

Gulf International Bank (UK) Limited Pension Scheme (“the Scheme”)

Annual Engagement Policy Implementation Statement

Year Ending 31 December 2021

Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 31 December 2021. The SIP is a document drafted by the Trustees in order to help govern the Scheme’s investment strategy.

This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 (as amended) and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

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:

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

Review of the SIP

At the end of 2021, the Trustees reviewed the Scheme’s SIP in order to reflect the changes made to the investment strategy during the year, namely:

- The Scheme implemented a new global property portfolio managed by CBRE and an infrastructure equity portfolio managed by JP Morgan Asset Management (“JP Morgan”). The two new funds have a 5% strategic asset allocation, respectively.

- The Scheme partially disinvested from the Insight Broad Opportunities Fund and terminated the Invesco Global Targeted Returns Pension Fund, in order to fund the new strategies.
- At year-end the ISC reviewed the Scheme's investment strategy, following the strong recovery in the Scheme's funding level. Following consultation with the sponsor, it was decided to proceed with a partial de-risking of the Scheme's strategy, reducing the strategic asset allocation to equity to 22% and increasing the strategic asset allocations to LDI and multi-asset credit to 22% and 12% respectively.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed and updated in September 2020.

Engagement

The Trustees, supported by the investment consultant, requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. The large majority of the Scheme's investment managers (93.5% of total assets as at 31 December 2021) confirmed that either they are signatories of the current UK Stewardship Code; or are committed to becoming signatories of the code covering the 2021 reporting year.

However, Shenkman Capital (6.5% of total assets as at 31 December 2021) is currently not a signatory of the UK Stewardship Code. The Trustees feel this is acceptable because: 1) Shenkman Capital Management, Inc. is a New York based asset manager that is not FCA regulated; and 2) Shenkman has provided evidence that they integrate ESG factors in their investment process. The Trustees are pleased to observe that Shenkman capital, in spite of the above, has confirmed that their head of ESG business has reviewed the requirements and intends to apply during the second half of 2022.

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.

As per the Scheme's SIP, 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 and challenge the investment managers where appropriate.

The Scheme's investment performance report is reviewed by the Trustees on a quarterly basis – this includes ratings (both overall and specific to ESG) from the investment consultant.

The Scheme's investment managers engaged with companies over the year on a wide range of different issues including ESG factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy e.g. those linked to the Paris agreement.

The Scheme's managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

We highlight below two examples from CBRE and Lansdowne:

CBRE

CBRE invest primarily in real estate funds managed by other asset managers or with operating partners. The investment manager engages primarily with the underlying managers of those portfolios in which CBRE are invested or with its operating partners. This includes dialogue and engagement in the firm's role as investors and, where applicable, as representatives on advisory committees.

CBRE encouraged the Charter Hall, who manages the Australian Industrial Fund, in order to obtain building certifications for existing and new buildings. The regional investment team worked with the Green Building Council of Australia ("GBCA") to redefine their industrial asset rating system for tenant power consumption, over which the landlord has no control. Given CBRE's encouragement, the manager started renewing certifications as well as installing smart meters. This resulted in two of three development projects achieving 4-star Green Star Design & As Built Ratings and one warehouse achieving a 5-star rating.

Lansdowne

Lansdowne had numerous meetings with National Grid ("NG"), most notably a call with CEO John Pettigrew on 23 March 2021, to discuss their appetite for capital investment primarily in Electricity Transmission and Distribution in the UK and US to deliver Net Zero.

The timing of this call with the CEO was especially pertinent, as it followed the strategic announcement made on 18 March 2021 that NG would acquire WPD (Western Power Distribution) in the UK for £7.8bn, and sell a majority stake in its UK gas transmission and metering business; thereby pivoting more strongly towards Electricity Transmission and Distribution within its business mix.

National Grid now describes itself as "the energy transition company" thereby making the investment case much clearer, improving communication to the investment community and paving the way for a rerating – the outcome that we had been pushing for.

Lansdowne continue to have regular dialogue with National Grid, particularly to assess how any changes in energy policy in the UK and US may impact the investment outlook.

Voting Activity

The Trustees have delegated their voting rights to the investment managers. As a result, the Trustees do not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustees.

As per point 6 of the SIP, 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 also consider the investment consultant’s assessment of how each investment manager embeds ESG into its investment process and how the managers’ 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.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The voting policy of the Scheme’s equity managers has been considered by the Trustees and the Trustees deem it to be consistent with their investment beliefs. The key voting activity carried out on behalf of the Trustees over the year under review is detailed below.

Votes for the AVC funds have not been considered as they are not considered to be material in the wider context of the Scheme.

Lansdowne - Equity

- Lansdowne maintains a Proxy Voting Policy that is designed to ensure that the Firm will make a best efforts attempt to vote proxies with respect to client securities in the best interests of its clients. Lansdowne has engaged a service provider, Institutional Shareholder Services, Inc.’s - ISS Europe Limited (“ISS”) to provide corporate research and to facilitate the voting process, but it has not delegated the proxy voting decisions.
- Lansdowne’s definition of significant voting includes:
 - Votes against management;
 - Votes against ISS.

Voting undertaken over the year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Lansdowne Developed Markets Strategic Investment	188	3	0	<i>n/a</i> ⁽¹⁾
Lansdowne DM Long Only	936	13	1	<p style="text-align: center;">Rio Tinto</p> <p>Resolution – “1. Approve Remuneration Report for UK Law Purposes; 2. Approve Remuneration Report for Australian Law Purposes”</p> <p>Voting: Against the resolution and in favour of the Proxy Voter.</p> <p>Rationale: Lansdowne supported the steps that the Rio Board had taken to date regarding its review of the Juukan Gorge destruction which has resulted in senior management/Board departures and remuneration forfeiture, Lansdowne did not feel that they had sufficient insight/information to assess whether these measures were sufficiently punitive and therefore voted with ISS.</p>

(1) No significant votes were disclosed by the investment manager.

Longview – Equity

- All voting decisions are made on a case-by-case basis by Glass Lewis's specialist research analysts, in line with their detailed regional policies, which are approved by Longview on an annual basis. However, Longview would advocate the exercising of votes, contrary to Glass Lewis policy, where necessary. The decision to vote contrary to Glass Lewis's recommendation is made collectively by the Research team and CIO and will often follow engagement between Longview's Research team and the company.
- In cases where Longview deems Glass Lewis's decision to not be in the best interest of its clients, the Research team will intervene and cast a vote against their recommendation.
- Longview receives Proxy Voting reports from Glass Lewis, which cover all proposals to be discussed at upcoming company meetings, including those related to ESG.
- Longview's definition of significant voting includes:
 - votes against management;
 - where >15% of total votes have been cast against management;
 - where Longview have voted against its proxy adviser's recommendation.

Voting undertaken over the year in review is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
LPI - Global Equity Fund	475	29	0	<p>Bank of New York Mellon</p> <p>Resolution - "Reduce Ownership Threshold Required to Act by Written Consent"</p> <p>Voting: In favour of the Resolution (against management)</p> <p>Rationale: "The Company's 20% ownership threshold is too high to provide shareholders with a meaningful right to action by written consent"</p>

Veritas – Equity

- Veritas Asset Management LLP ("Veritas") has a commitment to evaluate and vote proxy resolutions in the best interests of their clients. Veritas will vote on all proxy proposals, amendments, consents or resolutions relating to client securities and will vote against management where they strongly believe that to do so is in the best interests of their clients. This will primarily occur where the matter to be voted upon will, in Veritas's view, materially affect shareholder value.

- Whilst Veritas will take third party views into consideration, such as Institutional Shareholder Services Inc. (“ISS”), AMNT Red Lines, and even questions raised by clients who use proxy firms like Hermes etc., the final decision rests with the Veritas investment team.

Voting undertaken over the year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Veritas Global Focus Common Contractual Fund	470	45	0	<p>Charter Communications, Inc.</p> <p>Resolution - “Report on Greenhouse Gas Emissions Disclosure”</p> <p>Voting: For Resolution (against management)</p> <p>Rationale: “Vote in favour of this proposal. The company should seek to be more transparent and while much will be included in their ESG report there can be no harm in providing specific requirements for disclosure.”</p>

Insight – Diversified Growth

- Insight uses the services of Minerva Analytics (“Minerva”) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions.
- Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.

Voting undertaken over the year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Broad Opportunities Fund	146	1	3	n/a ⁽¹⁾

(1) No significant votes were disclosed by the investment manager.

Invesco – Diversified Growth (terminated over 2021)

- Invesco may supplement its internal research with information from third-parties, such as proxy advisory firms. Globally Invesco leverages research from Institutional Shareholder Services Inc. (“ISS”) and Glass Lewis and they use the Investment Association Institutional Voting Information Service (IVIS) in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions.
- Invesco’s investor-led proxy voting approach seeks to ensure that each meeting is voted in clients’ best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios. As part of the firm’s Shareholder Rights Directive II implementation, the following criteria are used when determining whether a voting item is significant; (i) materiality of the position, (ii) the content of the resolution and (iii) inclusion on Invesco’s ESG watch list.
- The proxy voting process at Invesco, which is driven by investment professionals, focuses on maximizing long-term value for their clients, protecting clients’ rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders.

Voting undertaken over the year up to the termination of the mandate on 23 February 2021 is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Global Targeted Returns Strategy	101	5	0	n/a ⁽¹⁾

(1) No significant votes were disclosed by the investment manager.

Abrdn – Diversified Growth

- Abrdn employs Institutional Shareholder Services Inc. (“ISS”) as a service provider to deliver their voting decisions efficiently to companies. ISS provides voting recommendations based on Abrdn own customised regional voting policies which reflect their guidelines and expectations. They are always conscious that all voting decisions are their own on behalf of their clients.
- Abrdn consider ISS’s recommendations and those based on their custom policy as input to their voting decisions, however votes on actively held securities are determined by analysts in the regional and ESG Investment teams.
- When analysing UK companies they also access the research provided by the Institutional Voting Information Service (IVIS), which uses the guidelines of the Investment Association (IA) as the basis of their research.

Voting undertaken over the year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Global Focused Strategies	1593	260	31	<p>Samsung Electronics Co., Ltd.</p> <p>Resolution - "Elect Kim Jeong as Outside Director"</p> <p>Voting: For Resolution (against ISS recommendation)</p> <p>Rationale: "The investment manager does not think it is in minority shareholders' best interests to vote against this resolution. The firm recognises the positive moves the Company has made to improve Board diversity, experience and independence."</p>

The remaining mandates are either fixed income or real estate in nature with no direct listed equity exposure and therefore have no voting rights attached.