Gulf International Bank (UK) Limited Pension Scheme

May 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustees' fiduciary duty.

Implementation Statement

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address https://gib-am.files.svdcdn.com/production/documents/Governance/Statement-of-Investment-Principles.pdf?dm=1738843320 changes to the SIP are detailed on the following page.

The Implementation Statement details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Over the course of 2024, investment de-risking activity took place to prepare the Scheme to target an insurance transaction over the short term. The main activities involved the sale of CQS Multi-Asset Credit (c.£19m redemption settled in February 2024) JP Morgan Infrastructure Equity (c.£8m redemption settled in May 2024), and CBRE Property mandate (c.£7m redemption settled in September 2024). Proceeds from these trades were subsequently invested in the Insight Liquidity Plus Fund. The Trustees have also instructed the sale of illiquid holdings in a Schroders Property fund and Lansdowne Equity fund. These proceeds are due to be settled over 2025 and will be re-invested in the Insight Liquidity Plus Fund in due course
- In Q4 2024, the Trustees agreed to purchase a full Scheme buy-in insurance policy with Prudential Assurance Company, a subsidiary of M&G plc ("M&G"), which covers the entirety of the Scheme's liabilities. This transaction took place in December 2024. A small amount of residual assets is being held in the Insight Liquidity Plus Fund, to support ongoing Scheme cash requirements.

Implementation Statement

This report demonstrates that Gulf International Bank (UK) Limited Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed Roger Mattingly

Position Chair of Trustees

Date 23 July 2025

Managing risks and policy actions DB

Risk / Policy	Definition	Approach	Mitigation
Mismatch	The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk").	Prior to the buy-in transaction, the policy was to hedge 95% of the Scheme's interest rate and inflation risk on a Solvency basis.	The buy-in policy removes this risk.
Cashflow	The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk").	The Trustees and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.	The buy-in policy removes this risk.
Manager	The failure by the fund manager to achieve the rate of investment return assumed by the Trustees ("manager risk").	This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.	The buy-in policy broadly removes this risk given that surplus assets will be held in cash-like investments.
Lack of diversification	The failure to spread investment risk ("risk of lack of diversification").	The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.	Given the nature of the buy-in, diversification is not a relevant consideration.
Covenant	The possibility of failure of the Scheme's Sponsoring Employer ("covenant risk").	The Trustees and their advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.	The Scheme can now rely on the insurer covenant and wider protections in the UK insurance regulatory regime (although the sponsoring company's covenant is still relevant over the period until any buy-out)
Operational	The risk of fraud, poor advice or acts of negligence ("operational risk").	The Trustees have sought to minimise such risk by ensuring that all advisers and third- party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.	Given the heavily regulated nature of the bulk annuity market, this risk is mostly removed from the Scheme.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, which can impact the performance of the Scheme's investments.	To take advice from investment adviser when setting Scheme assets allocation, selection of managers and ongoing monitoring; and to delegate to the investment manager the consideration of ESG factors in determining the appropriate holdings within their portfolios.	Given the nature of the buy-in policy it is not possible to actively monitor any ESG criteria. However, the buy-in provider's approach to ESG risk was reviewed as part of the provider selection process.
Climate	The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors, including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.	To take advice from investment adviser when setting Scheme assets allocation, selection of managers and ongoing monitoring; and to delegate to the investment manager the consideration of ESG factors in determining the appropriate holdings within their portfolios.	Given the nature of the buy-in policy it is not possible to actively monitor any ESG criteria. However, the buy-in provider's approach to climate risk was reviewed as part of the provider selection process.

Changes to the SIP and implementing the current ESG policy

The SIP was last updated in December 2024 to reflect the purchase in that same month of the buy-in policy covering the Scheme's liabilities.

The policies in the SIP have been considered in the context of the purchase of the buy-in policy, including those around ESG. The main mitigations, as set out in the prior section, detail the impact of the change in investment strategy on the Scheme's main risks.

The Trustees acknowledge the importance of ESG factors and climate change and note that, as the vast majority of the assets are invested in the buy-in policy, there is limited scope for the Trustees to incorporate ESG into the Scheme's investment strategy.

Voting and engagement

The Scheme's assets are predominantly held within a buy-in policy.

Voting

Voting activity was requested from Lansdowne however the investment manager was unable to provide any fund specific voting data. Voting rights are not applicable to the other mandates.

Engagement

The Scheme's fund managers have provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 December 2024.

Fund name	Engagement summary	Commentary
Insight ILF Plus Fund	Total Engagements: 7 Environmental: 2 Social: 2 Governance: 1 Other: 5 Please note that the sum of the above categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	An example of significant engagement includes: **The Bank of Nova Scotia -** Insight engaged with BNS as part of their counterparty engagement programme to assess its ESG capabilities, provide high-level feedback on a questionnaire, and discuss specific areas of underperformance in more detail. BNS was one of the top financiers of fossil fuels from 2016 to 2021. Insight found that the bank has weaker fossil fuel financing policies compared to its peers. Their published statements on coal and Arctic financing are notably brief compared to other banks. While BNS does not finance standalone projects for thermal coal or coal power generation, it continues to support existing mining and utility clients, and their policy does not include a full coal phase-out date.
Lansdowne Developed Markets Strategic Investment Fund	Total Engagements: 550 Lansdowne noted the following: Please note that we do not collate our engagement data in these categories (Environmental, Social & Governance) primarily because our most significant engagements will touch on multiple topics across ESG. We deemed 206 out of 555	An example of significant engagement includes: **Lufthansa -** Lansdowne engaged with Lufthansa as the company began the process of selling a stake in its MRO business, expressing that if the right partner and appropriate valuation were found, the sale would proceed. Lansdowne felt that they had received clear communication from the Board that, should these criteria be met, the process would be concluded. A buyer was identified, and it appeared from their perspective that the deal was set to complete. However, at the very last minute, the company reversed its decision to sell. Lansdowne sent a written communication to the company

	engagements to be significant, by which the Developed Markets Long Only Team held meaningful ESG discussions with companies around short term issues and long term strategic objectives. Of these 206 engagements, 37% involved discussion on Governance topics, 63% on Social topics and 44% on Environmental topics.	seeking clarification on why the decision had been reversed and their belief that it revealed a lack of proper governance. Lansdowne also felt it would be untenable for the CFO to remain at the company under these circumstances. Losing the CFO would be a great loss to the company as Lansdowne believed he was a champion for shareholders. Lansdowne noted their concern that the board was not able to hold management to account. Following this communication with the company, Lansdowne spoke with the Chairman to ask why the proposed stake sale of the MRO business fell apart. Lansdowne questioned whether the company was working independently, or in the interests of the German state. They reiterated their view that losing the CFO would be a great loss to the company. The Chairman listened to their concerns and frustrations. Lansdowne were not convinced by the actions and answers given and decided to reduce their shareholding. Shortly thereafter, following further engagement with the new interim CFO and IR to discuss the strategic direction of the company, Lansdowne felt uncomfortable with the company's Governance and decided to exit their position.
Schroders Capital UK Real Estate Fund	Schroders were unable to provide a total number of engagements or a breakdown of engagements under the following categories: Environmental, Social and Governance. Schroders state that they will engage with 100% of their property investments over the course of the year.	An example of significant engagement includes: **CBRE Consultancy -** Schroders collaborated with CBRE consultancy, instructing them to provide tenant data for several key tenants and to implement the Arbnco solution across their portfolio. Arbnco's AI-powered platform optimises energy and carbon reporting, as well as decarbonisation data for real estate portfolios. It simplifies the process for tenants to share their energy consumption data through an intuitive platform, granting access to asset-level metrics and enhancing portfolio reporting.

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