

NatWest Group Plc – Group Tax Strategy

At NatWest Group we believe that how we conduct ourselves determines whether people want to do business with us, work for us and welcome us as part of their community. This ethos is enshrined in Our Code which is integral to the way we do business and the values that we hold. We put purpose at the core of everything we do to create a sustainable and resilient long term future. We aim to make a positive contribution to society benefitting customers and communities as well as shareholders.

In line with Our Purpose led strategy and the principles outlined in Our Code, NatWest Group is committed to the responsible management of our worldwide tax affairs including a compliant approach to tax law in a transparent manner. We are committed to paying the right amount of tax in the jurisdictions in which we operate; to completing and submitting accurate tax returns and to paying tax due within the timeframes set by legislation. NatWest Group has signed up to the UK Government's Code of Practice on Taxation for Banks ("The Code of Practice") which commits us to obeying the spirit as well as the letter of the law and to maintaining an open dialogue with HM Revenue & Customs ("HMRC"). We have been a signatory to The Code of Practice since its introduction in 2009. All parts of the bank worldwide are expected to follow The Code of Practice.

Approach to governance

The Group Board is collectively responsible for the long-term success of NatWest Group and the delivery of sustainable shareholder value. Its role is to provide leadership of NatWest Group within a framework of prudent and effective controls which enables risks to be assessed and managed. Ultimate responsibility for NatWest Group's Tax Strategy and compliance rests with the Board. Day to day management of NatWest Group's tax affairs is delegated to the Head of Tax who has a reporting line into the Chief Financial Officer who is a member of the Board.

As part of the bank's governance structure the Board discharges certain responsibilities through Board sub committees including the Group Audit Committee and Group Board Risk Committee. Tax risks are reported to the Group Audit Committee and significant risks are escalated to the Board via the group and franchise governance structures. The Group Board Risk Committee is responsible for reviewing and recommending the risk appetite framework to the Board for approval and senior management of the Bank are responsible for implementing and embedding the Board approved risk appetite framework across the Bank. The Group Board Risk Committee provides oversight of senior management in this regard.

Approach to tax risk management

Due to the size and complexity of NatWest Group's business we are exposed to tax risk as part of our day to day business. We aim to operate within tax risk appetite and minimise the level of tax risk arising from our operations as far as is reasonably possible. We take both economic and reputational consequences into account when assessing tax risk.

In line with our internal risk management framework Group Tax has put in place specific policies and processes to ensure that we fulfil our tax obligations and adhere to The Code of Practice. These policies are applied globally. The businesses and functions within NatWest Group are accountable for identifying, owning and managing tax risk and are responsible for delivering a robust, co-ordinated and effective control regime. Our Internal Audit department provides independent assurance to the Board and Executive Management on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate key risks including tax risks. All staff receive annual online training to support adherence to The Code of Practice and associated tax policies within our internal policy framework.

Group Tax approval for new products, transactions or business proposals is required through the group's risk governed sign off processes. Our tax specialists ensure that we comply with tax law and practice in a timely manner; that transactions and business proposals are within tax risk appetite and that we consult with HMRC and/or external advisors where necessary.

Should issues arise in relation to the application of tax policies and processes at NatWest Group then we have systems by which these are escalated and addressed.

Attitude towards tax planning

NatWest Group will only undertake tax planning which supports genuine commercial activity and is compliant with The Code of Practice. Where there is doubt regarding the treatment of a transaction under The Code of Practice, Group Tax will refer the transaction to HMRC for clearance. Should a proposal not fall within The Code of Practice we will not proceed with it.

We are committed to paying the right amount of tax in the jurisdictions in which we operate. We do not establish businesses in any jurisdiction with the sole or main purpose of gaining a tax advantage or to divert profits from higher tax rate jurisdictions. We operate policies to ensure there is no artificial diversion of profits between high and low tax countries. All intra-group transactions are required to be priced on an arm's length basis in accordance with the group's internal transfer pricing policies which reflect internationally accepted transfer pricing standards and local tax laws. We do not use low tax jurisdictions to undertake transactions with the main aim of reducing tax liabilities. We are committed to improving tax transparency and comply with global initiatives in this regard.

Our tax specialists undertake regular training to ensure that they maintain up to date tax and industry knowledge but on occasion the tax treatment of particular issues will be uncertain. This may be due to the complexity of tax law or because there are alternative interpretations or approaches to tax law which might result in different outcomes. In such situations we will use external advisors to confirm the most appropriate tax treatment. External advisors may also be used where we do not have the internal resources to deliver large projects. All external advice received is considered in terms of our stated risk appetite, our risk management and governance standards and our own attitude to tax planning.

Level of tax risk that the group is prepared to accept

NatWest Group has a low appetite for tax risk. We seek to comply fully with our legal, regulatory and other obligations and to act in line with the principles set out in Our Code. In accordance with our commitment to The Code of Practice on Taxation for Banks we will not enter into non-commercial transactions which give an artificial tax result. We do not promote products to our customers which we consider to be inconsistent with the spirit of the law.

Tax evasion

The Group has no tolerance for any activity relating to the criminal offence of tax evasion and we are committed to preventing the facilitation of tax evasion. We comply with the relevant legislation in this area both in the UK and worldwide and expect the same from the third parties that we deal with. We maintain procedures to safeguard against our associated persons (third parties that act for or on behalf of the Group) deliberately facilitating tax evasion. In order to empower and protect our employees, all NatWest Group staff are provided with training on how to identify tax risks and have access to Speak Up, the Group's confidential whistleblowing service. This enables staff to report concerns relating to employee wrongdoing or misconduct in confidence (and anonymously if preferred).

Approach of the group towards its dealings with HMRC

NatWest Group is transparent in our interaction with tax authorities. In the UK we have real time engagement with HMRC and discuss current, future and past tax risks, tax events and interpretation of the law at our regular meetings. We fully disclose to HMRC any significant uncertainties in relation to tax matters and seek to resolve issues arising before returns are filed, whenever practicable. We engage with government and non-governmental organisations directly & indirectly through industry trade bodies in relation to emerging legislation and the wider impact that proposals may have on the industry and our customers. We engage in a co-operative, supportive and professional manner in all our interactions.

We regard this publication as complying with NatWest Group Plc's duty under para 16(2) Schedule 19 FA 2016 to publish a tax strategy for members of the NatWest Group for the accounting period commencing 1 January 2020. Members of the NatWest Group covered by this tax strategy are those entities in which NatWest Group Plc has a direct or indirect holding of over 50% of ordinary share capital as well as NatWest Group Plc itself. In this strategy references to "NatWest Group", "the bank"; "the group" and "we" are to all these entities.