EWRMF annual review and risk appetite refresh

February

- Received the FCA's firm evaluation letter and discussed the response
- Considered Board succession plans

April

- Directors attended a virtual shareholder event and the Annual General Meeting
- Deep dive sessions held with members of management on Digital X and Commercial & Institutional businesses
- Received a detailed update on personalisation of customer life cycles
- Appointed our Consumer Duty Board Champion

June

- Considered the progress of standing up the Commercial & Institutional business one year on
- Reviewed the April Our View (colleague opinion survey) results
- Strategy session focused on the competitive landscape and the impact new technologies might have on banking and customer behaviour in the future, including digital currencies
- Discussed top and emerging threats with management

September

- Discussed sustainable transitions, NatWest Group's strategy and opportunities available to the bank in this area
- A session was held for potential successors to ExCo to meet the Board
- Assessed the Group's capabilities and preparations to support resolution

December

- Considered the draft 2024 budget, including progress made against climate ambitions and the macro-economic impact on customer behaviour and deposits
- Considered the culture measurement report
- Approved the Board skills matrix

March

- Reviewed management's strategy for NatWest Digital X (previously the Services function)
- Approved the Year 2 Operational Resilience Self Assessment
- Received an update on the cost of living and how the bank was supporting customers and colleagues and considered the impact on customer behaviour, particularly in relation to deposit levels
- Received an update on customer complaints
- Considered the external market conditions and potential impacts for NatWest Group in light of liquidity challenges experienced by peers

May

- At an ad hoc meeting the Board approved participation in the directed buy-back of shares from HM Treasury

July

- Reviewed the latest culture measurement report and One Bank Transformation H1 review
- Considered the impact of potential future M&A activity on the capital distribution strategy
- Received the PRA's Periodic Summary Meeting letter and discussed the response
- Discussed with management the nature and biodiversity strategy ambitions

October

- Received a progress update on the implementation of the new Digital X strategy
- Post-implementation review of recent acquisitions and consideration of future opportunities
- Considered an update on the Retail Bank's short-term borrowing strategy including the approach to embedded finance
- Considered the September Our View results
- Reviewed the 2024 Annual Scenario for use in the Budget, Economic and Stress Tests

Independent reviews

Following the events of the summer of 2023 in relation to customer exit decision-making and the change in Group CEO, the Board dedicated much time in the second half of the year to considering the immediate and longer-term impacts. This included reviewing the three reports prepared by the independent party, Travers Smith LLP, as well as considering the impact the events had on the wider workforce.

Corporate governance continued

Board spotlights

Rick Haythornthwaite's induction

Full details of the process to appoint Rick as NatWest Group Chair successor can be found in the Group Nominations and Governance report on page 108.

After we announced Rick's appointment in September 2023, the Group Chief Governance Officer and Company Secretary worked closely with him to devise a comprehensive induction programme.

The programme was tailored to Rick's requirements. It included specific areas of focus Rick had identified during the recruitment process, and it was flexible in order to respond to areas of focus which emerged as the programme progressed. This included supporting preparations ahead of Rick's regulatory interview for the Chair role with the PRA and FCA.

Rick's induction programme prioritised early engagement with key internal and external stakeholders, including current Chairman, Howard Davies, the Group CEO, Group CFO, non-executive directors, members of the executive management team, our auditors and legal advisers.

As well as providing opportunities for Rick to meet and get to know his NatWest colleagues and key external contacts, the induction programme was designed to ensure a comprehensive overview of NatWest Group's structure and business operations, its strategic priorities and current challenges.

During the Chair search process Rick had acknowledged that, whilst he possessed strong financial services experience (for example, through his time as Mastercard Chair), he would benefit from some additional upskilling on banking. Arrangements were made for this to be addressed at an early stage during Rick's induction, with a focus on the broader picture relevant to a universal bank and recognising Rick's existing background in key areas including payments, technology and innovation.

After Rick joined the Board in January 2024, attention turned towards planning for an orderly handover of the Chair role. In preparation for taking on the role and responsibilities of Chair, Rick joined the Group Nominations and Governance Committee as a member, and will join other Board committee meetings as an attendee.

Enhancing directors' skills and knowledge

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 and during 2023 the Board undertook a comprehensive programme of training sessions on a variety of topics. Some of these were determined at the start of the year and others arranged in response to events or Board discussions. Training was delivered by both members of management and external parties.

Topics covered included financial crime; recovery and resolution planning; digital assets; nature and biodiversity (delivered by the World Wide Fund for Nature); legal privilege; Consumer Duty (delivered by Oxera); capital management and deposits. The training sessions enabled the directors to deepen their understanding of these topics and informed their decision-making.

The Board also held a focus session to assess top and emerging threats. Discussions covered the current and potential geo-political landscape, macro-economic and regulatory trends and the impact of emerging technologies on the risk environment.

A number of directors also accepted an invitation to the full Board to join meetings of the Group Sustainable Banking Committee which covered areas of broader interest, including artificial intelligence.

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.

Corporate governance continued

How the Board operated

Board and committee meetings

There were eight scheduled Board meetings during 2023. 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 11 additional Board meetings held in 2023 compared to three additional meetings held in 2022.

There was also one strategy session with executive management in 2023.

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

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

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, Wealth and Commercial & Institutional businesses included updates on progress against strategy and spotlights on current topics including the cost of living, personalisation of services, business strategies and deposit plans.

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 2023, is set out on page 95.

Board and committee membership and meeting attendance in 2023

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 (1)	8/8	8/8	–	–	–	–	4/4	3/3	–	–	–	–	–	–
Alison Rose (2) (8)	4/4	–	–	–	–	–	–	–	–	–	–	–	–	–
Paul Thwaite (2) (9)	4/4	6/6	–	–	–	–	–	–	–	–	–	–	–	–
Katie Murray (2)	8/8	6/6	–	–	–	–	–	–	–	–	–	–	–	–
Frank Dageard (3)	8/8	10/11	–	–	–	–	–	–	5/5	7/8	–	–	1/1	–
Stuart Lewis (4) (12)	6/6	10/10	4/4	–	6/6	–	2/2	4/4	–	–	–	–	–	–
Roisin Donnelly (3) (5)	7/8	10/11	–	–	–	–	–	–	–	–	5/5	–	–	–
Patrick Flynn (3)	8/8	9/11	5/5	–	8/8	–	4/4	6/7	–	–	–	–	1/1	–
Mike Rogers (6)	2/2	1/1	–	–	–	–	–	–	2/2	1/1	1/1	–	–	–
Yasmin Jetha (3) (7)	8/8	10/11	–	–	–	–	–	–	–	–	5/5	–	1/1	–
Morten Friis (10)	5/5	5/5	3/3	–	5/5	–	2/2	3/3	–	–	–	–	–	–
Mark Seligman	8/8	11/11	5/5	–	–	–	4/4	7/7	5/5	8/8	–	–	–	–
Lena Wilson (11)	8/8	11/11	–	–	7/8	–	4/4	7/7	5/5	8/8	3/5	–	–	–

(1) Howard Davies was not invited to attend meetings related to recruitment of the next NatWest Group Chair.

(2) Executive directors were not eligible to attend meetings to discuss their own remuneration or the change in Group CEO.

(3) On occasion directors were unable to attend ad hoc meetings which were convened at short notice owing to existing commitments.

(4) Mr Lewis joined the Board with effect from 1 April, becoming a member of both GAC and BRC on that date also.

(5) Ms Donnelly was unable to attend a scheduled meeting of the Board owing to a prior commitment.

(6) Mr Rogers stepped down from the Board and the role of SBC Chair with effect from 25 April.

(7) Ms Jetha assumed the role of SBC Chair with effect from 26 April.

(8) Ms Rose stepped down from the role of Group CEO with effect from 25 July.

(9) Mr Thwaite joined the Board and assumed the role of Group CEO with effect from 25 July.

(10) Mr Friis stepped down from the Board and the role of BRC Chair with effect from 31 July.

(11) Ms Wilson was unable to attend one scheduled meeting of the SBC owing to a prior commitment and one meeting of each of the SBC and BRC owing to illness.

(12) Mr Lewis assumed the role of BRC Chair from 1 August, at which point he became a member of N&G.

Corporate governance continued

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 separate section for 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 24 to 25 of the Strategic report.

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. Appointments authorised in 2023 are detailed on page 103.

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.

Induction

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. 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.

 Further information about Rick Haythornthwaite's induction can be found on page 96.

 Further information about Stuart Lewis's induction as BRC Chair can be found on page 116.



Corporate governance continued

Board oversight of our strategic framework

Throughout 2023 NatWest Group continued to focus on serving customers every day.

The effective use of data and technology is recognised as being an important means to achieve this and to ensure the bank is simple to deal with. Data and metrics on customer behaviour played a key role in informing the Board's discussions throughout the year including in relation to the bank's deposit strategy. In June the Board held a two day strategy session focused on the evolving competitive landscape, with a particular focus on digitisation, machine learning and artificial intelligence and the impact the emergence of these technologies could have on the financial services sector. The directors discussed future challenges and opportunities with members of management and external stakeholders. Consideration was given to potential new entrants to the financial services sector and the possible regulatory response to significant changes driven by technological enhancements.

Our focus on serving customers has been complemented by the FCA's Consumer Duty requirements, which became effective in 2023. The Board received regular updates throughout the year on this important strategic programme.


The ways in which we best serve customers, and so deliver sustainable value for shareholders, continued to be a focus for management throughout the year and updates were provided to the Group Sustainable Banking Committee and the Board as the approach evolved.

 Further information on our strategic framework can be found in the Strategic report on page 9.

NatWest Group's ambition to serve customers well every day continued to be underpinned by our values. Our values are central to how we work together to deliver our strategy.

Inclusive
Curious
Robust
Sustainable
Ambitious

The Board received regular updates on how these values are embedding within the organisation through Our View colleague opinion survey results and culture measurement reports. Colleague sentiment towards the values was also observed via Colleague Advisory Panel meetings, which are chaired by Roisin Donnelly who reports on each meeting to the Board.

 Further information on the Board's oversight of culture and our values can be found on page 100.



Corporate governance continued

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

- Leads the development of NatWest Group's culture, values and standards
 - 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 executive remuneration and the wider workforce, environmental, social and governance topics, Consumer Duty and human rights.

Our View colleague survey results

Insights from the colleague opinion surveys conducted in April and September. Colleagues responded to questions across the whole colleague experience including wellbeing, building capability and leadership. The key areas identified for focus related to leadership and ensuring consistency across NatWest Group.

Culture measurement reports

Board culture measurement reports were considered in July and December. See opposite for further information on the framework, including the measures used and considered by the Board and how it monitored and assessed culture, including embedding, during 2023.

One Bank Culture updates

In October, SBC considered an update on progress of the One Bank Culture Plan, noting our One Bank Culture Journey to date and plans to grow leadership capability, scale and build confidence in experimentation and sharpen our focus through the transformation of performance management.

Evaluating ethics in NatWest Group

SBC considered how business ethics is monitored and reported through the NatWest Group Culture Measurement Framework.

Board business insights packs

Metrics to demonstrate how NatWest Group is delivering for colleagues (including building capability, diversity and inclusion, and learning).

Succession planning

During discussions of management's succession planning and talent strategy, directors considered how colleagues' development is supported and a culture of learning promoted across the organisation. Later in the year, the Board had an opportunity to discuss these development opportunities with potential executive successors who shared their thoughts on how the learnings gained were being embedded within their teams.

NatWest Group Culture Measurement Framework

The NatWest Group framework for measuring culture:

- Provides insight into the bank's culture, helping senior leaders and the Board assess NatWest Group's progress in reshaping its culture and delivering on its purpose.
- Brings together guidance and best practice from regulators, public bodies and thought leaders.
- Uses internal and external sources – sentiment, KPIs, quantitative and qualitative insight from Risk, Audit, Conduct, People, Customer, suppliers, climate and external public scrutiny.

An assessment of over 100 **quantitative and qualitative measures** from across NatWest Group and external sources:

- Public scrutiny measures.
- Customer data.
- Colleague listening.
- Colleague engagement.
- Risk culture.
- Audit & Behavioural Risk.
- Ethics, behaviour and Speak Up.
- Supplier Charter and environmental footprint.
- The Culture Measurement Framework helps the Board execute their duty as outlined in Principle B, Principle E and Provision 2 of the UK Corporate Governance Code: "The Board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action".
- Progress on NatWest Group's culture journey is reported six-monthly to ExCo, SBC and the Board as well as separate reports for each legal entity (which are reviewed with each legal entity board).

Outcomes and insights from the assessment, monitoring and embedding of culture

In July:

- Directors noted positive trends since January, with material improvements in the lead indicators of up to c.3% recorded.
- Consideration was given to how the change in Group CEO would impact future results.
- Improvements in diversity, equity and inclusion metrics were welcomed, along with the improved NPS in Retail Banking.

In December:

- Positive trends continued in the second half of the year, with resilient Our View scores in respect of culture.
- The impact of the events surrounding the change in Group CEO on colleague and customer sentiment were noted.
- Progress was noted in respect of the implementation of Consumer Duty, and the ongoing work to embed the principles across the bank.

 Further information on the SBC's focus on people, culture and learning during 2023 can be found on page 124.

Corporate governance continued

How the Board engaged with stakeholders

The Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually.

In February 2023, the Board agreed its annual objectives and confirmed its key stakeholder groups would remain investors, customers, colleagues, regulators, 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, investors, financial institutions, advisers, and government representatives. Our section 172 statement on pages 24 to 25 describes how stakeholder interests were considered in Board discussions and decision-making, including principal decisions. In addition to those examples, the Board engaged with stakeholder views and interests in a variety of other ways, both directly and indirectly as described below.



Investors

There was a high level of engagement with institutional investors throughout the year. This included in relation to key decisions such as the appointment of Rick Haythornthwaite as our next Chair, and following the change in Group CEO. Directors had the opportunity to engage with private shareholders at two virtual shareholder events and the Annual General Meeting. Regular updates were provided to the Board on investor activity and share price performance.

The Chair of the Group Performance and Remuneration Committee and senior members of management met with institutional shareholders, UK Government Investments, proxy advisers and the UK regulators in late 2023 and early 2024 to discuss our approach to remuneration for the year and updated the Board on those discussions. Further details of remuneration engagement can be found in the Directors' remuneration report on page 127.



Customers

The Board received regular updates from the Group CEO and business CEOs on customer engagement activity and sentiment, including Competition and Markets Authority (CMA) survey results and Net Promoter Scores (NPS). There was a particular focus on the impacts of the cost of living challenges and how the bank could best support retail and commercial customers in this respect. The Board considered metrics and trend data on customer behaviour, particularly in relation to deposits, throughout the year via management reports.

In April 2023, Board members had the opportunity to meet with a selection of Scotland-based Commercial & Institutional customers. Discussions focused on how the bank can support customers in achieving their sustainability targets, the current macro-economic environment and the opportunities and challenges this was presenting.



Regulators

Representatives of both the FCA and PRA attended Board meetings to present their firm evaluation letter and outcome of the Periodic Summary Meeting respectively.

The Board reviewed and approved key regulatory submissions, such as the Internal Liquidity Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP).

Non-executive directors engaged regularly with regulators through continuous assessment and proactive engagement meetings. Regulatory interviews were attended by directors undertaking new Senior Management Functions, including Stuart Lewis and Rick Haythornthwaite.

There was also significant bilateral engagement with the PRA and FCA in relation to the change in Group CEO and new Chair appointment.



Communities

As part of its annual training programme, the Board engaged World Wide Fund for Nature to provide a dedicated session on nature and biodiversity.

Consideration was given to the regulatory landscape and the financial risks associated with the loss of nature and biodiversity.

Directors also discussed the initiatives and frameworks which financial institutions use to incorporate nature and biodiversity, the use of science based targets and the competitive landscape.



Suppliers

As well as receiving regular updates from management on key supplier and partnership relationships, the Board also met with representatives of suppliers during the year.

During these discussions directors were able to build their knowledge of suppliers' experiences with NatWest Group and how both sides could work together to support each other's sustainability efforts.

Corporate governance continued



How the Board engaged with colleagues

The Board continued to engage with colleagues through our multi-channel colleague listening approach, as described below.

Our multi-channel colleague listening approach

A number of listening and reporting tools help in promoting the 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

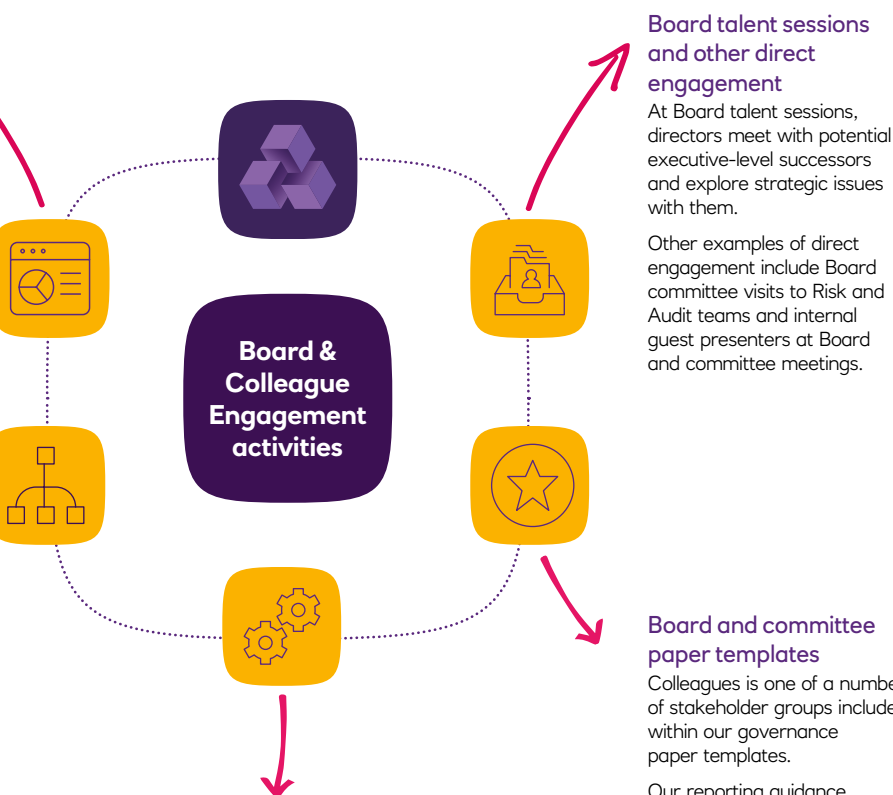
The Board and Group Sustainable Banking Committee receive the results of the Our View colleague surveys which provide insight at all levels and aspects of colleague experience.

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

Colleague Advisory Panel

Provides a means by which the '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.



Management reporting and activities

Board-level reporting from the Group CEO and the executive management team includes insights on colleague engagement, wellbeing and development.

Board talent sessions and other direct engagement

At Board talent sessions, directors meet with potential executive-level successors and explore strategic issues with them.

Other examples of direct engagement include Board committee visits to Risk and Audit teams 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

With regards to Provision 5 of the Code, we have adopted a formal workforce advisory panel as our chosen method of engagement with the workforce.

NatWest Group's Colleague Advisory Panel (CAP) was set up in 2018 to help promote the colleague voice in the boardroom.

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. In the context of the CAP, 'colleagues' means all permanent employees and members of the wider workforce e.g. temporary employees and agency workers. The CAP is made up of 28 colleagues who are self-nominated and are representative of the bank's population e.g., business area, level, location, working pattern and employee-led networks.

In April 2023 Roisin Donnelly succeeded Mike Rogers as CAP Chair when Mike Rogers stepped down as a director.

The CAP met with representatives from the Board twice in 2023, in May and November. Panel members and directors shared views on executive remuneration and the wider workforce, environmental, social and governance topics, Consumer Duty and human rights. The CAP Chair reported to the Board on those discussions in June and December and followed up with Panel members post-Board, ensuring a continuous feedback loop.

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 effectiveness of Board stakeholder engagement mechanisms is considered periodically as part of the Board evaluation process.

[Further information on NatWest Group's approach to investing in and rewarding its workforce can be found on pages 36 to 37 of the Strategic report.](#)

[Further information on how CAP members and directors engaged on remuneration matters can be found in the Directors' remuneration report on page 127.](#)

Corporate governance continued

External appointments and time commitment

Non-executive directors are expected to 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.

During 2023 the Board approved the appointment of Alison Rose as Co-Chair of the UK Government's Energy Efficiency Taskforce (February), as a director of Sustainable Markets Limited (March) and as a member of the Prime Minister's Business Council for 2023 (July). Ms Rose stepped down from all external appointments linked to her NatWest role after she stepped down as Group CEO.

There were no other approvals regarding external appointments for existing directors during 2023.

Rick Haythornthwaite's external roles and overall time commitment were carefully considered by the Board before his appointment was approved. Further information on the Chair search process can be found on page 108.



Corporate governance continued

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 2023 the Group Nominations and Governance Committee (N&G) reviewed, and the Board approved, an updated version of our Board skills matrix, a summary view of which is set out on page 90. 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. The Board skills matrix is used to support Board succession planning, as described in more detail in the N&G report on page 105.

Board committees also comprise directors with a variety of skills and experience so that no undue reliance is placed on any one individual and several changes were made to Board Committee composition in 2023. Full details of changes effected during 2023 and scheduled for 2024 are set out on page 89.


The Board operates a Boardroom inclusion policy which reflects NatWest Group's values, its inclusion guidelines and relevant legal or voluntary code requirements. Our Boardroom inclusion policy aims to promote diversity and inclusion in the composition of the Boards and Board committees of NatWest Group plc, NWH Ltd, NWH Plc and RBS plc and in the nominations and appointments process. A copy of the policy is available at natwestgroup.com and details of our progress against its objectives are set out in our UK Listing Rules disclosures on page 107 and in more detail in the N&G report on page 105.

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.

Board succession planning

Board succession planning has been an important area of focus in 2023. N&G supports the Board on Board succession planning, including making recommendations to the Board on Board appointments and Board committee membership.

 **Further information on the search process leading to the appointment of Geeta Gopalan as a non-executive director and Mark Rennison as a NWH Ltd director and DINED can be found on page 105.**

 **Further information on the appointment of Rick Haythornthwaite as Chair of NatWest Group plc is set out on page 108.**

In March 2023 (following review and recommendation by N&G), the Board approved succession plans for the roles of Senior Independent Director and Board 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 N&G and approved by the Board at least once a year.

 **Further information on the role of N&G and its activities during 2023 in relation to succession planning can be found in the N&G report on page 105.**

Executive succession planning

In February 2023 the Board, supported by N&G, had conducted a scheduled review of contingency CEO succession arrangements. These were subsequently invoked in July 2023 following the departure of Alison Rose.

In June 2023 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. Directors noted the focus on building bench strength and succession planning in the top levels of management, and that good progress had been achieved in building specialist skills within the CEO-1 and CEO-2 population via external hires and developing internal talent.

In September 2023 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 of key strategic topics.

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 Howard Davies who will step down on 15 April 2024. 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 usually takes place annually. The evaluation is externally facilitated every three years, with internal evaluations in the intervening years.

2022 evaluation update

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.

In December 2023 the Board reviewed the progress achieved against the actions agreed following the 2022 evaluation of the effectiveness of the Board and its committees. It was agreed that all actions had been successfully completed, with improvements including a refreshed format for the strategy session, enhanced focus of Board meetings and increased opportunities for engagement with the executive talent pipeline.

Deferral of 2023 evaluation

In September 2023, N&G agreed that it would be appropriate to defer the internal evaluation of Board and committee effectiveness due in Q4 2023 until 2024, given the July 2023 change in Group CEO and upcoming Chair succession. The Board confirmed its support for this approach. The next Board and committee evaluation will be conducted in 2024 by an external facilitator, in accordance with the Code requirement for an externally facilitated process every three years.

Year-end reviews of the Chairman and non-executive directors' performance were undertaken in Q4 2023, in line with our normal evaluation timetable.

Corporate governance continued

Report of the Group Nominations and Governance Committee



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



Dear Shareholder,

As Chairman of the Board and Chairman of the Group Nominations and Governance Committee, I am pleased to present the report on the committee's activity during 2023.

Roles 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 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.

More detail on the remit of the committee can be found in its terms of reference which are reviewed annually and approved by the Board and are available at natwestgroup.com.

Membership and meetings

- Throughout the majority of 2023, the committee comprised the Chairman of the Board and four independent non-executive directors. Members' details and their skills and experience are set out on pages 84 to 87.
- Stuart Lewis joined the committee on 1 August 2023 after Morten Friis stood down from the Board on 31 July 2023.
- Graham Beale observed meetings of the committee in his capacity as Senior Independent Director of NWH Ltd and member of the NWH Ltd Nominations Committee until he stood down from the board of NWH Ltd on 31 August 2023. Ian Cormack has observed meetings as Senior Independent Director of NWH Ltd since then.
- The committee holds a minimum of four meetings per year and meets on an ad hoc basis as required. In 2023, there were four scheduled meetings and seven ad hoc meetings. Individual attendance by directors at these meetings is shown in the table on page 97.

Composition

The committee supports the Chairman 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.

Recruitment

The committee was responsible for overseeing a significant amount of board recruitment activity throughout 2023 including a Chair succession process, full details of which are set out on page 108. In accordance with Code Provision 17, the Chairman recused himself from this process and the Senior Independent Director chaired meetings of the committee dealing with this appointment.

Throughout 2023 and into 2024 the committee also led a CEO search process on behalf of the Board, full details of which are set out on page 109. From 8 January 2024, the Chair Designate chaired meetings of the committee dealing with this appointment.

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 a new independent non-executive director to the Board and a new DINED to the board of NWH Ltd during 2023, as further described below.

Non-executive director search processes

A subset of the committee's membership selected Korn Ferry to support comprehensive searches with diversity and inclusion considerations at the forefront of the search criteria. The committee held several discussions on potential

Corporate governance continued

candidates, assessing the credentials of each candidate against the qualities and capabilities set out in the role specifications agreed by the committee. Following a rigorous process, the committee recommended Geeta Gopalan to the Board for appointment as a non-executive director and Mark Rennison to the board of NWH Ltd for appointment as a DINED.

Succession planning

At the start of 2023, the committee led a routine review of contingency as well as longer term succession plans for board positions including SID, CEO & committee chairs and updated succession plans were approved by the committee in February 2023.

The committee also conducted a number of term reviews in 2023. In accordance with the board appointment policy, non-executive directors are 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 current Board directors is set out on page 90. The committee reviewed the contribution of three serving Board members under the board appointment policy during 2023 and approved their continued tenure, subject to annual re-election at the AGM.

Subsidiary governance

The committee has also continued to oversee work aimed at further enhancing NatWest Group's subsidiary governance framework. A number of NatWest Group's material regulated subsidiaries made appointments to their boards during 2023, which the committee has approved in accordance with its Terms of Reference. Korn Ferry, MWM Consulting and Green Park have all 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). Korn Ferry also provides leadership advisory and senior executive search and assessment services to the People & Transformation function within NatWest Group.

In June 2023, the committee approved the appointment of Grant Thornton UK LLP to undertake an independent review of the effectiveness of the boards of NWM, RBSI and Coutts & Co with a view to deepening insights into the operation of the legal entity boards and to identify any actions which could be taken to strengthen subsidiary

governance and the legal entity framework. The committee has considered the key themes and findings in the report prepared by Grant Thornton UK LLP and during 2024 will track actions arising from the independent reviews.

Governance Framework

The committee also continued to monitor NatWest Group's governance arrangements with 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 2023 the committee considered a number of external policy developments and the impacts on NatWest Group's corporate governance framework, including Consumer Duty and the appointment of a Consumer Duty champion from the Board and the new Listing Rules disclosure requirements on Board and executive management diversity.

Boardroom inclusion policy

As noted on page 104, the Board operates a Boardroom inclusion policy which reflects NatWest Group's values, its inclusion principles 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.

The policy reflects NatWest Group's aspiration to meet the targets set out in the UK Listing Rules along with the recommendations of the FTSE Women Leaders Review and the Parker Review.

 Further information on our ethnicity targets is available on page 39.

Compliance and reporting

As at 31 December 2023, NatWest Group's chosen reference date, the targets set out in UK Listing Rule 9.8.6(9)(a) (Board and executive management diversity) were met. Disclosures under UK Listing Rule 9.8.6(9) and (10) can be found on page 107.

The policy also acknowledges NatWest Group's ambition to have gender balance in its global top three levels (CEO-3 and above) by 2030, and progress against this ambition is set out on pages 38 to 39 of the Strategic report (Diversity, Equity and Inclusion).

Page 162 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 38 to 39 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.

As at 31 December 2023, the company met the FTSE Women Leaders Review voluntary target of 40% women's representation on boards by the end of 2025, with 40% of the Board being women.

With a woman as CFO, the company 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.

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

I would like to thank the committee members for their continued commitment during 2023.

Howard Davies

Chairman of the Group Nominations and Governance Committee

15 February 2024

Corporate governance continued

Board and executive management diversity disclosures

Numeric data – UK Listing Rule 9.8.6(10)

Sex

	Number of Board directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	60	3	11	73
Women	4	40	1	4	27
Other categories	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0

Ethnicity

	Number of Board directors	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	90	4	9	60
Mixed/Multiple ethnic groups	0	0	0	0	0
Asian/Asian British	1	10	0	1	7
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	5	33

(1) All data as at 31 December 2023 (the reference date).

(2) Data was collected via self-reporting methods. For Board directors this was via an email data collection exercise (with options aligned to the categories specified in the Listing Rules) and for members of the executive management team it was collected via the HR system WorkDay, which colleagues can choose to update at any point with details such as their sex and ethnicity.

(3) The Group CEO and Group CFO are members of both the Board and executive management and so are counted in both groups in the above table.

(4) Changes since the reference date: Rick Haythornthwaite joined the Board as an independent non-executive director on 8 January 2024. This appointment means women's representation on the Board became 36% and representation of ethnic minorities became 9%. On 15 April 2024, when Howard Davies will step down as a director and will be succeeded as Chair by Rick Haythornthwaite, women's representation will be 40% and representation of ethnic minorities will be 10%.

Compliance – UK Listing Rule 9.8.6(9)

Listing Rules requirement	Outcome	NatWest Group plc position as at 31 December 2023
At least 40% of Board directors are women	Target met	40% of Board directors are women
At least one senior Board position held by a woman ⁽¹⁾	Target met	The position of CFO is held by a woman
At least one Board director from a minority ethnic background	Target met	One Board director is from a minority ethnic background

(1) Senior Board position is CEO, CFO, Chairman or Senior Independent Director.

Corporate governance continued

Appointing a new Chair of NatWest Group

A rigorous search process led to the appointment of Rick Haythornthwaite as Chair Designate to succeed Howard Davies on 15 April 2024. Rick joined the Board as an independent non-executive director on 8 January 2024.

April 2023

- At the 25 April AGM, it was announced a search would commence for the successor to Howard Davies as Chair.
- A draft role specification was agreed by the committee and shared during the search firm tender process.

July 2023

- The committee considered a diverse initial longlist of candidates and, after detailed discussion, agreed a longlist of prioritised candidates.
- This was refined to a shortlist agreed by the committee following initial contact with the prioritised candidates to assess interest in the role.

May 2023

- Following a competitive tender process, Spencer Stuart⁽¹⁾ were appointed to support the search process, which was led by the NWG and NWH Ltd Senior Independent Directors (the SIDs).

June 2023

- The committee agreed a final role specification to support NatWest Group's strategic priorities, incorporating feedback from the Board, which set out the skills, experience and personal qualities sought by the Board.

August 2023

- The role was advertised externally in accordance with PRA ring-fencing rules.
- Candidates were interviewed by a subset of the Board alongside the NWH Ltd Senior Independent Director.
- Candidates were measured on alignment with the role specification.
- After reviewing feedback, the committee recommended to the Board that Rick be progressed as the preferred candidate.
- All Board directors met with Rick before the full Board considered his appointment, with universally positive feedback provided.

September 2023

- Following Board approval, it was announced on 6 September 2023 that Rick had been selected as successor to Howard Davies as Chair of NatWest Group plc, subject to regulatory approval (received in December 2023).

Ensuring a rigorous process

- Between formal meetings, the SIDs kept directors informed of progress with regular updates and discussion at each stage of the search process.
- The NWG SID engaged with regulators and key investors during the latter stages of the process, offering an opportunity to discuss any questions they had.
- Rick's other external roles and overall time commitment were carefully considered by the Board before his appointment was approved. In December the Board reaffirmed its assessment that Rick be considered independent on appointment as a non-executive director.
- Rick has confirmed he will have sufficient time to devote to the NatWest Group Chair role, ensuring applicable limits on the number of directorships held are observed.
- Read about Rick's induction programme on page 97.

Rick is a strong match to the role specification:

- He is an experienced Chair with a long track record of leading boards, developing strategy and forging good relationships with CEOs.
- He demonstrates high levels of experience in governance and running boards as well as building businesses.
- He is well-known in the market and is well-equipped to handle the political environment with experience of dealing with government stakeholders.
- He has strong financial services experience, and relevant background in key areas including payments, technology and innovation.

(1) Spencer Stuart also provide leadership advisory and senior executive search and assessment services to the People & Transformation function within NatWest Group.

Corporate governance continued

Appointing a new Chief Executive Officer of NatWest Group

A rigorous search process led to the appointment of Paul Thwaite as permanent CEO with effect from 16 February 2024. Paul was identified as the outstanding candidate who possessed a compelling balance of experience, leadership and vision to take NatWest Group forward.

February 2023

- Following a routine review of succession plans, the Board approved the committee's recommendation for Paul Thwaite to be contingency CEO successor in the event of the absence of the then CEO.

25 July 2023

- Paul Thwaite was appointed CEO of NatWest Group for an initial period of 12 months.

September 2023

- The committee discussed the timing and process of the CEO search.
- Discussions with the Chair Designate were held ahead of his appointment to the Board.
- The process for selection and appointment of an external executive search firm was considered.

December 2023

- A detailed CEO role specification was prepared.
- The Committee agreed on four executive search firms who were then invited to tender.

February 2024

- CEO development plans were produced for prioritised internal and external candidates to support the committee and Board's decision-making.
- The committee and the Board reviewed and discussed the candidate assessment and benchmarking data produced by Heidrick & Struggles.
- After careful consideration of the data and measurement against the agreed success criteria, the committee recommended that Paul be appointed as permanent NatWest Group CEO.

January 2024

- Following a competitive tender process, Heidrick & Struggles⁽¹⁾ was selected to support the search.
- A detailed CEO success profile and competency framework was agreed by the committee and used by Heidrick & Struggles to complete extensive mapping of potential external candidates.
- The committee reviewed a longlist of candidates and identified a number of external candidates who would be approached.
- Internal and external candidates were then rigorously assessed by Heidrick & Struggles to analyse suitability and alignment to the agreed success profile.

Paul's skills and experience represent an outstanding match to the agreed CEO success profile

- He has an unrivalled understanding of the business, its customers, and the opportunities for growth. This knowledge is combined with a genuine ambition for the future and the skills to navigate the changing landscape of the banking industry.
- The Board has had the opportunity to work closely with Paul over the last seven months during which time he has demonstrated impressive leadership and a strong commitment to operational excellence.
- Paul's strong customer focus and ability to drive performance and transformation made him the outstanding candidate and the right person to lead NatWest.

Ensuring a rigorous process

- Since the announcement of his appointment in September 2023, the Chair Designate spent considerable time getting to know Board, ExCo and the wider business as well as meeting with key shareholders. These interactions helped the Chair Designate form a view as to the key priority areas for a successful CEO candidate.
- The committee's subsequent discussion and agreement on a CEO success profile ensured a stretching set of success factors against which internal and external candidates' credentials could be assessed.
- As part of the search process the committee considered over 40 external candidate profiles with the search narrowing to a diverse shortlist of 10 candidates who represented a credible match to the success profile.
- Heidrick & Struggles used a comprehensive methodology in their assessment of the prioritised candidates which included an in-depth leadership capability interview alongside a series of psychometric assessments. This approach ensured a deep and consistent data set to support the committee and Board's decision-making.
- Between formal meetings, the Chair Designate kept committee members and other Board directors informed on the search progress through regular updates.

(1) Heidrick & Struggles did not provide any other services to the NatWest Group during 2023.

Corporate governance continued

Report of the Group Audit Committee



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 2023.

I would like to thank my fellow committee members for their contributions, in particular Morten Friis, who stood down from the committee following the July 2023 meeting. The committee also appreciated the views of Graham Beale (until July 2023), Ian Cormack and Mark Rennison, who are non-executive directors, members of NatWest Holdings (NWH) Audit Committee, 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 financial and 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 of the remit of the committee can be found in its terms of reference which are reviewed annually and are available at natwestgroup.com.

Meeting and visits

Five scheduled meetings of the committee were held in 2023, four of which took place immediately prior to the release of the financial results each quarter. During the year, all members attended the meetings, the majority of which were held in person. The committee reported to the Board after each scheduled meeting, escalating matters for the Board's attention as required.

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.

Whistleblowing

In my role as whistleblowers' champion for NatWest Group, I receive 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 is responsible for oversight of the independence, autonomy and effectiveness of NatWest Group's whistleblowing policies and procedures as detailed in the tables which follow. The operation of the framework was assessed as strong by the Protect charity.

Membership

- GAC comprises three independent non-executive directors. Members' details and their skills and experience are set out on pages 84 to 87.
- Members are selected with a view to the expertise and experience of the committee as a whole and with regard to the key issues and challenges facing NatWest Group.
- 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 and Mark Seligman are '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.
- Stuart Lewis is chair of the Group Board Risk Committee of which I am also a member.
- This common membership helps to ensure effective governance across the committees.

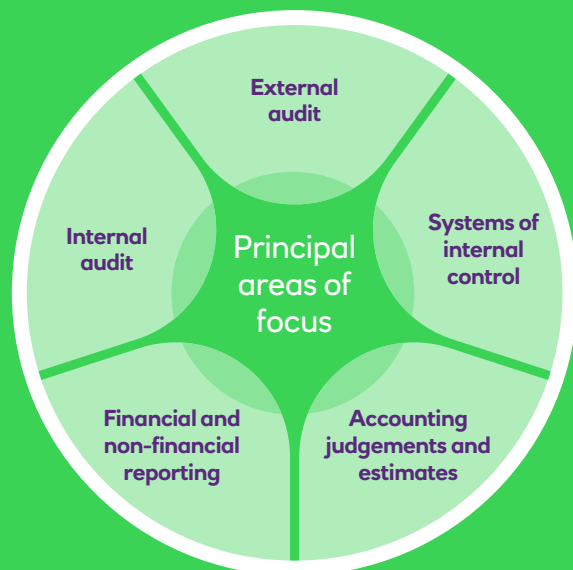
Internal and external audit oversight

The committee continued to monitor the performance of the external auditor and the Internal Audit function in 2023. 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. An External Quality Assurance review of the Internal Audit function was also completed in early 2023. Further information can be found in the Internal Audit table on page 113.

Patrick Flynn

Chair of the Group Audit Committee

15 February 2024.



Further information on each key area of focus can be found on pages 111 to 114.

Corporate governance continued

Principal areas of Group Audit Committee focus in 2023

Systems of internal control

Systems of internal control relating to financial management, reporting and accounting issues are a key area of focus for the committee. In 2023 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.

Theme	Principal areas of focus	Outcomes
Sarbanes-Oxley Act of 2002	To consider NatWest Group's compliance with the requirements of section 404 of the Sarbanes-Oxley Act of 2002.	The committee received interim updates on the status of the bank's internal controls over financial reporting throughout 2023 enabling it to monitor progress and support management's conclusion at the year end. The committee continued to receive updates from management on control deficiencies that arose during the year, including those around IT General Control and IFRS 9 that remain open at the year end. The committee continued to monitor the plans and transition to more automated preventative key controls. The committee additionally received regular updates from EY on their assessment of SOX compliance, and the status and rating of control matters. 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.
Regulatory and financial returns	To review the controls and procedures established by management of NatWest Group for compliance with regulatory and financial reporting requirements.	As part of management's ongoing work to strengthen the financial reporting control environment in 2023, the committee received updates on the progress achieved to implement the findings of the industry-wide skilled person's review of regulatory returns. This work completed during 2023.
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 2023 with agreement across all lines of defence that NatWest Group had achieved an improved rating by the end of 2023. The committee emphasised the importance of timely issue remediation and monitored this during 2023.
Early event escalation	To monitor control incidents captured by the internal event escalation process.	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. All Board directors were alerted to the most significant events throughout the year. A reduced volume of Major events was noted in 2023.
Whistleblowing	To monitor the effectiveness of the bank's whistleblowing policies and procedures. The committee Chair is also the whistleblowers' champion for NatWest Group.	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 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 NatWest Group.
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 the adequacy of provision levels and of the disclosures on potential legal issues. It 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. For deferred tax, this considered sustainable profitability, the period of assessment, and changes against previous estimates.</p> <p>The GAC reviewed the disclosure on internal control matters in conjunction with the related guidance from the Financial Reporting Council.</p> <p>The committee received updates in respect of key changes proposed, but subsequently largely withdrawn, as part of proposed amendments to the UK Corporate Governance Code. During 2024 the GAC will continue to oversee and challenge management on plans to implement changes announced by the Financial Reporting Council which will impact future disclosures on internal controls from 2026.</p>

Corporate governance continued

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 2023. 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 Climate-related Disclosures Report and the ESG Disclosures Report.

Theme	Principal areas of focus	Outcomes
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 (PMAs) 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. Economic uncertainty persisted in 2023 as a result of high inflation and cost of living, and the impact of higher interest rates. In the absence of a significant increase in the level of defaults, the committee discussed role of models and PMAs in the determination of quantum of loan loss provisions. Inclusion of adjustments to reflect economic uncertainty, including elevated interest rates and inflation levels, were discussed with management. Industry benchmarking data remained helpful to the committee and informed its considerations. The committee challenged whether it would be possible to include the impairment impact of inflation as part of the IFRS 9 models. The committee noted that further data and a causal link were required and that post model adjustments would be retained. The committee will continue to scrutinise the application of post-model adjustments in 2024. The committee concluded that models are a core element of IFRS 9 but cannot capture all eventualities, in particular issues which have not occurred in the recent past. GAC believed judgement continues to play an important role in setting these provisions and PMAs are the key tool to enable this.
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 2023.
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. The committee challenged management on the robustness of two specific redress programmes, which required increased provisions, and received assurance from management that no further increases were anticipated.
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 was 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 Strategic report and Report of the directors for further information.)
Fair, balanced & 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.

Corporate governance continued

Theme	Principal areas of focus	Outcomes
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.	The committee focused on the continued development of the climate and ESG reporting control environment which supports non-financial disclosures. 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 2023. A significant area of discussion on the Climate transition plan related to NatWest Group's dependency on external factors and whether they continued to support achievement of NatWest Group's climate ambitions. GAC noted the developing nature of Climate measurement standards, particularly in relation to the estimation of Scope 3 financed emissions, which has an inherent potential for double counting across entities in the same value chain. GAC noted that emissions estimates and other climate metrics should be read acknowledging these are in initial stages of development and subject to change as standards emerge and underlying data sources become more complete and developed. GAC recognised that climate measurement standards are not at the same level of maturity as accounting standards. Also, enhancements to availability of data and control frameworks will be required to align with IFRS financial statements. Currently, industry wide, the attestation provided by an auditor is to a weaker level than applies to IFRS financial statements.

Internal Audit

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

Theme	Principal areas of focus	Outcomes
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 committee considered the Function's 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 2023 plan and budget at the end of 2022. The committee supported the planned focus of work on the most high-risk areas for the bank. The 2023 budget was consistent with the prior year, reflecting the delivery of efficiencies in the function. In December 2023, the committee approved Internal Audit's 2024 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 in December 2023.
Performance evaluation	To monitor and review, at least annually, the effectiveness of Internal Audit.	In 2023 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. The GAC assessed the annual performance (including risk performance) of the function and CAE. The 2023 evaluation of the Internal Audit function was carried out internally. 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 some opportunities to improve reporting, bench strength at more junior levels, and in respect of digital capabilities. An external audit quality assessment was performed in early 2023 by Deloitte which looked at 2022 performance. This found that the Function was a high-performing, progressive function that compared favourably to leading peers with improvements identified including the replacement of the existing audit management system and enhancement of digital capabilities. Progress on recommendations made from each evaluation will be overseen by the GAC in 2024.
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.

Corporate governance continued

External Audit

The GAC has responsibility for monitoring the independence and objectivity of the external auditor and 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. In October 2022, the committee recommended that PwC be appointed as NatWest Group's auditor from 2026. The GAC complied with the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard and the Statutory Audit Services for Large Companies Market Investigation Order 2014 for the year ended 31 December 2023.

Theme	Principal areas of focus	Outcomes
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.	The GAC reviewed EY's 2023 plan. It welcomed the external auditor's focus on the innovation in the techniques applied as part of the audit and the commitment to provide an earlier interim view of control deficiencies by December 2023. In line with the authority granted to the committee by shareholders at the 2023 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 2023 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.
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 2023 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 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 bench strength and knowledge of the senior team, and the provision of robust challenge to management. Improvement areas included junior staff capabilities, the timeliness of reporting of issues, and greater consideration of the commercial implications of recommendations made.
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 since February 2021. He attended all meetings of the committee in 2023 and met in private session with the committee members 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 2023. It is expected that the lead partner rotation will occur during 2024. GAC has overseen the appointment of his successor, Javier Faiz, who was selected based on industry experience (including audit transition), audit quality and enhancement, partner stability and availability.
Additional reports prepared by the external auditor	To review reports prepared by the external auditor in relation to NatWest Group.	During 2023 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 2022. EY also presented the findings of their audit of the Climate-related Disclosures Report and ESG Disclosures Report to the GAC.
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 2023. 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. Further details of the non-audit services policy can be found at natwestgroup.com . During 2023, 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 2023 was 16%. 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 financial statements. In January 2024, the GAC approved a significant non-audit engagement where the fees exceeded £250,000 in connection with a potential retail share offering.

Corporate governance continued

Report of the Group Board Risk Committee



Letter from Stuart Lewis,
Chair of the Group Board Risk Committee



Dear Shareholder,

I am pleased to present my first report as Chair of the Board Risk Committee (the committee or BRC), having succeeded Morten Friis who stepped down as BRC Chair after the July 2023 meeting. I would particularly like to thank Morten for his skill and dedication in steering the committee through the recent periods of volatility in the geopolitical and external environment and for his counsel during the handover process. I became a member of the committee in April 2023, ensuring a smooth handover in our responsibilities.

This report describes how the BRC has fulfilled its role in 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 and internal controls required to manage risk. In carrying out this important role, the committee helps to ensure that NatWest Group supports its customers through the prudent management of risk. More detail on the remit of the committee can also be found in its [terms of reference](#) which are reviewed annually and are available at natwestgroup.com.

Principal areas of focus in 2023

During 2023, BRC ensured its time was prioritised to focus on NatWest Group's principal and emerging risks. Financial crime has remained a key area of focus and the committee was pleased to see it return to appetite. The external environment has influenced the focus of the committee this year, particularly its impact on NatWest Group's risk profile in relation to capital, stress testing, liquidity and funding, and credit risk.

Other areas of focus have included oversight of the execution of the Risk Management Strategy; model risk remediation; oversight of implementation of the enterprise-wide risk management framework (EWRMF) improvements, particularly the Risk and Control Self-Assessment (RCSA); conduct and regulatory compliance (including the implementation of Consumer Duty requirements); and oversight of a wide range of operational risk matters. In addition, the committee received regular updates on data management and BCBS239. Reputational risk was an emerging area of attention given the internal and external focus on customer exits, branch closures, and deposit rate pass-through.

It is expected that these will continue to be areas of focus in 2024 as NatWest Group drives towards return to appetite in relevant areas; implements changes to meet regulatory

Membership

BRC comprises three independent non-executive directors. The details of the members and their skills and experience are set out on pages 84 to 87.

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 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 held in parallel.

expectations; and continues to respond to the external 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.

Meetings and visits

There were eight scheduled meetings of the committee held in 2023. 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 97. The committee reported to the Board on the committee's activities after each meeting, escalating matters for the Board's attention as appropriate.

Outside formal meetings, BRC met with the Risk Leadership Team and considered improvements to the risk management report. Dinners were arranged to discuss the future direction of the Risk function, the committee's priorities, and the operation of the committee.

Corporate governance continued

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 NWH Ltd Audit Committees.

I would like to thank my fellow committee members for their contributions and commitment during the last year.

Stuart Lewis

Chair of the Group Board Risk Committee

15 February 2024

BRC Chair's induction

A full, formal and tailored induction was devised, which took into consideration my background and existing knowledge. As part of my induction, I had a series of meetings with the outgoing BRC Chair, fellow non-executive directors, the Group Chairman, the subsidiary Board Risk Committee Chairs, and external auditors. I had detailed sessions with executives and subject matter experts and attended NatWest Group Board training, the subsidiary non-executive director conference, and the Colleague Advisory Panel. The meetings were designed to give me a comprehensive overview of the principal risks facing NatWest Group and to address areas of particular regulatory interest.


Principal areas of Board Risk Committee focus in 2023

The table below describes the Board Risk Committee's principal areas of focus in 2023, 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 continued to be a key focus area for NatWest Group throughout the year.</p> <p>Quarterly updates were presented from all three lines of defence and supplemented by updates from the Group CRO at each meeting. These included progress updates on return to appetite plans, transformation and emerging risks/issues.</p> <p>Additionally, BRC considered the Money Laundering Reporting Officer's (MLRO's) report⁽¹⁾ and the annual Group financial crime risk assessment.</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 time frame. The committee also requested progress updates from specific subsidiary entities as required.</p> <p>Additionally, ahead of the return to appetite in 2023, the committee ascertained from management the level of funding required to maintain the risk appetite position and the evolution of financial crime risk to ensure that threats were monitored and mitigated effectively. The committee acknowledged the significant achievement of financial crime's return to appetite, reflecting an improved control environment, and that this had been accomplished by close, collaborative work by all three lines of defence.</p> <p>The committee also reviewed proposed new risk appetite measures concerning the timeliness and quality of a number of financial crime processes and recommended them to the Board.</p>
Model risk	<p>BRC maintained close oversight of management activity to return to appetite for model risk through regular detailed updates. There was particular focus on the Internal Ratings Based models and updates were provided on the programme of work to support changes to the Model Risk Management framework and the evolving regulatory landscape, particularly compliance with the PRA's Supervisory Statement (SS1/23).</p>	<p>BRC held management to account on return to appetite plans and was pleased that model risk returned to appetite in April 2023.</p> <p>A key focus area during 2023 was the amendment of Internal Ratings Based models to comply with regulatory changes and their submission to the PRA. The committee challenged management on progress, timings and regulatory expectations while noting the evolving regulatory landscape. The committee received reports from management on its proposed approach and assurances that it was working closely with the PRA. Management also confirmed that performance issues with incumbent models were well understood and mitigated.</p> <p>Additionally, the committee was keen to understand the robustness of the validation process for artificial intelligence-related models which will be a continuing area of interest during 2024.</p>

(1) 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.

Corporate governance continued

Theme	Principal areas of Board Risk Committee focus	Outcomes
Risk function oversight and risk management strategy	BRC monitored the effectiveness of the Risk function and received quarterly progress updates (including reviews by the Internal Audit function) on the action plan established in 2022 to oversee work to enhance Risk's effectiveness. The committee approved the Risk Management Strategy which defines the strategy for risk management for NatWest Group and received regular progress updates.	<p>BRC held management to account as necessary on progress and timelines of the Risk Effectiveness Action Plan and was pleased that both Risk and the Internal Audit function agreed in November 2023 that the programme could be closed with remaining multi-year milestones transitioned to a strategic BAU programme.</p> <p>BRC received regular updates on the Risk Management Strategy and challenged management to prioritise focus on the programmes with the most significant impact.</p>
Enterprise-wide risk management framework (EWRMF) embedding (including risk appetite and Risk and control self assessment (RCSA) activity)	<p>The EWRMF is NatWest Group's primary risk management and risk governance document. BRC received regular updates on the effectiveness of the EWRMF, particularly implementation of the updated RCSA process. This 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.</p> <p> Further details can be found in the Risk and capital management section of the report on page 170.</p>	<p>The annual review of the EWRMF was presented to the committee in December 2023. It was recommended to the Board for approval and was supported by Internal Audit's review of EWRMF.</p> <p>The committee was pleased with the significant progress made on RCSAs with all 2023 milestones completed.</p> <p>The committee oversaw the refresh of both qualitative risk appetite statements and the quantitative risk appetite measures in line with the EWRMF. The committee supported the changes to risk appetite measures to provide broader coverage of focus areas at a Board level. Key changes were to capital risk, liquidity and funding risk, credit risk, traded market risk, operational risk, climate risk, financial crime, and reputational risk. The committee queried whether there needed to be increased focus on people risk, broader ESG risk, and 'near miss' events and challenged management to ensure risk appetite limits and triggers were set appropriately, with changes made to the proposed limits and triggers as a result. The committee provided feedback to ensure that the measures met regulatory expectations and were robust.</p> <p>The committee considered spotlights on all principal risks during the year. Further information on these can be found in the respective sections of this report. The committee also reviewed proposed updates to the Key Risk Policies⁽¹⁾ and approved them under its Board-delegated authority.</p>
Risk profile and reporting	Time was spent at every BRC meeting reviewing NatWest Group's current and future risk profile relative to risk appetite via risk management reports, with a particular focus on the external environment including the UK and global economic outlook, liquidity and funding, credit risk, operational risk, and emerging risks and threats.	<p>The committee continued to challenge management to improve the format and content of the risk management report, resulting in the introduction of a new risk management report during 2023 with a focus on highlighting key messages clearly and succinctly, strengthening data, providing more trend analysis, and reducing the overall length of the report.</p> <p>The committee encouraged management to include headlines and outlook, focus on reporting on risk and returns, include commentary on return to appetite plans where applicable, and continue to progress plans to automate the reporting. Additionally, the committee emphasised the importance of robust data and metrics. The risk report will continue to be refined during 2024.</p>

(1) Risk policies are in place for each principal risk and define, at a high level, the cascade of qualitative expectation, guidance and standards that stipulate the nature and extent of permissible risk taking. They are consistently applied across NatWest Group and subsidiary legal entities and form part of the qualitative expression of risk appetite for each principal risk.

Corporate governance continued

Theme	Principal areas of Board Risk Committee focus	Outcomes
Risk profile and reporting (continued)	The committee received an annual spotlight on top and emerging threats which focused on proposed changes to the framework and the increasingly intertwined nature of top and emerging threats.	<p>BRC continued to focus on principal and emerging risks and their strategic impact. Liquidity & funding, including the impact of the collapse of Silicon Valley Bank and Credit Suisse, the resulting global financial turbulence and the mitigating actions taken by management, were considered during the year, as were the continuing impact of Russia's invasion of Ukraine, the cost-of-living pressures affecting our customers and our colleagues, and management of first and second order risks as a result of the Israel/Gaza conflict. The committee requested that management provide an overview of how the top and emerging threats work informed NatWest Group's strategy and business model and how NatWest Group responded to crystallising threats.</p> <p>The committee supported the Board in its oversight of customer exits and reputational risk and received updates on the outputs and recommendations from the reviews carried out. The committee considered the annual reputational risk spotlight which included changes to the reputational risk policy and risk appetite metrics to align with the recommendations.</p> <p>Detailed reports on legal and regulatory developments and litigation risks were considered on a quarterly basis and verbal updates were provided at intervening meetings.</p> <p>Quarterly reports were received from the Chairs of the franchise risk committees and board risk committees of material regulated subsidiaries, providing oversight of key risk and control issues and a channel for escalation of issues. The BRC Chair joined the meetings of the board risk committees of material regulated subsidiaries and the Chairs of these committees were also invited to join BRC meetings throughout the year.</p>
Transformation/ Major Change programmes	<p>BRC maintained oversight of the delivery of NatWest Group's transformation and material change programmes and their position relative to risk appetite.</p> <p>The committee also received an update on the management of UBIDAC withdrawal risks as part of the phased withdrawal from the Republic of Ireland.</p>	Regulatory programmes were a particular area of interest during 2023 and BRC sought assurance from management that there was sufficient budget and resource for all regulatory programmes, including Consumer Duty, and that there was appropriate connectivity between the businesses' risk profile and investment.
Conduct and regulatory compliance risk (including Consumer Duty and ring-fencing compliance)	<p>Conduct and regulatory compliance remained a key area of interest for the committee given the breadth of issues it impacts.</p> <p>A spotlight on conduct and regulatory compliance highlighted the developments and improvements that had taken place during 2023, progress made in ring-fencing compliance, Consumer Duty and surveillance remediation as well as the work carried out to enhance reporting in order to support oversight.</p>	<p>The committee sought to understand how management evidenced conduct and control improvements that had been put in place.</p> <p>The committee supported the Board in overseeing management's progress in addressing Consumer Duty requirements through regular updates on a detailed milestone plan to implementation. The volume of work to be carried out and the challenging timelines were acknowledged by the committee, and it questioned all three lines of defence to gain assurance that the milestone plan continued to meet regulatory expectations, that there was sufficient budget and resource, and that focus remained on the correct areas.</p> <p>The committee received regular updates from management on ring-fencing conflicts and its approach to support the Board ring-fencing compliance attestation and was pleased that it was successfully submitted in March 2023.</p>

Corporate governance continued

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. This included updates on operational resilience, manual controls, fraud, near misses, end of life systems, and information and cyber security.</p> <p>The committee considered the operational resilience self-assessment⁽¹⁾ 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>The committee also received biannual spotlights on payments technology, controls and architecture which included the outputs from an end-to-end review.</p> <p>In addition, updates on information security contained in the risk management report were reviewed at every meeting and BRC dedicated time to the consideration of cyber risk, the external threat landscape and the actions being taken by management in response during the presentation of the annual information and cyber security spotlight. This included detail on the work being undertaken to ensure that new technological advances such as machine learning are introduced in a safe and secure way and the measures in place to support an increasingly consistent approach to security.</p>	<p>The committee was pleased to see a lower number of operational control events during 2023. It remained an area of focus for the committee and regulators and the committee requested that additional detailed updates on operational risk performance and trends be provided. The committee challenged management on the number and mitigation timescales of Very High unaccepted risks and received updates on the methodology and framework that had been put in place.</p> <p>The committee received regular updates in respect of end of life systems, investment levels and how NatWest Group compared to its peers. Following challenges and queries from the committee, the addition of two end of life Board-level risk appetite measures were approved by the Board in December 2023.</p> <p>Manual controls are a key area of concern for BRC and the committee requested quarterly updates on the management of and the progress made in reducing their number. Particular focus was given to a review of manual controls within payments processing and how the review was expected to drive improvements. The committee will continue to challenge management on the reduction of manual controls and drive to automation during 2024.</p> <p>Throughout the year the committee challenged the scope and coverage of operational risk appetite and, in response, new Board-level risk appetite measures designed to cover the material operational risk focus areas and overall management of operational risk were approved by the Board in December 2023.</p>
Data management and BCBS239	<p>Data is a continuing 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 progress in responding to issues identified as part of a 2022 industry-wide data thematic review.</p>	<p>The committee continued to emphasise the importance of a cohesive approach to data management in order to resolve concerns around the timeliness and accuracy of some data and encouraged management to work collaboratively across these programmes. The committee sought clarity on completion dates for all activities within the data strategy in order to track progress.</p> <p>The committee received regular updates on compliance with BCBS239. This included findings from an Internal Audit assessment and management's response to it. The committee challenged management on the methodology used to assess NatWest Group's compliance status and discussed the role that the BCBS239 Framework played in improving overall data quality. Changes to the BCBS239 Framework were reviewed and approved by the committee under Board delegated authority.</p>


(1) 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.

Corporate governance continued

Theme	Principal areas of Board Risk Committee focus	Outcomes
Outsourcing and third party risk management	<p>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 focused on the management of Cloud providers and related risks.</p> <p>BRC received progress updates from management on Outsourcing Risk Standards, policy and framework as well as the design and deliverables of the Third Party Risk Management Programme. The committee continued its oversight over NatWest Group's critical service providers.</p>	<p>In response to questions and challenges from the committee, management provided detailed information to confirm appropriate exit plans were in place for critical service providers, including cloud suppliers. BRC also discussed management's response to a regulatory review in relation to exit plans and stressed exit plans and challenged management as necessary on timings and progress.</p> <p>The committee challenged management to adjust processes as required to ensure an enriched view of supplier risk by sector, optimising internal credit risk resources.</p> <p>In response to a request from the committee, management provided an overview of the outputs and findings from cloud scenario testing which had been carried out. The committee discussed the improvement opportunities that management had identified, the regulatory landscape and NatWest Group's position relative to its peers. The committee sought enhancement to risk appetite metrics in relation to cloud hosting and a Board-level cloud risk appetite measure was approved by the Board in December 2023.</p> <p>The committee recommended the outsourcing policies for Board approval.</p>
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. Particular attention was paid to deposit and liquidity risk, and discussions took place concerning NatWest Group's deposits strategy, the interest rate environment and position relative to its peers.</p> <p>BRC reviewed capital, liquidity and funding requirements during 2023 and also reviewed capital distribution proposals prior to Board consideration.</p> <p>BRC received separate updates on 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 decisions made by the Executive Credit Group. Further spotlights were considered in respect of traded and non-traded market risk.</p>	<p>Credit risk and market risk – Management updated BRC on the sources of credit risk, including asset quality, risk management approach, risk appetite and controls. Following a challenge from the committee and extensive reviews, management assured BRC that no leading indicators of a deterioration in quality were being seen in either the retail or wholesale credit loan portfolios. In order to support the management of key and material segments of the wholesale and retail credit portfolios further, additional Board-level risk appetite measures were approved by the Board in December 2023, covering mortgages, unsecured lending, securitisations, leveraged funds and the commercial real estate portfolio.</p> <p>The committee also questioned management on the measures 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 requested updates from management on specific focus areas as they arose during the year, including in relation to mortgage payment shock and the management of personal accounts used to run businesses, and received assurances from management that a pro-active approach was being taken across NatWest Group with sufficient resource levels in the customer services teams.</p> <p>In relation to market risk, management provided the committee with an overview of the measures that had been put in place to manage the volatile external environment; how risks were being mitigated; and the Group's position in relation to its peers.</p> <p>ICAAPs, ILAAPs and Budget and Risk Appetite Stress Tests⁽¹⁾ – The committee reviewed and recommended to the Board the scenarios to be used during 2024 for the budget process, IFRS 9 management, and the monitoring of the risk profile relative to the approved risk appetite. BRC considered the budget and budget stress test as well as the ICAAP and ILAAP for NatWest Group and recommended them to the Board for approval. The committee approved the ILAAP scenarios under delegated authority. The committee challenged management on the basis for the downturn scenarios and received confirmation that the scenarios had been adjusted to reflect the faster movement of deposits.</p> <p>Liquidity and funding – In light of the volatile external environment, the committee requested additional information from management regarding NatWest Group's deposit strategy. Additionally, in response to a challenge from the committee, management provided a training session to the Board that focused on liquidity and funding.</p> <p>Capital distributions – The committee provided a detailed review of proposals for capital distributions to shareholders prior to approval by the Board, including a directed buyback and on-market buybacks.</p> <p>Climate risk – The committee received regular reporting on NatWest Group's performance against the climate risk appetite measures and was provided with an overview of progress during 2023, the performance of franchises and functions in embedding the climate risk framework, and nature risk considerations. From January 2024, climate risk appetite measures were updated to reflect the existing Climate transition plan and expanded to include nature risk. The committee challenged management on whether updates were required to the 2030 ambitions and targets in light of the external policy environment and received assurance from management that these will be reviewed and revised, aligned with target setting frameworks and external developments.</p>

(1) 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.

Corporate governance continued

Theme	Principal areas of Board Risk Committee focus	Outcomes
Financial and Strategic risks (continued)		Pension risk – The committee received updates on pension risk’s performance against risk appetite in each risk management report. Additionally, the committee received a dedicated spotlight on pension risk which included confirmation that no significant Pillar 2A or 2B capital impacts arose as part of the 2023 ICAAP.
Stress testing, recovery plans and the resolvability self-assessment	<p>BRC reviewed in detail the stress testing activity undertaken by management to identify and monitor risks and threats.</p> <p>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.</p>	<p>Stress testing scenarios – Stress testing scenarios used to monitor and measure risk profile have been kept under close review by the committee given the turbulent external environment and the importance of capturing the range of outcomes NatWest Group needs to be prepared for. In relation to risk appetite and risk monitoring, the committee supported management’s use of stress testing, sensitivity testing, and scenario analysis tools and challenged management regarding the reporting of additional stress testing data points in the risk management report. BRC considered the stress scenarios to be used for monitoring a moderate, severe and extreme stress.</p> <p>Recovery Plan – Whilst no regulatory submission was required in 2023, BRC received detailed status updates and feedback from the PRA was reported.</p> <p>Resolvability self-assessment – The committee reviewed the 2023 Resolvability Self-Assessment⁽¹⁾ and recommended the final submission to the Board for approval. Additionally, the BRC Chair attended a series of meetings with management focusing on the resolution barriers. Management confirmed that feedback from the Bank of England’s 2021 assessment had been addressed. The committee discussed how resolvability was evidenced and the controls in place across the Group to ensure that processes were being followed.</p>
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, Digital X, and legal entities.	<p>The committee continuously challenged management on progress towards an improved control environment, with particular focus on Financial Crime, Wealth, and RBSI.</p> <p>The committee reviewed and supported management’s report on the effectiveness of internal controls required to manage risk.</p>
Accountability and remuneration	BRC continued to provide oversight over the risk dimension of performance and remuneration arrangements, as well as providing accountability review recommendations from a risk management perspective, working closely with RemCo.	<p>Remuneration – The risk and control goals of the NatWest Group Executive Committee members and relevant attendees (ExCo) were considered by the committee and continued to focus on ensuring alignment with regulatory expectations as well as key risk management deliverables. These were recommended to RemCo, together with the individual performance goals for the Group Chief Risk Officer.</p> <p>BRC also considered the risk and conduct performance of ExCo, to ensure a fair reflection of risk and conduct performance in variable pay award and vesting outcomes. In response to questions and challenges from the committee, management explained the rationale for any proposed risk-related adjustments to variable pay, including annual bonus awards, the grant of relevant Restricted Share Plan awards and vesting of the 2021 Long-Term Incentive awards, and BRC recommended them to RemCo.</p> <p>The committee discussed and recommended to RemCo proposed risk adjustments to NatWest Group’s bonus pool calculation to reflect NatWest Group’s risk and conduct management performance. The committee particularly focused on the weighting given to specific events and challenged management on its rationale.</p> <p>Remuneration policy – The committee carried out its annual review of the Material Risk Taker identification process and had no concerns to escalate to RemCo.</p> <p>Accountability – The committee continued its oversight of regulatory reportable events, other material investigations and resultant accountability review recommendations, advising RemCo on the appropriateness of these recommendations from a risk perspective.</p> <p> Further detail on how risk is considered in remuneration decisions can be found in the Report of RemCo on pages 138 to 139.</p>

(1) 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.

Corporate governance continued

Report of the Group Sustainable Banking Committee



Letter from Yasmin Jetha,
Chair of the Group Sustainable
Banking Committee



Dear Shareholder,

I am delighted to present my first report as Chair of the Group Sustainable Banking Committee (the committee or SBC).

I would like to take this opportunity to thank the previous committee Chair, Mike Rogers, who served as SBC Chair since 2018 and provided outstanding leadership to the committee.

During 2023, 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 year our agendas and rich discussions have maintained a strong focus on our support for customers, colleagues and communities.

We held several spotlight sessions throughout the year, covering the principle areas of focus for the committee, namely climate, learning, enterprise, customer, people and culture, conduct and ethics, and technology, innovation and data. The views of internal and external stakeholders were sought wherever possible and meeting time was prioritised towards meaningful debate and discussion.

The 2022 committee performance evaluation sought more frequent updates on key topics, which was reflected in the agendas. During the year we strengthened our operating rhythm by establishing a new framework for the SBC, ensuring focus on outcomes and long-term value creation, benefits to the customer and learning from best in class, including other industries.

Expanded remit of the committee

The Board agreed to retire the Technology and Innovation Committee (TIC) on 30 April 2023 and, with effect from 1 May 2023, the committee's remit was expanded to include technology, innovation and data.

At its final meeting in March 2023, TIC considered: an update on technology capabilities and ambitions, which form part of the NatWest Digital X strategy; a spotlight on payments, which considered the current and future landscape and required areas of action; and progress on data architecture. The committee encouraged further strategic focus on payments and consideration of forthcoming regulatory changes. Updates on data strategy have continued to be provided to the Board and Group Board Risk Committee during the year.

Combining the SBC and TIC agendas has ensured that our Board committee structure continues to support the Board in overseeing the execution of our strategy and promoting NatWest Group's long-term sustainable success. Technology, innovation and data are integral to our strategic priorities as we strive to be a relationship bank in a digital world.

In July 2023, the committee's Terms of Reference (ToR) were updated to formalise the committee's role in overseeing Consumer Duty on behalf of the Board, including oversight of the implementation plan and ensuring Consumer Duty is properly embedded within NatWest Group. The updated ToR also referred to the Group Consumer Board Champion being a member of the committee.

Membership

In April 2023 the committee was delighted to welcome Roisin Donnelly as a member who brings a wealth of experience in customer, data and digital transformation matters. Roisin was also confirmed as Consumer Duty Board Champion in April 2023. Following the departure of Mike Rogers and Graham Beale from the Boards, membership of the committee comprised three non-executive directors, with one non-executive director from the NatWest Holdings Limited Board observing, along with management attendees. More details of membership and attendance of the committee can be found in the Corporate Governance report.

Corporate governance continued

Meetings

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. All meetings were held in person. 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.

Conclusion

The committee has continued to effectively support the Board and has played an important role in providing detailed consideration of matters 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 want to take the opportunity to thank everyone who has contributed to the committee's activities during 2023, especially committee members and attendees for their support and continued commitment.

Yasmin Jetha

Chair of the Group Sustainable Banking Committee

15 February 2024

Theme	Principal areas of committee focus	Outcomes
Climate and environmental progress	<p>Presentations considered progress on climate matters and principal focus areas for 2023 to support our climate ambitions. This included consideration of climate-related risks, growth opportunities and trade-offs.</p> <p>Pilots on the Property (home retrofit) and Food systems were presented which demonstrated the use of the systems thinking approach and potential associated growth opportunities. The committee received updates on strategic partnerships established to develop our thinking and help identify and solve climate-related problems. Updates on sustainable bonds and green finance products demonstrated the initiatives underway to support customers in various sectors.</p> <p>The committee reflected on the positive external market reaction to NatWest Group's 2022 Climate-related Disclosures Report and announcements published in February 2023 and considered the steps being taken for this to continue to develop, acknowledging the challenges faced by macro factors and external headwinds.</p> <p>The committee has continued to support the Board in its oversight of the implementation and delivery of the Climate transition plan. Updates were provided on the tools and processes that we have started to develop to support customer engagement within our newly developed Climate Decisioning Framework, as well as work to incorporate the Climate transition plan in forecasting and budget processes. The committee also received progress updates in relation to our climate and sustainable funding and financing target and learned about efforts to co-develop solutions with corporates to deploy climate and sustainable funding and financing funding in supply chains.</p> <p>The committee welcomed Stuart Graham (Senior Partner) from Bernstein Autonomous Research LLP, who provided expert observations and feedback on NatWest Group's progress and future improvement areas. It was noted that NatWest Group ranked second globally in The Autonomous Paris Readiness Index (APRI), published in 2022, which ranks banks on climate risk, with a heavy weighting on managing transition risk.</p> <p>The committee considered steps being taken to embed Environmental, Social and Governance (ESG) across our supply chain and how this compared to peers. The update detailed key activities to align our supply chain to the bank's climate ambitions, including the refreshed Supplier Charter, which helps set expectations of suppliers and the deepening of understanding of human rights risks in the supply chain. Supply chain decarbonisation pilots have provided insights that inform 2024 approach and plans.</p> <p>The committee noted NatWest Group's ESG rating performance and other key themes arising in relation to this.</p>	<p>The committee had detailed discussion on the external headwinds impacting NatWest Group's ability to achieve its 2030 climate ambitions and targets. Whilst it was acknowledged that there are a number of factors outside NatWest Group's control, including reliance on UK Government policy, the committee challenged the sufficiency of actions taken by NatWest Group to close gaps against its climate ambitions and targets.</p> <p>The committee encouraged focus on supporting customers through their transition and wanted to understand customer feedback on the tools being provided to ensure they were useful.</p> <p>The committee was keen to understand the ability to scale initiatives to provide support to more customers and the limitations faced as a result of the UK's infrastructure.</p> <p>The committee encouraged consideration of opportunities across the whole of the UK and the use of Regional Boards.</p>

Corporate governance continued

Theme	Principal areas of committee focus	Outcomes
People, culture and learning	<p>Given significant focus on culture and alignment to the strategy, an update on progress on the One Bank Culture journey and the key drivers of culture was provided. A healthy culture, strong purpose, high levels of engagement and clear values were confirmed. Spotlights on leadership capability, scaling experimentation, and changes to performance management processes demonstrated the work being undertaken to drive a One Bank culture.</p> <p>Acknowledging the integral role of ethics in the assessment of NatWest Group's culture, the committee wanted to understand how business ethics was monitored and reported at NatWest Group.</p> <p>The committee considered action being taken by management to implement our Future Workforce Design, to ensure the bank has the right skills, capabilities and roles for the future and can respond to the internal and external environment at pace. The committee learned how our Future Workforce Design approach will deliver the workforce needed in the face of changing customer expectations, technology advances, and future workforce trends. The committee reviewed impacts on two specific areas, Human support in Retail and Software engineering in Digital X, and noted the changes in the nature of work and skills required in the future.</p> <p>The committee considered how the HR Transformation programme will improve colleague experience by providing more efficient, effective and economical HR services resulting in the acquisition of new capabilities, adopting new ways of working and empowering colleagues to deliver great outcomes for customers and communities. The evolution of the operating model will also support the delivery of Colleague Journeys, aligned to the One Bank vision and pivot to growth.</p> <p>On behalf of the Board, the committee noted the approach taken to the development of workforce policies and practices.</p>	<p>The committee acknowledged the strong bank-wide culture scores but wanted to understand variance in businesses and functions. It was noted that the creation of a people index allowed areas of challenge across NatWest Group to be identified.</p> <p>The committee encouraged management to monitor the impact of experimentation, including how it would enhance culture and psychological safety.</p> <p>The committee was pleased with the scale of management's ambition on the Future Workforce Design but it was acknowledged that there were many aspects which needed to be aligned to deliver success. The committee encouraged management to ensure that any potential disproportionate impact on gender and other forms of diversity was managed carefully to ensure equitable treatment of all employee groups. The positive potential to offer employees more rewarding work was also noted.</p> <p>The committee supported the ambitious work being undertaken on the HR Transformation update and noted the importance of technology enablement to deliver efficiency savings. The committee noted the importance of closely tracking benefits to deliver the projected value creation.</p>
Customer	<p>The committee considered actions being taken by management to improve customer service and experience across key customer segments. Committee discussion focused on Consumer Duty, customer vulnerability and our response to the economic environment.</p> <p>Consumer Duty has been a priority focus of the committee during 2023. There have been a number of spotlights to ensure timely updates on the work underway to embed the Duty and review progress towards key milestones and compliance as at July 2023 and phase two in July 2024. The Consumer Duty Board Champion is a member of the committee and provided input on their industry discussions and engagement with management on steps to embed the Duty. The committee also received the annual Internal Audit Behavioural Risk review which focused on the work being undertaken on Consumer Duty.</p> <p>The committee had a spotlight session on Competition and Markets Authority (CMA) Service Quality Survey performance and plans to improve customer advocacy. The committee wanted to understand how the CMA survey and Net Promoter Scores were used and the usefulness of the survey to our customers and colleagues.</p> <p>The discussion on customer vulnerability considered how the bank's approach has been materially improved in the past 18 months and is already improving outcomes for customers. Through data and monitoring we now identify more vulnerability via inferred vulnerability and customers who have disclosed to us. Discussions on branch closure and fraud helped to demonstrate how vulnerability is considered in the bank's decision-making.</p> <p>The committee received a Cost of Living brief at every meeting providing insight into how our customers are responding to the external environment and how we are supporting the people, businesses and communities we serve.</p>	<p>The committee discussions focused on meeting the required outcomes under the Consumer Duty legislation. Discussions focused on how communications would be reviewed to ensure customer understanding of financial products and how data would be used to evidence good customer outcomes. The directors supported the risk-based approach to remediation.</p> <p>In relation to customer vulnerability, the committee sought to understand the number of customers that could be considered vulnerable and how customers were identified by the bank as potentially vulnerable.</p> <p>The committee agreed it was important it continued to focus on cost of living actions being taken to support customers since it was anticipated the external environment would continue to be challenging.</p>

Corporate governance continued

Theme	Principal areas of committee focus	Outcomes
Technology, data and innovation	<p>Sessions focused on innovation and partnerships, payments, and artificial intelligence (AI) and automation.</p> <p>The committee received an overview of our new, bank-wide innovation framework which was being used to catalyse bank-wide growth through structured Innovation which would scale and deliver initiatives through the core bank.</p> <p>The committee considered new payment initiatives intended to stem the disintermediation of payments income, including Take Payments and Tap to Pay.</p> <p>AI and automation is a key area of focus developing at pace, and the committee considered AI use cases being deployed across NatWest Group for customer benefit, noting how they could enhance the existing automation strategy. The committee noted progress made in evaluating the areas of potential value for leveraging AI and associated risks. The committee acknowledged the importance of risk management and controls and discussed the use of model risk governance. Andrew Rogoyski, a member of the Technology Advisory Board and AI expert, joined the session and provided an external perspective. A number of other Board members also joined the session.</p>	<p>The committee was keen to understand how partnerships were used in the innovation ecosystem and encouraged management to consider the use of accelerator hubs and universities to support innovation initiatives. The committee considered the programme to encourage colleagues to bring forward potential future initiatives and discussed how capabilities could be enhanced to drive more innovation at all levels across the bank.</p> <p>The committee requested that the SBC MI Report be enhanced with new metrics relating to technology, innovation and data to allow it to monitor progress.</p> <p>The committee wanted to understand how payments initiatives progress and requested a future update on the underpinning payments technology architecture to understand risks and opportunities in this area.</p> <p>The committee was keen to understand how improvements and benefits as a result of AI were being measured.</p> <p>The committee considered the approach to AI in various jurisdictions and amongst regulators.</p> <p>The committee emphasised the importance of management's approach to AI being sufficiently customer focused to ensure stakeholder trust was maintained.</p>
Enterprise	<p>The committee received an update on NatWest Group's Enterprise activity, including the strategy and partnership approach. The committee heard feedback from customers on the importance of the support provided to them by the accelerator hubs.</p> <p>The committee discussed the SME (small and medium-sized enterprises) banking market context and NatWest Group's position. The session reflected on our broad proposition that enables us to serve all customers in this segment with distinctive elements, including FreeAgent, Mentor, and Enterprise support.</p> <p>The update included a spotlight on the work undertaken internally and in partnership with Aston University to measure the impact and outcome of NatWest Group's interventions on its Enterprise activity. The analysis demonstrated improved survivability and growth rates of those customers involved in accelerator hubs versus a control group. Professor Mark Hart (Enterprise Research Centre, Aston University) presented the findings of work to date and noted that the impact measurement results were interim and would continue to develop. He commended the results achieved given the external context of the business environment.</p>	<p>The committee discussed both the growth opportunity and challenges in relation to NatWest Group's Enterprise ambitions.</p> <p>The committee discussed the changing competitive landscapes and the entrance of alternative finance providers to the sector and activities.</p> <p>The committee was keen to understand how the accelerator hubs compared to other programmes across the industry and how they could be scaled without reducing impact to ensure greater support for customers.</p> <p>The committee noted the innovative approach presented in relation to measuring impact, which should provide robust analysis and metrics upon which stakeholders could measure NatWest Group.</p>

Corporate governance continued

Theme	Principal areas of committee focus	Outcomes
Supporting long term value creation	<p>The committee supported the Board in overseeing the initial work to reflect on the purpose and understand how this might evolve. This included consideration of the desktop research, and internal and external stakeholder perspectives. The majority of Board members joined the committee for these discussions. Sarah Gillard, the CEO of the Blueprint for Better Business, provided her perspectives following interviews with stakeholders and colleagues, and highlighted the opportunity to bring purpose further into the core of the business.</p> <p>The committee discussed the meaning of Sustainable Banking to ensure a common understanding of the importance of running a business that is capable of generating long term value for its stakeholders. The committee considered how medium to longer term priorities could be measured through financial and non-financial metrics.</p> <p>Following the presentation of the impact measurement work being undertaken by Aston University, the committee received an update on the broader impact measurement work underway across the bank, the proposed new bank wide impact measurement framework, and planned next steps for 2024.</p> <p>SBC considered NatWest Group's 7th Annual Modern Slavery & Human Trafficking Statement. The committee was provided with a comprehensive update on Human Rights including progress made in 2023 and the plan for 2024, and the approach to the first disclosure of NatWest Group's Salient Issues.</p> <p>As a founding signatory of the UN Principles for Responsible Banking (PRB), the committee was provided an update against the major milestones in the 4 year PRB journey, which were achieved by September 2023.</p> <p>The committee considered and provided advice to the Group Performance and Remuneration Committee on the setting and assessment of performance against people and culture, customer, purpose targets.</p>	<p>The committee noted that using 'purpose in practice' is essential and it was important to link purpose with long-term sustainable performance. The committee was keen to understand all stakeholders' views, including investors.</p> <p>The committee agreed it should focus on medium to longer term priorities driving the bank as a sustainable business through a multi-stakeholder lens and requested the inclusion of relevant financial and non-financial metrics in the data provided to it in future.</p> <p>The committee welcomed the experimentation underway in relation to impact measurement, and encouraged management to ensure the measurements were objective given customers' multi-variable behaviour.</p> <p>The committee recommended NatWest Group's 7th Annual Modern Slavery & Human Trafficking Statement to Board for approval. It noted the value of the Colleague Advisory Panel engagement which had resulted in the clarification of roles described.</p> <p>The committee supported and recommended the publication of disclosure on Salient Human Right Issues to Board.</p>

Directors' remuneration report



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

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134	Wider workforce remuneration and the directors' remuneration policy
141	The Annual remuneration report

Dear Shareholder,

On behalf of the Board, I am pleased to present the remuneration report for 2023. This has been a year of significant change for the organisation, with a new Group Chief Executive Officer (Group CEO), Paul Thwaite, now confirmed in role on a permanent basis after an initial appointment in July for a period of 12 months, and an announcement of a new Chair, Rick Haythornthwaite, who will succeed Howard Davies from 15 April 2024.

Performance highlights for 2023

In an uncertain economic environment, NatWest Group has performed well in 2023 delivering an operating profit of £6.2 billion and a RoTE of 17.8%.

Our capital generation has remained strong and we continue to deliver returns and distributions to shareholders. In 2023 £3.6 billion of capital was returned to shareholders including a proposed final dividend of £1.0 billion.

Board changes and impact on remuneration

The committee has been heavily involved in guiding the Board and overseeing management activity with regard to performance and remuneration matters through this period of change. The decisions made during this transitional period, in the context of remuneration, are summarised on the following page.

Colleague highlights

January 2023

- A cash payment of £1,000 (adjusted for local salary levels) was made to approximately 60,000 colleagues.
- We launched our new Partner Leave policies, which introduced significantly enhanced pay and leave for eligible colleagues.

February 2023

- We announced our new Sharing in Success scheme for all colleagues, designed to reward One Bank behaviours and outcomes and align all colleagues across NatWest Group to our purpose and strategy.

April 2023

- Nearly 90% of our junior UK colleagues (A and B grades) covered by our negotiated pay approach received a salary increase of at least 7%, with almost two-thirds receiving 8% or more, on top of the £1,000 payment in January. Salary ranges were also increased.

November 2023

- We were certified as a Regional Living Wage Employer for our global operations by the Fair Wage Network.

December 2023

- We announced Beyond, our changes to performance management for all colleagues, including the removal of performance ratings from 2024 onwards.

From April 2024 onwards

- Nearly 95% of our junior UK colleagues (A and B grades) covered by our negotiated pay approach will receive a salary increase of at least 3.5%, with almost two-thirds receiving 5% or more. In addition, our UK starting salary will move to £23,500 per annum, an increase of 15% since September 2022.
- Our first award under our Sharing in Success scheme will be awarded in May 2024, with a share award of £1,000 for all eligible employees (adjusted for local salary levels), subject to shareholder approval of the recommended dividend.

Directors' remuneration report continued

Executive director changes

On 25 July 2023, Paul Thwaite was appointed as the Group CEO for an initial period of 12 months. The committee set Mr Thwaite's annual base salary on original appointment at £1,050,000. Mr Thwaite has now been permanently appointed as Group CEO from 16 February 2024; details on pay for 2024 are on page 150. Mr Thwaite has been an active member of NatWest Group's defined benefit pension scheme that was available to all employees recruited at the same time as him. Other elements of his fixed and variable pay are in line with the standard terms of our approved directors' remuneration policy (the Policy). Mr Thwaite has confirmed that, following his permanent appointment to the role of Group CEO, he will become a deferred member of the defined benefit scheme as soon as reasonably practicable and can choose to join NatWest Group's defined contribution pension arrangements. The committee agreed that his 2023 variable pay awards would be pro-rated to reflect the time spent in his Group CEO role and in his previous role as CEO of the Commercial and Institutional business (Ring Fenced Bank). More details of Mr Thwaite's remuneration arrangements are on page 141.

Alison Rose stepped down as Group CEO by mutual agreement with effect from 25 July 2023. In line with Ms Rose's service agreement, she will continue to receive her fixed pay for her contractual notice period, which will end on 26 July 2024. In accordance with the terms of the Policy and our share plan rules, any awards due to vest after cessation of her employment on 26 July 2024 will lapse on that date. No bonus or variable remuneration will be paid to Ms Rose in respect of her service during 2023. Ms Rose's shareholding requirement will continue to apply for a period of two years from the date of cessation of her employment. More details of payments made to and received by Ms Rose are on page 150 under 'Payments for loss of office and payments to past directors'.

Joining arrangements for Rick Haythornthwaite

Mr Haythornthwaite joined the Board of NatWest Group as an independent non-executive director on 8 January 2024 and following a handover period will take over as Chair on 15 April 2024, when Howard Davies will stand down from the Board. On assuming the role of Chair, Mr Haythornthwaite's fee will be £775,000 p.a., which is the fee currently paid to Mr Davies.

Wider workforce

Following on from the extensive support provided in 2022 to help our colleagues with the cost of living, continued targeted action has been taken to help those colleagues most likely to be affected by the sudden spike in inflation. Payments of £1,000 (adjusted for local salary levels) were made in January 2023 to approximately 60,000 colleagues, with broad parts of the UK workforce receiving a further salary increase of at least 7% in April 2023. We will build on this in April 2024, continuing to target fixed pay spend to our A and B grade colleagues and further increasing our minimum rate of pay in the UK to £23,500 pro-rata. In December 2023, the committee agreed that no salary increases would apply from 1 April 2024 for the Group CEO, who had been appointed for an initial period of 12 months, and Group CFO. This compares to an average salary increase for the global workforce at 4%. Mr Thwaite has since been appointed permanently as Group CEO with effect from 16 February 2024. Pay arrangements for the executive directors for the 2024 performance year are on page 150, including in respect of Mr Thwaite being appointed permanently as Group CEO.

Wider workforce considerations have remained a key focus of the committee throughout 2023. We believe it is imperative that we continue to monitor and discuss colleague sentiment with regard to both performance and pay matters, and I therefore attended the Colleague Advisory Panel (CAP) in May 2023 to discuss colleague remuneration and benefits, as well as our approach to executive pay and its link to our strategy and purpose. These ongoing two-way discussions with colleagues are a valuable tool to deepen our understanding of colleague views and also to explain the alignment between our executive director and wider workforce pay policies. More details of our work with the CAP are on page 136.

After good committee discussion on what would further drive individual and organisational performance, in late 2023 we announced Beyond – our changes to performance management for all colleagues, including the removal of performance ratings for 2024 and onwards and a changing approach to managing goals, feedback and pay.

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. In 2023, we were also pleased to be certified as a Regional Living Wage Employer for our global operations, recognising that our rates of pay for our colleagues outside the UK are at or above the living wage threshold as defined by the Fair Wage Network.

In last year's report I announced our new Sharing in Success scheme for all colleagues. 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. The scheme is a welcome addition to our employee value proposition, alongside broader policy enhancements, which will help in light of market

Performance highlights

Income growth

12.13%

2022: 26.15%

Attributable profit

£4,394 million

2022: £3,340 million

RoTE

17.8%

2022: 12.3%

Climate and sustainable funding and financing⁽¹⁾

£29.3 billion

2022: £24.5 billion

Shareholder returns through dividends and buybacks

£3.6 billion

2022: £5.1 billion

(1) Cumulative contribution of £61.8 billion towards £100 billion between 1 July 2021 and the end of 2025 target.

Directors' remuneration report continued

competition for talent. For 2023, we measured success based on financial performance, our approach to risk, helping our customers thrive, living up to our climate targets and ambitions, and delivering value for shareholders. Our first award under our Sharing in Success scheme will be awarded in May 2024, with a share award of £1,000 to all eligible employees (adjusted for local salary levels), subject to shareholder approval of the recommended dividend at the April 2024 Annual General Meeting (AGM). More details of our Sharing in Success scheme are on page 134.

I am also proud of our new Partner Leave policies launched in 2023 which support all eligible employees with significantly more time away from work to help their partner look after their new child. The policies introduce significantly enhanced pay and leave for eligible fathers and partners to share the caring responsibilities. The policy is open to both same-sex parents and heterosexual parents, ultimately championing the potential of both parents and promoting gender equality in the workplace. Colleague feedback has been overwhelmingly positive, with over 1,200 colleagues benefiting from the policy.

Financial wellbeing is vitally important, and colleagues are supported with access to pension and protection products, shopping discounts, as well as a comprehensive range of financial health initiatives. Over 20,000 colleagues contribute to our Sharesave scheme each month, which is available to approximately 97% of colleagues, with participants across the UK, Ireland, India and Poland. 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, and is particularly popular with colleagues at A-C grades. I am pleased that our 2023 Sharesave offer proved to be the most successful in recent memory, and this demonstrates colleagues are responding to our support for colleague share ownership and financial wellbeing.

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 management, risk events and progress against our climate and purpose ambitions. The committee agreed a 2023 bonus pool of £356.0 million for those colleagues eligible to receive an award. This is around 3% lower than the 2022 bonus pool of £367.5 million, despite a larger bonus eligible headcount. The bonus pool outturn reflects the impact on shareholders this year due to missed guidance, despite increased group operating profit of 20.4% year-on-year.

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 sixth year we have published ethnicity pay gap information on a voluntary basis.

Following our approach last year, we disaggregated our ethnicity pay gaps to compare Black, Asian, mixed and multiple and ethnic minority average hourly pay to that of White colleagues. We are confident that our colleagues are paid fairly, and our 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 on natwestgroup.com.

Individual pay adjustments

In 2023, we concluded the accountability review into the events that led to the breaches of the Money Laundering Regulations 2007. None of the individuals in scope were found to be accountable on an individual level, but we recognise that the issues represent a collective failure. Colleagues who were bonus eligible in 2021 were impacted by a reduction in the

bonus pool when the fine was handed down, likewise the relevant senior executive committee members had their awards reduced to reflect the bonus pool adjustment. No further adjustment was deemed necessary for these individuals. However, the committee determined that similar adjustments should be made to ten ex-colleagues who were not impacted by the adjustments made in 2021 as they had left the bank. Further details are provided on page 137.

Remuneration outcomes for 2023

The assessment of performance against their annual bonus scorecards resulted in a scorecard outcome of 53.6% for Mr Thwaite and 52.3% for Ms Murray, including the impact of downwards risk modifiers to reflect risk performance against core goals, balanced by strong leadership behaviours. Mr Thwaite received a separate discretionary award in respect of the portion of 2023 when he was CEO of the Commercial & Institutional franchise. Further details of this award are not included within this report as it does not relate to his time as an executive director. The committee considered the outcomes for Mr Thwaite and Ms Murray to be a fair reflection of performance and felt no further discretionary adjustments were required.

Performance measures	Weighted outcome
Financial (60%)	25.2% out of 60%
Return on Tangible Equity (30%)	14.2%
Income growth (10%)	3.2%
Cost reduction (10%)	2.8%
Medium-term capital target (10%)	5.0%
Strategic (35%)	25.1% out of 35%
Climate (10%)	7.8%
Customer (10%)	4.8%
Purpose, culture and people (10%)	8.3%
Enterprise and capability (5%)	4.2%
Personal (5%)	
Group CEO personal performance	4.0%
Group CFO personal performance	2.5%
Post application of risk modifier (0-100%)	
CEO Outcome	53.6%
CFO Outcome	52.3%

Grant of 2024 Restricted Share Plan (RSP)

The committee also approved that RSP awards for Mr Thwaite and Ms Murray 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 consider whether sustainable performance has been delivered over the three years after grant. Full details of the annual bonus and RSP performance assessments can be found on pages 143 and 148.

Directors' remuneration report continued

Vesting of long-term incentive (LTI) awards granted in 2021

LTI awards were granted to Mr Thwaite and Ms Murray in March 2021. Prior to the awards being granted to Mr Thwaite and Ms Murray, reductions of 55.2% and 54.5% respectively were applied to the maximum award as a result of the pre-grant performance assessment over 2020. In December 2023, we considered whether anything had come to light since the grant which would change our original view of performance. Based on the pre-vest assessment, the committee concluded that there had been no material deterioration in financial, customer, risk, culture or purpose-linked performance since grant. Therefore, a sustainable level of performance had been achieved over the period and no further adjustments were necessary under the pre-vest test. The committee also considered carefully whether any windfall gain had taken place in relation to the grant in 2021 and determined that no adjustment should be made, noting in particular that there had been no material fall in share price compared to the prior year grant and pre COVID-19 level. The share price used to determine the number of shares subject to the award was in fact 9.7% higher on a like-for-like basis relative to the prior year grant and 18.8% lower relative to the level pre COVID-19. It was noted that both these figures are less than 20%, the level above which further consideration would typically be given to an adjustment. Further details of the performance assessment and consideration of windfall gains can be found on page 147.

Implementation of the Policy for 2024

Under our 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. This construct provides restrained pay outcomes, alignment between the interest of our executive directors and shareholders and incentivises sound risk management.

In December 2023, the committee agreed that no salary increases would apply from 1 April 2024 for the Group CEO, who had been appointed for an initial period of 12 months, and Group CFO. This compares to an average salary increase for the global workforce at 4%. The maximum bonus opportunity and RSP awards for executive directors in 2024 remains unchanged at 100% of salary and 150% of salary respectively. The committee reviewed the 2024 performance measures for annual bonus awards and the underpin criteria for RSP awards, as detailed later in this report, which remain unchanged and continue to align with our purpose-led strategy.

Mr Thwaite has subsequently been permanently appointed as Group CEO and the committee has reviewed his remuneration arrangements in accordance with the Policy. With effect from 16 February 2024 his base salary will be £1,155,660 per annum, an increase of 10% from his current salary of £1,050,000 per annum which was set at the time of his appointment on 26 July 2023 for an initial period of 12 months. His fixed share allowance will continue to be set at 100% of salary and he will also receive standard benefit funding of £26,250 per annum and standard pension funding of 10% of his salary. This sets Mr Thwaite's fixed pay at the same level as the fixed pay previously paid for the Group CEO role prior to his appointment in July 2023.

The committee noted that pay of our executive directors continues to remain below the target total compensation opportunity of other major UK banks. The committee remains very aware of the importance of recognising good performance and the need to attract and retain highly talented colleagues.

New Employee Share Plan

At the 2024 AGM we will seek approval for the NatWest Group plc 2024 Employee Share Plan. This will replace, and largely replicates, the 2014 Employee Share Plan, which expires in June 2024. It is intended that all non-tax advantaged share awards granted after March 2024 to both senior executives and colleagues, including annual bonus and RSP awards, will be granted under the new 2024 Employee Share Plan. Further details, including a plan summary, will be set out in the Letter to Shareholders.

Looking ahead

How we reward and support colleagues remains of critical importance. Our approach is to reward colleagues in a fair, sustainable and transparent way. In 2024 we will roll out Beyond, our redesigned approach for performance management including goals, feedback and pay. This will aim to drive a culture of high performance and create a better experience for colleagues. In 2024, the committee will also continue focus and discussion on wider workforce considerations.

Our executive directors' strategic scorecard for the last ten years has evolved to include people, climate, enterprise and financial capability measures alongside established focus on delivering against key financial metrics and customer and risk considerations. ESG metrics are also a core part of our performance assessment for our bonus pool. We will continue to use ESG performance metrics for variable pay that are demanding, quantifiable and clearly linked to our strategy.

During 2023 we engaged with the current Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) 'Diversity and Inclusion' consultation and will continue to contribute to the important discussion on how the pace of meaningful change in diversity and inclusion can be accelerated in financial services. In October 2023 the FCA/PRA published a revised policy statement announcing the removal of the variable pay cap for UK banks. NatWest Group has operated a variable pay cap of one times fixed pay since the regulations came into force in 2014. Whilst we do not anticipate making any immediate changes to our existing construct, we have increased our normal maximum variable to fixed pay ratio to 2:1, although this is expected to be used on a gradual and targeted basis. This should align NatWest more closely to peers, ensuring we have the flexibility to remain competitive. No changes are being made to the executive directors whose remuneration will be determined based on the terms of our Policy, approved at the 2022 AGM.

The three-year term of our current Policy comes to an end at the 2025 AGM. The committee will review our current approach and consider how it should evolve considering the need to have a market competitive pay to retain and attract talent, and maintain strong alignment with shareholders' interests. The committee will also consider whether any changes are required to our approach noting the removal of the variable pay cap. We will engage with our large shareholders and proxy advisory bodies to understand their perspectives prior to bringing our new Policy for shareholder approval at the 2025 AGM.

I hope this letter and the information that follows will explain our approach in 2023 to remuneration. I am grateful for the support of our stakeholders during this process and would like to thank my fellow committee members for their valuable contribution.

Lena Wilson, CBE

Chair of the Group Performance and Remuneration Committee

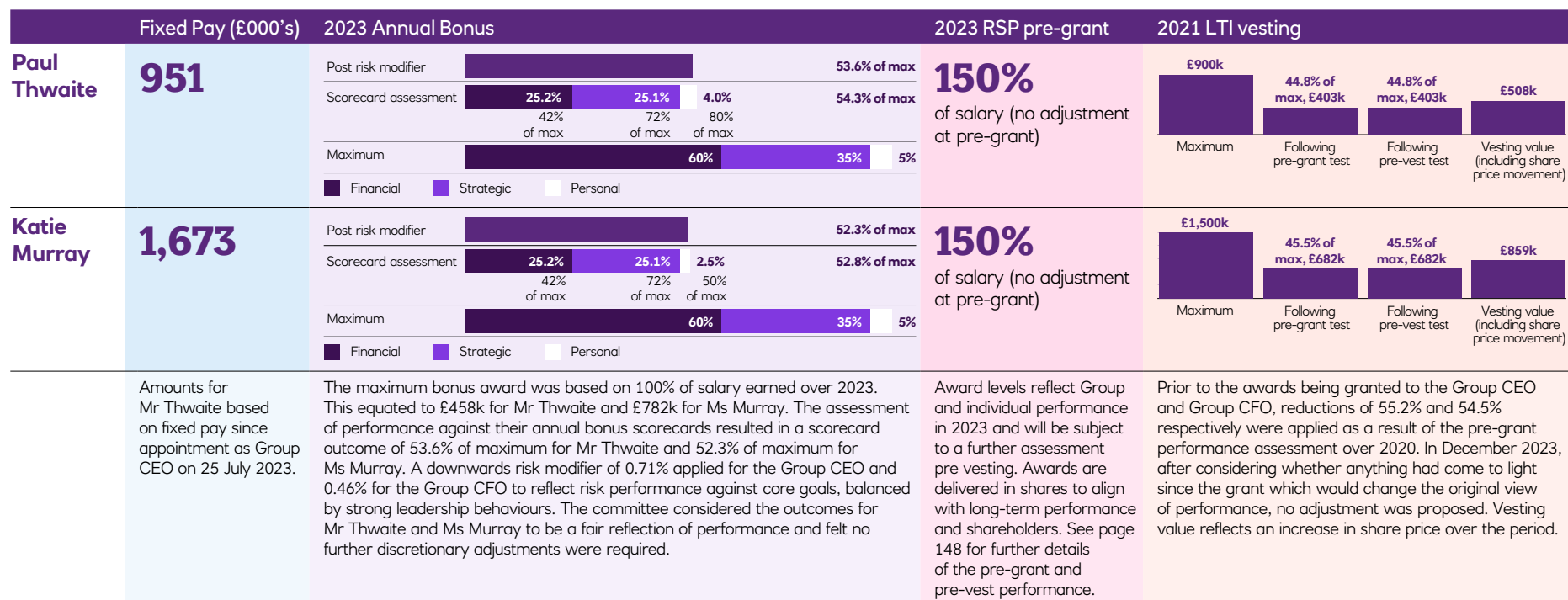
15 February 2024

Remuneration at a glance

Executive director remuneration outcomes (£000's)

		Paul Thwaite					Alison Rose		Katie Murray				
		Fixed Pay	Bonus	RSP/LTI	Sharesave	Total	Fixed Pay	Total	Fixed Pay	Bonus	RSP/LTI	Sharesave	Total
Pay outcomes	Awarded for 2023	951	245	1,216	2	2,414	1,452	1,452	1,673	409	1,173	3	3,258
	Single figure 2023	951	245	508	2	1,706	1,452	1,452	1,673	409	859	3	2,944

Fixed pay Annual Bonus RSP award 2021 LTI Sharesave



Shareholding requirements for executive directors as at 31 December 2023

