



Compliance with the Capital Requirements Directive (CRD V)

The Prudential Regulation Authority (“PRA”) Rulebook and the Senior Management Arrangements, Systems and Controls (“SYSC”) manual of the Financial Conduct Authority (“FCA”) Handbook set out the UK’s implementation of the EU fifth Capital Requirements Directive (“CRD V”), including the requirement for an institution to explain on its website how it complies with certain provisions.

NatWest Group plc (“NWG”) is an authorised financial holding company. The subsidiaries covered by this statement are National Westminster Bank Plc (“NWB”), The Royal Bank of Scotland plc (“RBS”), NatWest Markets Plc (“NWM”), NatWest Markets N.V. (“NWM NV”), NatWest Bank Europe GmbH (“NWBE”), Royal Bank of Scotland International Depository Services (RBSI DS) and Coutts & Company (“Coutts”), (each “the company” and together “the CRD V entities”). NWG also comprises all NWG’s subsidiaries, including the CRD V entities. Ulster Bank Ireland Designated Activity Company (“UBIDAC”), a subsidiary of NWBE, also falls under CRD V compliance requirements but is not included in this statement as it manages its own localised version.

NWB, RBS, NWM and Coutts are each authorised by the PRA and regulated by the FCA and the PRA. NWM NV is authorised and regulated by De Nederlandsche Bank (“DNB”), the European Central Bank (“ECB”) and the Autoriteit Financiële Markten (“AFM”). NWBE is authorised and regulated by the ECB and regulated by the German Federal Financial Supervisory Authority (“BaFin”) and Deutsche Bundesbank. RBSI DS is authorised by the Commission de Surveillance du Secteur Financier and regulated by the ECB. This document confirms that each of the CRD V entities complies with the CRD V requirements which cover (1) Governance; (2) Remuneration; and (3) Reporting, as outlined below.

1. Governance

The management body (“the Board”)

This section sets out how the CRD V entities comply with requirements for the Board including the role of the Board, the Chair, and its members, induction and training of members and the number of directorships an individual director may hold.

The Board is the main decision-making forum for the company. Members of the Board are committed to observing high standards of corporate governance, integrity and professionalism. The Board is collectively responsible for the long-term success of the company and the delivery of sustainable value to shareholders. The Board provides leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board’s terms of reference includes a formal schedule of matters specifically reserved for the Board’s decision and are reviewed at least annually. A number of Board members of UK entities are designated as “Senior Managers” under the PRA and FCA’s Senior Managers Regime (SMR). For the avoidance of doubt, the SMR does not apply to NWBE, UBIDAC, RBSI DS or NWM NV. The role profiles of relevant directors reflect their regulatory responsibilities, and they receive ongoing support to ensure they can demonstrate the reasonable steps they have taken to meet these responsibilities.

The role of Chair is distinct and separate from that of the Chief Executive Officer (“CEO”), and there is a clear division of responsibilities, with the Chair leading the Board and the CEO managing the company’s business day to day. The Chair’s key responsibilities are to ensure the Board: is structured effectively; observes the highest standards of integrity and corporate governance; and sets the tone from the top in terms of culture and values. The Chair is also responsible for: building a complementary Board with an appropriate balance of skills and experience; considering succession planning; and fostering open and inclusive discussions at each Board / Board Committee meeting in order to challenge executives, where appropriate. The Chair ensures that the performance of individual directors and of the Board as a whole is evaluated regularly and that the company maintains effective communication with shareholders and other stakeholders.



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The CEO's key responsibilities are to: exercise executive accountability for the relevant businesses; drive and deliver the strategy approved by the relevant Board and NWG; and drive performance against financial plans. The CEO consults regularly with the Chair and Board on matters which may have a material impact on the company and drives the culture and values of the company, creating an environment where employees are engaged and committed to good customer outcomes. Additional responsibilities include leading, managing and developing the company's senior leadership team and ensuring it has effective frameworks and structures to identify, assess and mitigate risks.

The non-executive directors combine broad business and commercial experience with independent and objective judgement, and they provide constructive challenge, strategic guidance and specialist advice to the Executive Directors and hold management to account. The balance between non-executive and executive directors enables the Board to provide clear and effective leadership across the company's business activities and ensures no one individual or small group of individuals dominates the Board's decision making. Each company also has a comprehensive formal induction programme for new directors that includes visits to the key businesses and meetings with directors and senior management.

Unlike NWB, RBS, NWM, Coutts and RBSI DS, which all operate on a one-tier Board structure, NWBE and NWM NV operate a two-tier Board structure.

NWBE has a voluntary Supervisory Board in line with the German Act on Limited Liability Companies and NWBE's Articles of Association and a Management Board (*Geschaeftsleitung*). NWM NV has a Supervisory and Management Board pursuant to the Dutch Companies act and NWM NV's Articles of Association, respectively. The responsibilities of the Chair of the Management Board (also called CEO) are similar to those of the CEO (see above). The responsibility of the Management Board is to manage the day-to-day business affairs under the leadership of the CEO. The main responsibility of the Supervisory Board is to supervise the Management Board, under the leadership of the Chair.

The Supervisory Board of NWBE consists of non-independent individuals, and of NWM NV both non-independent and independent in the meaning of paragraph 9 EBA/GL/2017/12.

All directors are assessed for fitness and propriety prior to appointment and annually thereafter. On appointment, each director is provided with the relevant policy and/or guidelines for referring conflicts of interest to the Board. Procedures are in place to ensure that the Board's management of conflicts of interest and its powers for authorising certain conflicts are operating effectively.

Non-executive directors must confirm they are able to allocate sufficient time to meet the expectations of the role as part of their appointment with the relevant company. Directors have been briefed on the limits that apply to the number of other directorships they can hold under CRD V. Each director is required to seek the agreement of the Board before accepting additional commitments that might affect the time the director is able to devote to his or her role as a non-executive director. The Board monitors the other commitments of the Chair and directors and is satisfied that they are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

A process is in place for NWG, NWB, RBS, NWM, Coutts, NWBE, NWM NV and RBSI DS to ensure that data on director loans, alongside any related parties, is transparent and understood. The data is documented and appropriately reviewed.



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Role of the Nominations Committee

This section sets out how NWG, NWB, RBS, NWM and Coutts (together “the in-scope entities”) comply with the requirements for a nominations committee including its membership, resources and the need for appropriate funding.¹

The in-scope entities have a Nominations Committee which comprises solely of non-executive directors and the Chair, and operates as a Committee of the Board.

Each Nominations Committee is responsible for:

- reviewing the structure, size and composition of the Board and making recommendations to the Board on any necessary changes, having regard to the overall balance of skills, knowledge, experience and diversity on the Board; and
- considering and making recommendations in respect of appointments and membership of Board Committees and succession planning.

The Nominations Committee engages with consultants, considers potential candidates and recommends appointments of new directors to the Board. The Nominations Committee receives adequate funding for its activities. As an organisation, NWG values and promotes inclusion in all areas of recruitment and employment. The Board supports this view and understands the need for a diverse mix of talented directors to effect strong decision-making.

The in-scope entities have a Boardroom Inclusion Policy which reflects NWG’s values, its inclusion guidelines and relevant legal or voluntary code requirements². This provides a framework to ensure that each Board attracts, motivates and retains the best talent and avoids limiting potential caused by bias, prejudice or discrimination. The Boardroom Inclusion Policy contains a number of measurable objectives, targets and ambitions reflecting the Board’s ongoing commitment to inclusion progress. A copy of the NWG policy is available at [Boardroom inclusion policy | NWG](#).

The Board aims to meet the highest industry standards and recommendations wherever possible. This includes, but is not limited to, aspiring to meet the targets set out in the UK Listing Rules (LR 9.8.6R (9)) along with the recommendations of the FTSE Women Leaders Review and the Parker Report: Beyond 1 by ’21 . The UK Listing Rules require listed companies to disclose annually their position against the following board diversity targets:

- At least 40% of women on the board;
- At least one woman in the position of the Chair, Senior Independent Director, Chief Executive or Chief Financial Officer; and
- At least one director from an ethnic minority background.

The policy also acknowledges NWG’s target for full gender balance in our global top three levels (CEO-3 positions and above) by the end of 2030.

NWG will continue to aspire to meet best practice industry standards, as well as the standards contained in the Financial Reporting Council’s UK Corporate Governance Code or other applicable Codes. We will continue to report on our progress annually where required. The balance of skills, experience, independence, knowledge and diversity on the Board, and how the Board operates together as a unit, is reviewed periodically as part of the Board evaluation process.

¹ As NWBE is now under ECB supervision, it is also required to establish a Nominations Committee. The NWBE Nominations Committee is expected to be formally established in Q4 2024. Whilst NWM NV is also required to establish a Nominations Committee, it has been agreed with the ECB that the Nominations Committee will sit at the RBS Holdings NV legal entity level instead.

² NWM, RBSIDS, NWM NV and NWBE are in the process of establishing a formal Boardroom Inclusion Policy and this is expected to be completed in Q4 2024.



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2. Remuneration

This section sets out how the CRD V entities comply with the remuneration related Articles (92-95) of CRD V, the Remuneration Chapter of the PRA Rulebook and the Remuneration Code of the FCA Handbook.³

The NWG Remuneration Policy Principles (“the Remuneration Policy”)

The Remuneration Policy is aligned to regulatory requirements and complies with the relevant remuneration regulations applicable to each entity and which are based on the size, internal organisation and the nature, scope and complexity of our activities. The requirements are applied at group, parent undertaking and subsidiary undertaking levels. It also applies to subsidiaries or joint ventures where NWG has control or significant influence. NWBE, NWM NV and RBSI DS each have their own remuneration policy based on the Remuneration Policy and applicable local regulation. The NWG Performance and Remuneration Committee (“Group RemCo”) reviews and approves the Remuneration Policy and reviews the effectiveness of the policy’s implementation on an annual basis.

Each remuneration policy is consistent with and promotes sound and effective risk management and does not encourage excessive risk taking. It supports the purpose-led business strategy and the Group’s desired culture and behaviours and promotes the long-term success of the Group. This is evidenced by our remuneration arrangements, our chosen performance metrics and effective risk management in line with NWG’s risk appetite. Pay equality, including neutrality in respect of protected characteristics such as sex and race, is a core feature of our approach, to support our fair pay approach.

There is a Group-wide conflicts of interest policy that applies to the subsidiaries by way of adoption. To mitigate potential conflicts of interest at Group RemCo meetings, directors are not involved in decisions regarding their own remuneration and independent remuneration advisers are appointed by Group RemCo to provide advice on pay and performance matters. Attendees also play an important role in advising Group RemCo. In order to avoid any potential conflict of interest, no attendee is present when their own remuneration is discussed. The Group Chief Operating Officer, who currently holds accountability for Main Business Activity (MBA) 24 (Human Resources) and MBA 25 (Incentives) and is therefore responsible internally for the People function and executive compensation, may, at their own discretion, be present when discussions take place on senior executive pay, as there is considerable benefit from their participation, but is never present when specific details of their own performance goals and assessment or remuneration are discussed.

There are systems for capturing performance management goals for all colleagues, and performance discussions and decisions dependant on role level. The performance management policy and process are documented on our internal website for all employees to access and training, support calls and documentation are provided throughout the year. There is a clear link between the delivery of regulatory priorities by Senior Management Function roles and their pay and performance outcomes. This process is supported by specific goals, robust assurance and documentation as well as oversight by the Risk function.

Remuneration structure

NWG’s approach to remuneration and remuneration policies promotes effective risk management through a clear distinction between fixed remuneration (base salary, allowances where applicable, benefits and pension funding) which reflects the role undertaken by an individual; and variable remuneration (discretionary bonus, sharing in success and long-term incentive awards) which is reflective of sustainable performance and can be risk-adjusted.

³ As NWM NV is regulated by DNB, ECB and AFM, it adheres to the Dutch Regeling Beheerst Beloningsbeleid which implements (parts of) the CRD V remuneration elements in the Netherlands. As NWBE is regulated by BaFin and Deutsche Bundesbank, it adheres to the German Institutsvergütungsverordnung, which implements (parts of) the CRD V remuneration elements in Germany. With RBSI DS regulated by the CSSF and ECB, it adheres to the relevant local remuneration regulations which considers CRD-V requirements where applicable.



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Fixed pay is set using pre-determined criteria and reflects a colleague's professional experience, organisational and role responsibilities and geographic location. It is set at an appropriate level to give the Group flexibility to decide not to pay variable remuneration in any given year and to discourage inappropriate risk taking. Fixed pay is pre-determined; non-discretionary; transparent; permanent and non-revocable. Fixed pay cannot be reduced, suspended or cancelled by NWG. Whilst fixed pay progression can be linked to performance, the entitlement to fixed pay does not depend on performance and therefore fixed pay does not incentivise risk taking.

Most forms of variable pay are offered to our more senior colleagues as it is considered appropriate for them to have some pay at risk. Discretionary bonus is linked to the performance of NWG, the business unit, or legal entity, and the individual. It is subject to deferral, malus and clawback provisions in order to meet regulatory requirements. It promotes a culture where colleagues are rewarded for long-term and sustained business performance aligned to the strategic goals of the Group, whilst demonstrating sound and effective risk management and avoiding excessive risk taking. Individual performance is measured across a balanced scorecard including risk and control and other financial and non-financial objectives (including customer, and people & culture). Performance is measured with reference to what a colleague achieves and how they achieve it, ensuring that behaviours are reflected in performance assessment. Critical People Capability behaviours are used to provide a consistent Group-wide behavioural measure. Variable pay outcomes are designed to reflect sustainable and risk-adjusted performance against our purpose-led strategic priorities.

The Sharing in Success scheme for all colleagues is intended to recognise One Bank behaviours, drive a performance culture with purpose-led outcomes and further align colleagues with our strategic direction. Success is measured based on financial performance, approach to risk, being brilliant for our customers and delivering value for shareholders.

NWG provides executive directors and certain members of NWG's senior executive committees with Restricted Share Plan (RSP) awards which are delivered entirely in shares. Any awards made are subject to a performance assessment prior to grant and a further assessment against underpin criteria prior to vesting.

Depending on the amount of the variable remuneration and the role of the recipient, awards are deferred over at least a two-year period with awards to Material Risk Takers (MRTs) subject to a four to seven-year deferral period. During this time, unvested awards remain at risk of forfeiture through malus adjustment. Remuneration payable under deferral arrangements vests no faster than on a pro-rata basis. Clawback provisions also apply to vested awards for MRTs for seven years from the award date, extended to ten years for MRTs who perform a 'senior management function' under the UK SMR, where there are outstanding internal or regulatory investigations at the end of the normal seven-year clawback period. For non-MRTs, vested awards are subject to clawback for 12 months from the vesting date, subject to any local requirements that provide for longer clawback periods. An accountability review process is operated which allows NWG to respond where new information that comes to light would change the original variable pay decision. The range of circumstances under which malus and clawback will be considered are described in the internal malus and clawback policy.

Unless we apply an exemption under regulatory derogations, at least 50% of any variable remuneration for MRTs is delivered in shares with the shares subject to a 12-month retention period after vesting. Certain senior executives are subject to additional shareholding requirements, further aligning their interests with those of shareholders. The payment of variable remuneration does not limit our ability to maintain or strengthen our capital base. Variable pay proposals are reviewed against our capital adequacy framework to ensure that regulatory requirements are met. No variable remuneration is provided to non-executive directors so that they can maintain appropriate independence. Guaranteed awards are only used in exceptional circumstances to compensate new hires for awards forfeited from their previous employer and are limited to the first year of service. Such awards are subject to NWG-wide policies on deferral, retention, forfeiture, malus and clawback. The policies for buy-out awards and early



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termination payments are in line with regulatory requirements. NWG does not provide discretionary pension benefits other than to the extent that existing pension provision may require NWG to make a discretionary decision (for example; the annual pension increase for the main UK Defined Benefit plan which requires a formal decision each year). NWG does not allow variable pay that would otherwise be subject to deferral to be taken in pension form.

For MRTs who receive a 'de minimis' value of total compensation (as defined in local regulations for each country), NWG does not apply MRT deferral and share retention rules. In the UK, in line with the PRA Rulebook, the 'de minimis' criteria are variable remuneration of no more than £44,000 GBP or local currency equivalent (EUR 50,000 for RBSI DS, NWBE and NWM NV) and variable compensation making up no more than 1/3rd of total compensation. Thresholds may be different in other countries.

The Personal Account Dealing policy prohibits the use of any personal hedging strategies or remuneration-related or liability-related contracts of insurance, designed to lessen the impact of a reduction in value of variable pay awards. This condition is confirmed in participant award documentation and any breach may result in the award being cancelled. MRTs must expressly accept this term as a condition of grant. NWG does not pay variable remuneration through vehicles or methods that facilitate non-compliance with the requirements of CRD V or EU Regulation no.575/2013.

The level of variable remuneration that NWG can offer can be calculated in line with relevant applicable regulatory guidelines, including any available discount for long-term deferral. The Remuneration Policy and the relevant local remuneration policies include the flexibility to pay no variable remuneration if this is not supported by the achievement of individual and business performance measures.

Variable remuneration awards may be granted up to a maximum of 100% of fixed pay. NWG has operated a variable to fixed pay ratio of 1:1 since the UK remuneration regulations came into force in 2014. However, following the removal of the variable pay cap for UK banks in October 2023, the maximum variable to fixed pay ratio for NWG has increased to 2:1. This is expected to be used on a gradual and targeted basis to attract or retain individuals in roles that require unique skills or experience. The 1:1 bonus cap applies to all MRTs for entities based in a European Union (EU) jurisdiction, except where specific local regulatory requirements apply. Any change to this ratio in the EU would require shareholder approval at the Group's Annual General Meeting (AGM).

Group RemCo

In addition to approving the Remuneration Policy, Group RemCo approves wider workforce variable pay pools and reviews organisational performance and personal performance and pay for Executive Directors and a defined population of other senior executives against a variety of goals, measures and targets. This defined population includes members and attendees of the Group Executive Committee, the CEO of UBIDAC, and the senior risk and compliance officers of NWG. From April 2024, Group RemCo has been delegated authority by Group Board to consider all performance and pay matters for Executive Directors, and also pay matters for the Group Chair. Membership of Group RemCo consists of at least three independent non-executive directors. No director is involved in decisions regarding their own remuneration.

Group RemCo is also responsible for reviewing and determining pay matters for employees deemed to be High Earners, as well as providing oversight of the remuneration framework for employees identified as MRTs. NWG control functions are assessed independently from the businesses they oversee and remuneration levels for control functions are benchmarked to ensure they are set at an appropriate level.

Group RemCo receives updates on regulatory developments and general remuneration issues, as well as market and benchmarking data to support its decisions. It receives information from a number of external and internal sources. In carrying out its responsibilities, Group RemCo also has a clear focus on risk. This is achieved through risk input into performance goals and incentive plan design, a thorough review of risk performance when



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determining variable pay outcomes and through malus and clawback actions. Group RemCo is supported in this by the Group Board Risk Committee (“Group BRC”) and the Risk function as well as independent oversight by the Internal Audit function. Group RemCo works closely with Group BRC which provides valuable input on key risk and control issues; and there is regular interaction between Group RemCo and Group BRC to consider risk performance and malus and clawback matters. The approach includes both ex-ante and ex-post risk adjustments.

A robust process is used to assess risk performance using a range of measures including capital, liquidity and funding risk, credit risk, market risk, pension risk, compliance & conduct risk, financial crime, climate risk, operational risk, business risk and reputational risk. Consideration is also given to overall risk culture. Risk performance assessment is one of the key steps in the multi-step process for the determination of variable pay pools. This process also includes an assessment of performance across financial, customer, people & culture, climate, financial capability and enterprise measures. The steps taken to ensure appropriate and thorough risk adjustment are fully disclosed and discussed with the PRA and the FCA.

Group RemCo takes account of the long-term interests of shareholders and other stakeholders when making decisions. A consultation is undertaken every year with NWG’s major shareholders and stakeholders on our remuneration approach with sufficient time for views to be considered prior to final approvals by Group RemCo.

The terms of reference of Group RemCo are reviewed at least annually and approved by the NWG Board. Further details on the Remuneration Policy can be found in the 2023 Annual Report and Accounts, <https://investors.natwestgroup.com/reports-archive/2023.aspx>.

Each of the CRD V entities also has a Performance and Remuneration Committee (“the Subsidiary RemCos”) with the exception of NWBE and NWM NV, where remuneration is overseen by its Management and Supervisory Boards, and RBSI DS, where remuneration is overseen by its Board.⁴ The Subsidiary RemCos are expected to ensure that NWG’s remuneration policies, procedures and practices are appropriate at their respective legal entity level.

The key areas of focus for the Subsidiary RemCos include: reviewing and recommending, or where appropriate ratifying, the proposed remuneration arrangements for the entity’s key employees; providing input on the proposed bonus pool for that entity, ensuring such proposals are adjusted for performance and risk and meet capital adequacy requirements for that entity; and inputting to and subsequently adopting the Remuneration Policy, or in the case of NWBE, NWM NV and RBSI DS, approving localised versions of the Remuneration Policy. The Subsidiary RemCos must be able to act independently and the non-executive directors serving on these committees are supported by the necessary entity-specific management information in order to carry out their duties. As long as permitted under local laws, ultimate decision-making authority continues to rest with Group RemCo, reflecting its status as a committee of the ultimate parent and holding company.

3. Reporting

Country-by-country reporting

Article 89 of CRD V relates to country-by-country reporting.

⁴ NWBE does not currently have a Performance and Remuneration Committee, but will formally establish a Performance and Remuneration Committee in Q4 2024. Whilst NWM NV is also required to establish a Performance and Remuneration Committee, it has been agreed with the ECB that the Performance and Remuneration Committee will sit at the RBS Holdings NV legal entity level instead.. Decisions on remuneration for NWM NV and NWBE employees are made in accordance with the NWG Remuneration Governance Framework, the NWG Compensation Approvals Matrix and local Remuneration Policies.



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NWG will meet its requirements under this article in two parts for the reporting period ended 31 December 2023. The list of subsidiaries is included as note 12 on page 399 of the 2023 Annual Report and Accounts. The income/profit/tax/subsidies/headcount by country disclosure is reported under the section “The Capital Requirements (Country-by-Country Reporting) Regulations (Audited)” on page 414 and following of the 2023 Annual Report and Accounts, see <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/16022024/nwg-annual-report-and-accounts-2023.pdf>

Public disclosure of return on assets

Article 90 of CRD V requires disclosure in a firm’s annual report and accounts of its return on assets.

Details of the return on average total assets can be found on page 149 of the 2023 US SEC 20-F filing, see <https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/2022/20-f.pdf>
<https://investors.natwestgroup.com/~media/Files/R/RBS-IR-V2/results-center/20-f.pdf>