

## Terms of Reference

<b>Chair</b>	An independent Non-executive Director of NatWest Group plc (“NWG”) who must have served on the Group RemCo, or the remuneration committee for another company, for at least twelve months before appointment as Chair.
<b>Members</b>	At least three independent Non-executive Directors of NWG (including the Group RemCo Chair)
<b>Observers</b>	At the invitation of NWG RemCo, all Double Independent Non-Executive Directors appointed to the Boards of the NWH Sub Group shall have a right to attend meetings of the NWG RemCo, subject to appropriate management of any conflicts of interest.  The NWH Sub Group comprises NatWest Holdings Limited, The Royal Bank of Scotland plc and National Westminster Bank Plc.
<b>Attendees</b>	Group Chair Group Chief Executive Officer (“Group CEO”) Group Chief People & Transformation Officer Group Chief Governance Officer and Company Secretary Human Resources Director, Group Reward & Employment
<b>Additional Invitees</b>	Senior representatives from People & Transformation, Risk, Finance, Internal Audit and Strategy, as required Independent advisers – as required Additional invitees or subject matter experts may be invited to attend or to present to Group RemCo at the request of the Chair.
<b>Quorum</b>	Two members
<b>Meeting Frequency</b>	At least five meetings per annum and ad hoc as required
<b>Secretary</b>	Corporate Governance
<b>This Committee receives its authority from</b>	Group RemCo operates under delegated authority from the NWG Board.
<b>Purpose of this Committee</b>	To oversee the establishment and implementation of a remuneration policy for employees and directors, which is designed to support the long-term business strategy and values of NWG and its subsidiaries (the “Group”), as well as promote effective risk management and comply with applicable legal and regulatory requirements (the Group Remuneration Policy). To review performance and approve remuneration arrangements* as set out within its Terms of Reference. Group RemCo members will also ensure that due consideration is given to the Group’s Purpose in Group RemCo discussions and decisions.
<b>Scope of this Committee’s oversight and responsibility</b>	<ol style="list-style-type: none"> <li>1. <u>Directors</u> <ol style="list-style-type: none"> <li>1.1 To review and make recommendations to the NWG Board on the Directors’ Remuneration Policy, to reflect business strategy, values and the long-term interests of the Group, as well as the need to promote effective risk management, and comply with applicable regulation. The Directors’ Remuneration Policy will also reflect remuneration and related policies of the</li> </ol> </li> </ol>

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wider workforce and the alignment of incentives and rewards with culture. The Directors' Remuneration Policy is subject to NWG Board and shareholder approval.

- 1.2 To review and make recommendations to the NWG Board in respect of service contracts, performance measures, performance assessment and remuneration arrangements\* for NWG Executive Directors. As part of its review of performance measures and assessment for NWG Executive Directors, Group RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.
  - 1.3 To make recommendations to the NWG Board on any termination payments for NWG Executive Directors, having regard to the terms of the service contract and reasons for termination. Group RemCo will ensure that any proposals relating to such payments are fair and reasonable, do not reward failure and recognise the duty to mitigate loss.
  2. Group Executive Committee ("Group ExCo") and the CEO of Ulster Bank DAC ("CEO, UBIDAC")

To review and approve performance measures, performance assessment and remuneration arrangements for Group ExCo members and attendees (other than the NWG Executive Directors), the CEO, UBIDAC and the senior risk and compliance officer(s) for NWG. As part of its review of performance measures and assessment, Group RemCo will determine whether an appropriate level of risk management and performance adjustment has been applied through consultation and receipt of advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.
  3. High Earners and the Group Chief Governance Officer and Company Secretary ("Company Secretary")
    - 3.1 To review and approve remuneration arrangements for individuals who earn total annual compensation of  $\geq$  £1 million ("High Earners") and the Company Secretary.
    - 3.2 To review and approve any individual remuneration decision with total or aggregate value of  $\geq$  £1 million arrangements (e.g. severance arrangements).
  4. Material Risk Takers ("MRTs")
    - 4.1 To approve the framework and principles that govern remuneration arrangements\* for MRTs who fall outside of the populations summarised in paragraphs 2 and 3 above, and to oversee the implementation of such framework and principles.
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4.2 To review and approve remuneration arrangements for any MRT individual who falls outside of the populations summarised in paragraphs 2 and 3 above or otherwise delegate such authority to any of its members, attendees or management, as appropriate.

5. Group-wide Population

5.1 To review workforce remuneration and related policies annually and approve the Group Remuneration Policy (including the design principles for any short-term incentives) reflecting any applicable regulatory requirements and other relevant guidance.

5.2 To ensure that the Group Remuneration Policy is transparent, that it is not unduly complex and that it aligns with the Group's culture so that it should drive behaviours consistent with the Group's purpose, values and strategy.

5.3 To exercise independent judgement and discretion when making remuneration decisions and to take account of company and individual performance and wider circumstances. The exercise of discretion shall enable the overriding of formulaic outcomes.

5.4 To disclose and explain any exercise of discretion.

5.5 To review and approve annual bonus pool proposals for the Group's customer businesses, services and functions, ensuring they are appropriately performance and risk adjusted. As part of the review, Group RemCo will consult and receive advice from the Group Board Risk Committee, the Group Sustainable Banking Committee, the Group Audit Committee and the Group's Control Functions, as it considers necessary or appropriate.

5.6 To provide an annual update to the Colleague Advisory Panel (CAP) on the remuneration policy for NWG Executive Directors and an explanation as to how it aligns with the wider Group Remuneration Policy. To consider any updates provided to Group RemCo by the Chair of the CAP.

6. Employee Share Plans

6.1 To assess and approve vesting levels for employee share plan awards granted to any individual, including exercising discretion to override formulaic outcomes.

6.2 To consider and make recommendations to the NWG Board in relation to any employee share plan proposals which require shareholder approval.

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6.3 To consider and approve any employee share plan proposals which relate to NWG level corporate events.

6.4 To monitor levels of shareholder dilution arising from the grant of employee share plan awards.

## 7. Remuneration Policy Implementation

7.1 To review annually a report from management on the operation and effectiveness of the Group Remuneration Policy including the determination of whether an appropriate level of risk management and performance adjustment has been applied in connection with variable remuneration arrangements.

## 8. Accountability Review proposals

8.1 To review and make recommendations to the NWG Board in respect of malus and clawback proposals, in-year variable remuneration reductions, and the placing and lifting of vesting suspensions for NWG Executive Directors.

8.2 To review and approve the placing of suspensions for the population summarised in paragraph 2 above.

8.3 To review and approve malus and clawback proposals, in-year variable remuneration reductions and the lifting of vesting suspensions for:

8.3.1 the population summarised in paragraph 2 above;

8.3.2 the population summarised in paragraph 3 above;

8.3.3 individuals within scope of a Regulatory Reportable Event (“RRE”).

## 9. Reporting and Disclosure

9.1 To report to the NWG Board after each meeting on all material issues discussed.

9.2 To approve the Remuneration Report to NWG shareholders which forms part of the Annual Report and Accounts and includes the Directors’ Remuneration Policy.

9.3 To consider and make recommendations to the NWG Board on remuneration related shareholder resolutions.

9.4 To be prepared, through the Group RemCo Chair, to answer questions at the Annual General Meeting which relate to any matter within the remit of Group RemCo.

9.5 To engage, as appropriate through the Group RemCo Chair, with key stakeholders on remuneration issues.

## 10. Regulatory

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10.1 To approve the annual Remuneration Policy Statement (“RPS”) to be submitted to the Prudential Regulation Authority (“PRA”). The Group RemCo Chair will be available to meet with the PRA and the Financial Conduct Authority to discuss the RPS and other performance and remuneration-related matters.

10.2 To review any other significant remuneration disclosures or notifications as required by regulation from time to time.

11. Performance Review

111.1 To arrange periodic assessments of its own performance.

11.2 To review periodically its Terms of Reference and recommend any changes to the NWG Board for approval.

12. External Advice

12.1 To engage, at the expense of NWG, any external advisers, as it determines necessary, to carry out its duties.

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**Escalation**

Group RemCo will report and make recommendations to the NWG Board, identifying any matters within its remit in respect of which it considers that further action / approval is required.

The remuneration arrangements of the NWG Executive Directors will be referred to the NWG Board for approval.

The minutes of the Group RemCo will be made available to the NWG Board.

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**Authority Delegated by this Committee**

Group RemCo has delegated authority as follows:

- to management, to approve remuneration arrangements for MRTs falling outside of the populations summarised in paragraphs 2 and 3 above. Group RemCo will oversee the delegation of this authority through an annual report. In accordance with the Risk Governance Modification application submitted to and approved by the PRA, remuneration arrangements\* for the individual who performs the dedicated support role to the Double Independent Non-Executive Directors (DINEDS) of NatWest Holdings Limited, must also be approved by the DINEDs acting by majority;
- to management, to approve share-based award proposals for any individuals falling outside of the populations summarised in paragraphs 2 and 3 above. Group RemCo will oversee the delegation of this authority through an annual report\*\*;
- to management, to approve malus and clawback proposals, in-year variable remuneration reductions or the lifting of vesting suspensions for any individuals falling outside of the populations summarised in paragraph 8 above. Group RemCo will oversee the delegation of this authority through an annual report;
- to management, to place any vesting suspensions on any individuals falling outside of the populations summarised in paragraphs 8.1 and 8.2 above, as part of an Accountability Review process. Management also have delegated authority to lift vesting suspensions for such individuals if

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they are no longer considered to be in scope of an Accountability Review.

- to the Group Chief People & Transformation Officer, in respect of employee share plan matters not expressly reserved under its Terms of Reference, including for the avoidance of doubt, the approval of proposals relating to corporate events; and
- to the Group RemCo Chair and the Group Chair, to approve Compensation Approval Requests and Severance Approval Requests under the RemCo Fast-track process for High Earners, if the Total Compensation is <£2m and the proposal for approval is <£2m.

Group RemCo may delegate authority to management, as considered necessary or appropriate, for any other matter from time to time.

Where authority has been delegated, management will ensure no employee will be involved in the determination of his/her own pay.

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<b>ToR last approved on</b>	Group RemCo – 27 July 2022 NatWest Group plc Board – 28 July 2022
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\* For the purposes of the Group RemCo's Terms of Reference, 'remuneration arrangements' include variable remuneration arrangements, fixed pay adjustments, pension arrangements, and severance and new hire arrangements.

\*\* Responsibility for approving or overseeing non share-based remuneration arrangements for individuals falling outside of the populations summarised in paragraphs 1 to 4 falls outside the scope of the Group RemCo's Terms of Reference and will remain the responsibility of management.