

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

Annual Engagement Policy Implementation Statement

Year Ending 31 December 2020

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 2020. The SIP is a document drafted by the Trustees in order to help govern the Scheme’s investment strategy. It details a range of investment-related policies, a summary of which is included below alongside the relevant actions taken by the Trustees in connection with each of these policies.

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 2018 (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

During the year to 31 December 2020, the Trustees reviewed the Scheme’s SIP in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the Scheme's arrangement incentivises investment managers to align their investment strategy and decisions with the Trustees' policies;
- How that Scheme's arrangement incentivises the manager to make decisions based on assessments of medium to long term financial and non-financial outcomes;
- How the method (and time horizon) of the evaluation of managers' performance and remuneration are in line with the Trustees' policies;
- How the Trustees' monitor portfolio turnover costs;
- The duration of the arrangement with the asset managers.

Further to the regulatory requirements, the SIP review also included an update on how the Trustees consider Environment, Social and Governance ("ESG") factors in the appointment or the evaluating of investment managers.

A revised SIP was signed in September 2020 and published on a publically available website, in line with the Investment Regulations.

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 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 (92.8% of total assets as at 31 December 2020) confirmed that either they are signatories of the current UK Stewardship Code, or submitted the necessary reporting to the Financial Reporting Council by 31 March 2021, in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.

However, Shenkman Capital (7.2% of total assets as at 31 December 2020) is not a signatory of the UK Stewardship Code. The Trustees feel this is currently 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. However the Trustees will continue to engage with Shenkman to consider becoming a signatory of the Code.

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 regular 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 (i.e. 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 CQS and Lansdowne:

CQS

CQS engaged with Survitec, a leading global designer and manufacturer of survival equipment for the aerospace & defence and marine sectors. The company defaulted in October 2019. As one of the larger lenders, CQS (supported by its distressed debt team) formed part of an Ad-Hoc Group to stabilise the business then spearhead a full debt restructuring, including the injection of additional capital.

The outcome of CQS' engagement with Survitec has been not only restructuring the company debt, but also a wholesale business transformation; with a new Board of Directors and Executive Chairman bringing greater diversity in terms of experience and expertise, as well as a set of values for the company which the firm believes are much more in keeping with the 21st century and better for all stakeholders – including its investors. From the default in 2019, CQS has recovered 123%, in part due to the engagement activity by the firm with the Company.

Lansdowne

Lansdowne had a number of discussions with Tesco's company management regarding the importance of perceived societal contribution. For example, the transition of their packaging away from plastics to paper/cardboard and the importance of repaying business rates. A number of these suggestions have subsequently been adopted, leading to higher Net Promoter Scores (NPS).

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 prior 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	204	1	0	<p>CERES POWER HOLDINGS PLC Resolution – “Reappoint BDO LLP as Auditors and Authorise Their Remuneration”</p> <p>Voting: In favour of the resolution and against Proxy Voter.</p> <p>Rationale: The company did not file the accounts on time, which we understand is due to a change in year end which is not an issue in Lansdowne’s view.</p>
Lansdowne DM Long Only	709	9	1	<p>UNITED AIRLINES HOLDINGS, INC. Resolution – “Provide Right to Act by Written Consent”</p> <p>Voting: In favour of the resolution and against management.</p> <p>Rationale: A vote FOR this proposal is warranted given that the ability to act by written consent would enhance shareholder rights.</p>

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	443	24	2	<p>Asahi Group Holdings Ltd.</p> <p>Resolution - "Elect Naoko Nishinaka as Statutory Auditor"</p> <p>Voting: Against Resolution (against management)</p> <p>Rationale: "Statutory auditor board is not sufficiently independent"</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 prior 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	486	36	1	<p>Facebook, Inc.</p> <p>Resolution - "Require Independent Board Chair"</p> <p>Voting: For Resolution (against management)</p> <p>Rationale: "A vote FOR this proposal was warranted given concerns with the board's governance and the appointment of a non-independent director to serve as lead director."</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 prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Broad Opportunities Fund	119	0	0	n/a ⁽¹⁾

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

Invesco – Diversified Growth

- 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 prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Global Targeted Returns Strategy	4,934	247	0	<p>Edenred SA Resolution – “Approve Issuance of Equity or Equity-Linked Securities for Qualified Investors”</p> <p>Voting: In favour of the resolution and in line with management.</p> <p>Rationale: Votes for the authorizations were warranted, as their proposed volumes respected the recommended guidelines for issuances with and without pre-emptive rights duration.</p>

Aberdeen Standard Investments – Diversified Growth

- Aberdeen Standard Investments employs Institutional Shareholder Services Inc. (“ISS”) as a service provider to deliver their voting decisions efficiently to companies. ISS provides voting recommendations based on Aberdeen Standard Investments 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.
- Aberdeen Standard Investments 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 prior year is summarised in the table below:

Fund	Votes cast			Significant vote example
	Votes in total	Votes against management endorsement	Abstentions	
Global Focused Strategies	591	56	1	<i>n/a</i> ⁽¹⁾

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

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.