GULF INTERNATIONAL BANK (UK) LIMITED PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES – 31 DECEMBER 2021

1. Introduction

1.1 The Trustees of the Gulf International Bank (UK) Limited Pension Scheme ("the Trustees") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act") and subsequent legislation for the Gulf International Bank (UK) Limited Pension Scheme ("the Scheme"). This Statement sets out the general principles underlying the investment policy. Details of how this policy has been implemented are set out in a separate document, the Investment Implementation Policy Document ("IIPD"). This Statement also addresses the requirements of the 2019 SIP regulations which implement the European Shareholder Rights Directive.

1.2 The Trustees have consulted the sponsoring company, Gulf International Bank (UK) Limited ("the Company"), about investment objectives and strategy and have taken its views into account in setting both the Scheme's objective and strategic benchmark.

1.3 The Trustees seek to maintain a good working relationship with the Company and will discuss any proposed changes to the Statement with the Company. However, the Trustees' fiduciary obligations are to the Scheme's members and will take precedence over the Company's wishes.

1.4 The final decisions have, however, been made by the Trustees, who have taken written advice from Mercer ("the Investment Advisor") which is regulated by the Financial Conduct Authority ("FCA") in relation to investment services.

1.5 The Scheme is governed by its Trust Deed and Rules which sets out all of the benefits in detail and specifies the Trustees' investment powers. The investment powers do not conflict with this Statement.

1.6 The Trustees will review this Statement at least once every three years and without delay upon a material change in the Scheme's investment policy or in the circumstances of the Scheme or the Company. The Trustees do not expect to revise the main body of this Statement frequently because it covers broad principles rather than their implementation. However, the IIPD, which sets out the implementation of the investment policy will be updated on a more frequent basis.

2. Process for Choosing Investments

2.1 The stewardship of the Scheme's investment arrangements may be divided into three main areas of responsibility. The first (Section 4) deals with the strategic management of the Scheme's defined benefit assets, which is fundamentally the responsibility of the Trustees, and is driven by its investment objectives. The second area (Section 5) is the day-to-day management of those assets, which the Trustees have delegated to professional investment managers, whose roles are described in the IIPD. The third part is the ongoing monitoring of the performance of the appointed managers against pre-determined benchmarks.

3. Investment Decisions

3.1 Investment decisions for the Scheme will be made either by:

a. The Investment Committee, in accordance with the powers given to them by the Terms of Reference (Appendix 1), which consists of three Trustees and was established for the purpose of reviewing all investment issues; monitoring the Scheme's investment objectives and strategy; appointing fund managers; monitoring investment performance and reporting back to the full Board of Trustees on a regular basis; or

b. A valid majority of the Trustees at a quorate meeting of the Trustees which has been called in accordance with the requirements of Section 32 of the Pensions Act 1995 ("a Formal Trustee Decision").

4. Investment Objectives and Risk

4.1 ***Investment Objectives***

The Trustees' objective is to invest the Scheme's assets in the best interests of the members and beneficiaries to ensure the obligations to the beneficiaries of the Scheme are met. Within this framework, to help guide it in the strategic management of the assets and control the various risks to which the Scheme is exposed, the Trustees (in consultation with the Company) have agreed a number of key investment objectives. In pursuit of the main objectives, the Trustees will aim:

a. To achieve, over the long term, a return on the investments which is consistent with the long term assumptions of the Scheme Actuary in determining the funding of the Scheme with a level of risk considered appropriate.

b. To consider the interests of the Company in relation to the size and volatility of the Company's contribution requirements.

c. To achieve a favourable return against the benchmark where applicable.

The appropriateness of this approach will be reviewed at least every three years or following any significant and unforeseen change in the financial circumstances of the Scheme.

4.2 ***Investment Risk***

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and the policy of the Trustees on these risks is described below.

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy.

- In setting the return-oriented objectives, the Trustees have not lost sight of risk. In particular, they are well aware that there exists solvency risk - the risk that economic circumstances force the winding-up of the Scheme at a time when asset values are depressed and the Company cannot afford to make good the deficiency.

- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's accruing liabilities as well as producing more short-term volatility in the Scheme's funding position.

- While it is impossible to eliminate these risks without making a significant sacrifice in expected excess return terms, the Trustees intend to mitigate the risk as far as possible by:

  - Maintaining a well-diversified portfolio of assets.

  - Using active managers where appropriate.

  - Adopting a cautious approach in those instances where there is a lack of risk transparency in the underlying investment.

  - Monitoring the financial strength of the Company and its perceived commitment to the Scheme; and by reducing risk relative to the solvency funding position should the financial strength of the Company and/or its commitment to the Scheme deteriorate.

  - Monitoring the ongoing funding level of the Scheme, with a view to altering the investment objective should there be a significant change in the financial health of the Scheme.

- Arrangements are in place to monitor the Scheme's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees monitor aspects of the portfolio and receive regular reports from the Scheme's investment advisor.

- The safe custody of the Scheme's assets is delegated to professional custodians (via the use of pooled vehicles).

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered, and in particular whether the current risk profile remains appropriate.

4.3 *Investment Strategy*

The Trustees have adopted a strategy that is expected to deliver the highest long-term return consistent with an acceptable level of risk that the Trustees have set themselves.

The Trustees have set a target asset allocation split of approximately 75% / 25% between return seeking and risk reducing assets. The return seeking asset classes have higher expected volatility relative to the Scheme's liabilities while the risk reducing asset classes exhibit similar or lower volatility relative to the Scheme's liabilities to provide some protection against shorter-term equity volatility, interest rate volatility and inflation risk.

The Trustees have split the return seeking assets into several further categories; equity, multi-asset and income generating. The multi-asset allocation consists of diversified growth funds and was introduced to reduce the Scheme's reliance on equity market returns. The income-generating allocation consists of assets where the majority of the returns come from income rather than capital appreciation, and this income is distributed to the Trustee bank account regularly to help meet benefit payments as they fall due and other Cashflow needs.

The risk reducing portfolio consists of the Liability Driven Investment ("LDI") portfolio. The LDI portfolio has been initially structured to hedge approximately 75% of the inflation exposure and 50% of the interest rate exposure (on a technical provision basis), however, the hedge ratios at each maturity will vary over time as market conditions change.

The Trustees regularly review the Scheme's investment strategy and asset allocation to ensure an appropriate balance between risk and return.

Further details with regards to the implementation of the investment strategy can be found in the IIPD.

5. Manager Arrangements

5.1 *Aligning Manager Appointments with Investment Strategy*

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which they are selected.

If the investment objective for a particular manager changes, the Trustees will review the Scheme's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to review the appointment.

For active mandates, the Trustees will seek guidance from the investment consultant for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Trustees. These ratings are used in decisions around selection, retention and removal of manager appointments.

Where appropriate, active managers are incentivised through remuneration and performance targets. The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) regularly.

As the Scheme invests in pooled investment vehicles the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees regularly review the continuing suitability of the Scheme's investments, including the appointed managers, which may be adjusted from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of risk is consistent with that being targeted.

5.2 *Day-To-Day Management of the Assets*

The Trustees delegate the day-to-day management of the assets to external investment managers. The Trustees have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Scheme's investments and are carrying out their work competently.

Details of the appointed managers can be found in the IIPD.

5.3 *Realisation of Investments*

The investment managers have discretion in the timing of realisation of investments and in consideration relating to the liquidity of those investments, within parameters stipulated in the relevant appointment documentation.

5.4 *Monitoring*

The Trustees will monitor compliance with this Statement annually.

The Trustees review the managers' performance, activity, and any wider issues on a regular basis.

The Trustees retain the assistance of Mercer as investment advisors to provide assistance with monitoring the investment managers and on strategic investment issues.

5.5 *Evaluating Investment Manager Performance*

The Trustees receive performance reports from the investment consultant on a six-monthly basis, which present performance information over 6 months, 1 year, 3 years and since inception. Over the remaining quarters, the investment consultant provides the Trustees with a slim line report, which presents performance information over 3 months and 1 year. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis over a full market cycle. The Trustees' focus is on long-term performance but may put a manager 'on watch' if:

a. There are sustained periods of underperformance;
b. There is a change in the portfolio manager;
c. There is a change in the underlying objectives of the investment manager;
d. There is a significant change to the investment consultant's rating of the manager.

5.6 *Portfolio Turnover Costs*

The Trustees do not currently monitor portfolio turnover costs but may consider a more active approach in the future.

The Trustees receive MiFID II reporting from their investment managers. The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

5.7 *Manager Turnover*

The Trustees are long-term investors and therefore are not looking to change the investment arrangements on a frequent basis. For open-ended funds, there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

a. There is a strategic change to the overall strategy that no longer requires exposure to that asset class;
b. The manager appointment is reviewed and the Trustees have decided to terminate for a more suitable appointment.

6. Responsible Investment & Corporate Governance

The Trustees believe that environmental, social and corporate governance ("ESG") factors have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. The Trustees will take into account the expected lifetime of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring existing investment managers, taking input from the Investment Consultant.

The Trustees also consider the investment consultant's assessment of how each investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy, making use of the Investment Consultant's ESG ratings. This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and removal of manager appointments.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. The Trustees will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

The Trustees have not set any ESG related investment restrictions on the appointed investment managers, but may consider this in future.

Non-financial matters are not currently taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental factors.

The Trustees can regularly review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.

7. Additional Voluntary Contributions

7.1 Assets in respect of members' Additional Voluntary Contributions ("AVCs") are set out in the IIPD.

8. Review of This Statement

8.1 The Trustees will review this Statement in response to any material changes to any aspects of the investment strategy detailed above. This will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such change to the Statement will be based on written expert investment advice. Any such review will be carried out in consultation with the Company.

Signed for and on behalf of the Trustees of the Gulf International Bank (UK) Limited Pension Scheme

Appendix 1

TERMS OF REFERENCE FOR THE INVESTMENT COMMITTEE

(established at a Trustee meeting on 27 April 2007)

1. Statement of Function

1.1 The Investment Committee (the "IC") will be responsible for monitoring the overall investment arrangements for the Scheme and recommending changes to the Trustees. However, in order to take decisions in an efficient way, certain decision making power will be delegated to the IC.

1.2 If the Trustees decide that such a committee is no longer appropriate, the IC will disband.

2. Composition

2.1 Membership of the IC will consist of at least two representatives from the Trustees who shall be appointed to this role by the full Trustee body. These representatives shall have full voting rights.

2.2 The full Trustee body will remain responsible for the appointment of the Chair of the IC. The Trustees may replace any of the IC members from time to time and may change the IC constitution at any time.

2.3 A senior representative from Gulf International Bank (UK) Limited (the "Company") will also be invited to attend the IC meetings, although this representative will not form part of the quorum nor shall they have a vote on any decision. This representative will also be requested to act as a liaison with the Company.

2.4 Any other Trustee will be able to attend meetings as an observer but such attendance will not form part of the quorum nor shall they have a vote on any decision.

2.5 The IC meetings will normally be attended by the Scheme's Investment Consultant, and also the Secretary of the Trustees, who will act as Secretary to the IC.

2.6 Additional advisers (e.g. legal) may at the request of the Chairman of the IC attend IC meetings, but shall not be entitled to vote.

3. Role

The IC will be responsible to the Trustees for:

Investment Strategy and Structure

3.1 Monitoring the Scheme's investment objectives and strategy to ensure that they remain appropriate. The IC will recommend changes to the Trustees as appropriate, with the final decision resting with the Trustees.

3.2 Monitoring the investment management structure to ensure that it is appropriate given the agreed investment strategies. This refers to the number of managers used, the proportion of assets managed by each manager and their mandates. The IC would recommend changes to the Trustees as appropriate, with the final decision resting with the Trustees.

Investment Manager Monitoring

3.3 Monitoring the performance and continued suitability of the investment managers and making recommendations to the Trustees on the appointment and removal of investment managers (or changes to their mandates), with the final decisions resting with the Trustees.

3.4 Agreeing the terms of appointment of the investment managers and their delegated powers. The final decision will rest with the IC.

3.5 Managing fee scales for each investment manager and other terms in the Investment Management Agreements. The final decision will rest with the IC.

3.6 Agreeing changes to the detailed investment guidelines for the investment managers once appointed. The final decision will rest with the IC.

3.7 Monitoring the performance of each manager against agreed investment objectives by means of regular review of the investment results and other information.

3.8 Meeting the investment managers on a regular basis to discuss their performance, actions and future strategy.

General

3.9 Ensuring the management of the Scheme's assets is consistent with the Statement of Investment Principles and any other guidelines set by the Trustees.

3.10 Reviewing periodically the Statement of Investment Principles and recommending changes to the Trustees as appropriate and consulting the Principal Employer where appropriate.

3.11 Recommendations on changes to the appointment of other external service providers (e.g. the investment consultant). Final decisions will be taken by the Trustees.

3.12 Managing the basis on which cash flow will be apportioned between the investment managers.

3.13 Monitoring and reacting to legislative, financial and economic changes affecting, or potentially affecting, investment policy.

3.14 Reviewing and setting of the Investment Business Plan within any Trustee Business Plan.

4. Meetings

4.1 The IC will meet on a regular basis with additional meetings arranged as required.

4.2 The IC will take appropriate external advice (e.g. investment, legal) as required.

4.3 Two representatives of the IC with voting rights will constitute a quorum and no business may be transacted unless a quorum is present. While decisions may be made by majority vote, all matters not having the agreement of all the members present with voting rights shall be referred to the full Trustee Board for a final decision.

4.4 Minutes of all meetings are to be recorded and following agreement from all of the IC members will be signed by the Chairman of the IC. Once finalised, copies of the minutes are then to be circulated to members of the IC and to the Trustees by the Secretary of the IC.

4.5 A resolution signed by the two representatives of the IC will be binding and effective as if it had been passed at a Trustee meeting. The resolution can be passed by the signing of copies, whether or not of the same date.

5. Other

5.1 These Terms of Reference shall be reviewed every 2 years.