Annual DC Governance for the Scheme year ending 31 December 2023

Background

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Europe Arab Bank plc Pension Scheme (“the Scheme”) is meeting governance standards that apply to occupational pension schemes that provide money purchase benefits (also known as Defined Contribution (“DC”) scheme.

The Trustees of Europe Arab Bank are required to produce an annual statement (which is signed by the Chair of Trustees) to describe how the governance requirements have been met in relation to:

- the default arrangement for the investment of members’ funds;
- the range of self-select investment options and legacy funds;
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- a ‘Value for Members’ assessment; and
- trustee knowledge and understanding

As Chair of the Trustees, it is my pleasure to report to you on how the Trustees have embedded these standards in relation to the Scheme’s DC Section over the period from 1 January 2023 to 31 December 2023.

The Statement of Principles (SIP) for the Defined Contribution (DC) Section of the Scheme, and this Statement should be read in conjunction with the Scheme’s SIP from November 2021, which is subject to regular review by the Trustees. The Trustees will review the Statement formally at least every three years. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy or member demographics. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

This Statement and the SIP is available to view and download from the Company website:

https://www.eabplc.com/downloads/EABChairsStatement.pdf
https://www.eabplc.com/downloads/EABDCStatementofInvestmentPrinciples.pdf

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, Money Helper, a free and impartial service set up by the Government has a retirement adviser directory on their website: https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser

1. Default Strategy

The Trustees are required to design a default strategy in members' interests and keep it under review. The Trustees need to set out the aims and objectives of the default strategy and take account of the level of costs and the risk profile that are appropriate for the Scheme’s membership.

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The Scheme is used as a qualifying scheme for auto-enrolment purposes. Qualifying schemes are required to have a default investment strategy in place for members who do not make an active investment choice.

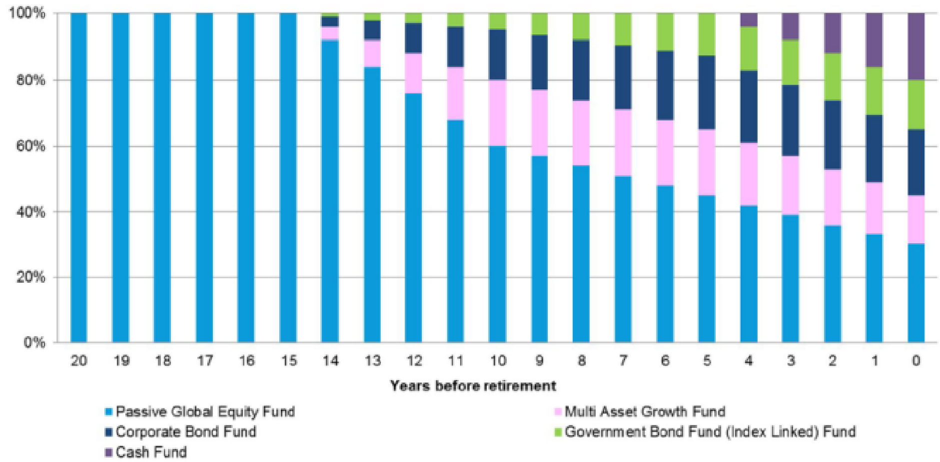
The default strategy – Flexible Income Lifestyle

The Trustees are responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default strategy.

Since 2017, the default strategy has been the Flexible Income Lifestyle option. This works on the principle that at retirement members will use flexible income "drawdown" to provide a retirement income. This could be through a maximum of five cash lump sum withdrawals while remaining invested in the Scheme, or by transferring their pension savings to a specialist income drawdown arrangement outside of the Scheme to give even more flexibility.

How it works

Up until 15 years before a member's selected retirement date, their savings are invested in funds which aim to deliver long-term growth (i.e., equities). After that time, their savings are gradually moved into a mix of bonds and multi asset growth funds, with a portion remaining in equities. Once a member reaches their selected retirement date, their savings are invested in a diversified mix of funds including an element of cash. This is to try and achieve a balance of growth versus security. The chart below illustrates how funds will be invested in the Flexible Income Lifestyle option:



It is recognised that some members will wish to pursue annuity purchase at retirement and so an annuity Lifestyle Option is also available, as well as the option to Self-Select their investment options. However, unless a member specifically requests to opt-in to the Annuity Lifestyle or Self Select options, their contributions will be invested in line with the default arrangement (the 'Flexible Income Lifestyle Option').

A copy of the latest Statement of Investment Principles - Defined Contribution Section, prepared in accordance with Regulation 2A of the Occupational Pensions Schemes (Investment) Regulations 2005 is attached.

Investment Strategy Review

The Trustees have appointed Aon Investments Limited (Aon) to provide them with investment advice. To make sure that the DC investment options remain appropriate for the needs of their members, and in addition to quarterly performance monitoring, the Trustees carry out a review of the Scheme's

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investment strategy annually. This is supplemented by a detailed review of the Scheme's default strategy design in the context of the underlying membership profile at least every three years.

Detailed review

The Trustees, with support from Aon, undertook a detailed review of the Scheme's investment strategy on 20 December 2023. This included formally reviewing the default strategy with consideration being given to the membership profile of the Scheme (including member ages, fund value, salary, investment choices and projected retirement fund value) in order to determine whether the default strategy remained appropriate for the majority of members.

Following the review, the Trustees decided that the current default strategy (which targets flexible income drawdown) remained appropriate for the majority of the Scheme's members. However, they did decide to make some changes to the underlying funds used within the default strategy as follows:

- To replace the existing underlying fund for the Corporate Bond Fund with a Global Investment Grade Credit Mandate in order to reduce exposure to interest rate risk and improve global diversification for members;
- To lower the duration of the Government Bond (Index Linked) Fund in order to reduce member exposure to interest rate risk and volatility.
- Both changes are due to be considered in further detail in 2024 prior to implementation. The next detailed strategy review is due to take place in 2026.

Quarterly performance monitoring and annual review

The Trustees reviewed four quarterly investment reports over 2023 to assess investment performance in addition to the annual investment review which was completed on 20 December 2023. This involved reviewing investment performance of each fund versus its set objective as well as versus long-term return expectations. This helps the Trustees identify any underperforming funds.

Whilst the majority of funds performed in line with their aims and objectives over the year, a few performance flags were raised which were analysed in further detail as part of the detailed investment review.

- ***Negative performance of the Government (Index-Linked) Bond and Corporate Bond funds:***
  Both funds suffered negative investment returns due to the rising yield environment in 2022 and 2023. As a result, the Trustees reviewed the strategic positioning of these funds as part of the 2023 detailed investment review, in particular their long duration nature which makes them more sensitive to interest rate changes. As above, the Trustees have decided to make some changes to these funds in order to reduce the degree of interest rate sensitivity and to improve future expected risk-return outcomes for members.

- ***Underperformance of the Multi Asset Growth Fund versus its long-term target:*** Whilst the fund was mostly delivering positive absolute returns, these were behind the set performance target. The Trustees considered alternative options but, with support from their investment adviser, agreed none of these were suitable in the short-term and agreed that the current fund was still acceptable for members to invest in. As such, the Trustees agreed to retain the fund for the short to medium term but will re-consider alternative options in more detail as part of the 2024 annual investment strategy review.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

No other performance flags were raised. The Trustees also reviewed the performance of the default strategy as a whole as part of the detailed investment review and were comfortable that all members had achieved long-term positive investment returns that were in line with expectations.

Default Strategy Asset Allocation

The Trustees are required to disclose their full asset allocations of investments for each default strategy. The table below shows the percentage of assets allocated in the Scheme's default strategy (the Flexible Income Lifestyle) to specified asset classes as at 31 December 2023.

	Average asset allocation as at 31 December 2023 (%)			
Asset class	**25 years old**	**45 years old**	**55 years old**	**Normal Retirement Age (65)**
Cash	0.2	0.2	0.4	18.1
Bonds	0.0	0.0	24.4	40.4
Corporate bonds	0.0	0.0	16.6	22.6
Fixed interest government bonds	0.0	0.0	1.2	1.6
Index-linked government bonds	0.0	0.0	5.1	15.1
Other bonds	0.0	0.0	1.5	1.1
Listed equities	99.8	99.8	74.7	41.1
UK equities	4.6	4.6	3.3	1.8
Developed market equities (excluding UK)	82.3	82.3	63.2	35.1
Emerging markets	12.9	12.9	8.2	4.2
Private equity	0.0	0.0	0.1	0.1
Infrastructure	0.0	0.0	0.0	0.0
Property	0.0	0.0	0.4	0.3
Private debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

Source: LGIM and Aon. Totals may not sum due to rounding.

Net Investment Returns

The Trustees are required to report on net investment returns for each default strategy and for each non-default fund which Scheme members were invested in during the Scheme year. Net investment return refers to the returns on funds minus all member-borne transaction costs and charges.

The net investment returns shown below have been prepared having regard to statutory guidance.

It is important to note that past performance is not a guarantee of future performance.

Default Strategy – Flexible Income Lifestyle

The table below shows the net investment returns achieved for members of varying ages invested in the default strategy – the Flexible Income Lifestyle.

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Age of member at start of investment reporting period*	1 Year Net Return (%)	5 Year Net Return (% p.a.)
25	11.2	9.8
45	11.2	9.8
55	9.1	6.6
60	8.0	3.8
65	7.0	2.9

*Age on 1 January 2023 for 1-year reporting and 1 January 2019 for 5-year reporting period. Source: LGIM and Aon. Performance as at 31 December 2023. Assumes annual lifestyle switching.

All members experienced positive net returns over the 1 and 5-year reporting period, albeit annualised returns were higher over the 1-year reporting period than the 5-year period. This reflects a generally positive year for most markets in 2023, whilst rising yields in 2022 and 2021 created drags for bond investments in particular.

Younger members achieved the strongest returns, a reflection that they are solely invested in equities via the Passive Global Equity Fund. Equity investments are expected to generate higher long-term returns albeit with a higher level of volatility.

The level of net returns achieved over the five years to 2023 decreases as members approach their selected retirement age, which is assumed to be 65 years in this case. This is to be expected as the Flexible Income Lifestyle automatically switches members' savings into a more diversified mix of assets in order to reduce the potential for volatility in the level of their savings as they approach retirement age. The mix of assets includes multi-asset funds as well as corporate and government bond funds, which are expected to generate slightly lower returns than equities over the long-term.

We also note that 5-year net returns for members close to retirement are lower due to the impact of negative returns from bond investments in 2022 and 2021 detracting from overall returns.

Annuity Lifestyle

The table below shows the net investment returns achieved for members of varying ages invested in the second lifestyle strategy available to members – the Annuity Lifestyle.

Age of member at start of investment reporting period*	1 Year Net Return (%)	5 Year Net Return (% p.a.)
25	11.2	9.8
45	11.2	9.8
55	9.1	6.6
60	8.0	3.8
65	5.0	-0.4

*Age on 1 January 2023 for 1-year reporting and 1 January 2019 for 5-year reporting period. Source: LGIM and Aon. Performance as at 31 December 2023. Assumes annual lifestyle switching.

Similar to the Flexible Income Lifestyle, the net investment returns achieved by members in the Annuity Lifestyle were positive over 2023. As above, members further from retirement experienced lower net returns, with members at retirement age (65) experiencing negative returns of -0.4% per annum over

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the last five years. These members have increasingly invested in bond investments as they approached retirement age, and we note that bond investments in general have delivered negative investment returns over the past few years as a result of rising yields and interest rates. That said, the Trustees have compared this performance to changes in annuity prices and are comfortable that members' annuity purchasing power has been maintained, in line with the objective of the strategy.

Self-Select Funds

The Table below shows the net investment returns achieved by each of the Self-Select funds over 2023.

Fund Name	1 Year Return (%)	5 year Return (% p.a.)
Passive Global Equity Fund	11.2	9.8
Responsible Investment Global Equity Fund	18.8	*not available
UK Equity Fund	7.7	6.6
Ethical Global Equity Fund	17.1	13.8
Shariah Compliant Global Equity Fund	27.2	16.7
Multi-Asset Growth Fund	6.4	4.0
Government Bond (Index-Linked) Fund	1.7	-5.1
Corporate Bond Fund	6.9	-5.0
Cash Fund	4.6	1.3

Source: LGIM and Aon. Performance as at 31 December 2023. *The 5-year net return for the Responsible Investment Global Equity Fund is not available as the Fund was only added to the self-select range on 1 October 2021.

2. Core Financial Transactions

The Trustees have a specific duty to ensure that core financial transactions (including the investment of all contributions, transfers of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC Section are processed promptly and accurately.

During the Scheme year, these transactions were undertaken on the Trustees' behalf by the previous Scheme Administrator, Mercer Limited, as well as Broadstone Corporate Benefits Limited, who took on the administration services on 1 August 2023. The Scheme's investment manager, Legal & General Assurance (Pensions Management) Limited also provides these services.

The Trustees have reviewed the processes and controls implemented by these organisations and maintain the view that they are suitably designed to achieve these objectives. The Trustees have also agreed service levels (SLAs) and reporting against those service levels are reviewed via regular administration reports. During the first two quarters of the Scheme year, Mercer completed 97% and 98% of work within the agreed service levels. In the final two quarters of the year, the administration work was completed by Broadstone for the majority of this period (from 1 August 2023 onwards) and the scores against the agreed SLAs were 98% and 96% respectively. Overall, this reflects an improvement from the previous Scheme year, where the performance level was 92% against the agreed SLAs.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Following continued underperformance of Mercer's service over prior scheme years, Broadstone have begun working through various issues, particularly in relation to the investment of contributions and lifestyle switches. During the Scheme year, Broadstone confirmed that the reconciliation and rectification of the October 2022 contributions were completed, and the affected members were contacted.

Following correspondence between Mercer and the Trustees late in 2023, Broadstone contacted Mercer regarding a number of lifestyling issues. The Trustees have agreed with Broadstone the process to ensure that any historic rebalancing discrepancies are addressed such that members do not suffer any detriment.

A new online portal *Engage* went live for DC members on 19 February 2024, and Broadstone sent out bulk mailing with login details to the Scheme's members.

For the year to 31 December 2023, the Trustees consider that the requirements for monitoring and processing core financial transactions specified in the Regulations have been met.

3. Member borne charges and transaction costs

The Trustees regularly monitor the level of charges borne by members through the funds. These charges comprise:

- Explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER);
- Transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.

The TER information is normally readily available as these charges are explicit and are deducted as a percentage of members' funds.

Transaction costs are costs which are incurred within the day-to-day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

The transaction costs shown are calculated using the standardised method set by the Financial Conduct Authority. As defined by the Financial Conduct Authority, explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker in order to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time of the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, which will be shown as a 'negative cost'.

This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else. Where there are negative costs, a lower bound of 0% has been applied to avoid potentially understating the total level of costs and charges.

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The table below shows the TERs and transaction costs for the individual funds available to members through the Scheme.

All costs for the year to 31 December 2023 have been calculated and provided by Legal and General Investment Management ("LGIM").

Investment option	TER (%)	Transaction costs (%)	Total Cost
Lifestyle Strategies			
Flexible Income Lifestyle Option (default strategy)	0.21 – 0.28	0.05 – 0.09	0.26 – 0.37
Annuity Lifestyle Option	0.13 – 0.28	0.02 – 0.09	0.14 – 0.37
Self-Select Options			
Passive Global Equity Fund*	0.28	0.10	0.38
Responsible Investment Global Equity Fund**	0.24	0.04	0.28
UK Equity Fund	0.10	0.00***	0.10
Ethical Global Equity Fund	0.30	0.00***	0.30
Shariah Compliant Global Equity Fund	0.35	0.00***	0.35
Multi Asset Growth Fund*	0.38	0.12	0.50
Government Bond (Index-Linked) Fund*	0.10	0.04	0.14
Corporate Bond Fund*	0.15	0.00***	0.15
Cash Fund*	0.13	0.00***	0.13

Source: LGIM. Data covers the 12 months up to 31 December 2023. *Used within the lifestyle strategies. ** As there were no member assets invested in the Responsible Investment Global Equity Fund as at 31 December 2023, LGIM did not provide transaction costs for the year. As a result, the transaction cost shown was calculated based on the transaction costs associated with the underlying funds over the full 12 months to 31 December 2023. The Trustees are comfortable that the costs shown are reflective of the level of costs that members might incur as part of a regular investment in the Fund. ***A lower bound of 0.00% applies.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Over the year to 31 December 2023, the TERs applicable to the Scheme's default strategy ranged from 0.21% p.a. to 0.28% p.a. of assets under management, varying over each member's term to retirement age. The table below shows how the TER and transaction costs of the Flexible Income Lifestyle (the default strategy) have varied with a member's term to retirement over the reporting period:

Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.28	0.28	0.28	0.27	0.27	0.27	0.27	0.26	0.26	0.25	0.25	0.24	0.23	0.23	0.22	0.21
Transaction costs %	0.09	0.09	0.09	0.09	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.06	0.06	0.06	0.05
Total costs %	0.37	0.37	0.37	0.36	0.35	0.35	0.35	0.34	0.33	0.32	0.32	0.31	0.29	0.29	0.28	0.26

The TER applicable to the default strategy remained well below the regulatory charge cap of 0.75% p.a. over the period.

Similarly, the level of charges and transaction costs applicable to the Annuity Lifestyle also varied depending on the number of years left until a member’s selected retirement age, as shown in the table below.

Years to retirement	15+	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.28	0.28	0.28	0.27	0.27	0.27	0.27	0.26	0.26	0.25	0.25	0.22	0.20	0.17	0.15	0.13
Transaction costs %	0.09	0.09	0.09	0.09	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.06	0.05	0.04	0.03	0.02
Total costs %	0.37	0.37	0.37	0.36	0.35	0.35	0.35	0.34	0.33	0.32	0.32	0.28	0.25	0.21	0.18	0.15

Cost and charge illustrations

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustees to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member’s benefits.

The next few pages contain illustrations of the cumulative effect of costs and charges on the value of member savings within the Scheme over a period of time. The illustrations have been prepared with regard to the statutory guidance.

Each of the charts and tables below illustrates the potential impact that costs and charges might have on different investment options provided by the Scheme.

- The charts show the potential impact that costs and charges might have for three example members who have assets invested in the default strategy (the Flexible Income Lifestyle). The majority of members in the DC section of the Scheme are invested in this strategy. As a reminder, when members are 15 years away from retirement, this strategy starts to switch members’ funds from the Passive Global Equity Fund into a mix of the Multi-Asset Growth Fund, the Corporate Bond Fund and the Government Bond (Index-Linked) Fund, with an allocation to the Cash Fund being introduced 5 years from retirement.
- Under each chart, there is a table showing the potential impact that costs and charges might have if the example member were invested in a fund that:
  - Has the highest level of costs and charges of the investment options available to members (the Multi-Asset Growth Fund)
  - Has the lowest level of costs and charges of the investment options available to members (the UK Equity Fund)

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

- Has a lower expected return compared to the one illustrated in the chart (the Cash Fund).

Please note that not all investment options available are shown in the illustrations. Members are offered a wider range of lifestyle strategies and self-select funds which carried a range of TERs and transaction costs over the period to 31 December 2023. These investment options are laid out in the table above.

The Trustees have selected three example members for whom illustrations have been provided as the youngest active member, a typical active member and a typical deferred member (with example member information determined using recent Scheme data).

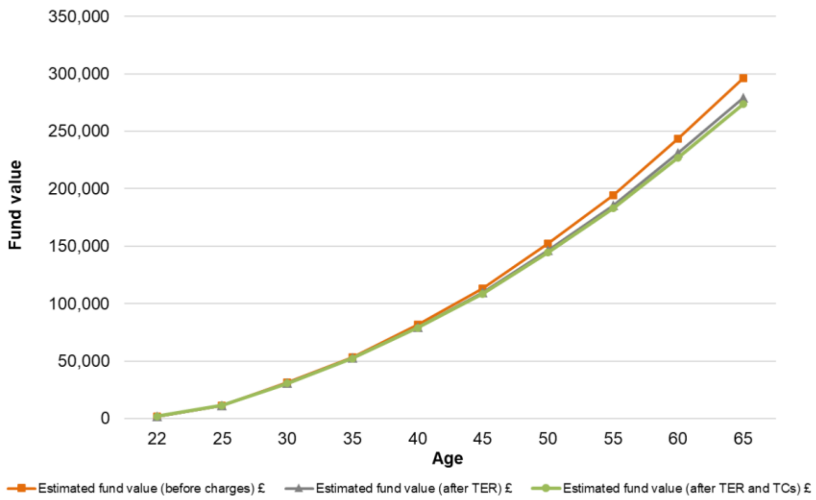
As each member has a different amount of savings within the Scheme and the amount of any future investment returns cannot be known in advance, nor the level of future costs and charges, the Trustees have had to make several assumptions about what these might be. All assumptions are explained in the notes section below the illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

Youngest Active Member

For the youngest member invested in the Flexible Income Lifestyle (the default strategy), the estimated impact of costs and charges on the member's accumulated fund value is shown in the chart and table below. The amounts shown relate to a member aged 22, current fund value of £2,000, salary of £27,000, employer contributions as per the current age-related contribution structure plus a 3% matched additional voluntary contribution (which the majority of members utilise) and a Normal Retirement Age of 65.

Youngest Active Member – Default Strategy



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As the projected fund values are dependent on investment returns as well as the level of costs and charges, comparison figures are also included in the table below. For comparison purposes, projected values are shown for if the example member were invested in the highest charging self-select fund (the Multi-Asset Growth Fund) and the lowest charging self-select fund (the UK Equity Fund). Projected values are also shown for if the example member was invested in the Cash Fund, which has a lower expected return and lower costs compared to the default strategy.

Age	**Default Strategy: Flexible Income Lifestyle** *Shown in chart*			**Cash Fund (Low cost, low expected return)**		
	Est. fund value before charges (£)	**Est. fund value after charges (£)**	**Effect of charges (£)**	**Est. fund value before charges (£)**	**Est. fund value after charges (£)**	**Effect of charges (£)**
22	2,000	2,000	0	2,000	2,000	0
25	11,280	11,210	70	10,520	10,500	20
30	31,140	30,680	460	26,490	26,330	160
35	53,550	52,280	1,270	41,310	40,950	360
40	81,660	79,030	2,630	57,660	56,980	680
45	113,380	108,690	4,690	72,850	71,780	1,070
50	151,980	144,390	7,590	89,520	87,990	1,530
55	194,460	182,910	11,550	105,010	102,940	2,070
60	243,650	227,030	16,620	121,970	119,290	2,680
65	296,110	273,670	22,440	137,730	134,380	3,350

Age	**Multi-Asset Growth Fund (Highest cost)**			**UK Equity Fund (Lowest cost)**		
	Est. fund value before charges (£)	**Est. fund value after charges (£)**	**Effect of charges (£)**	**Est. fund value before charges (£)**	**Est. fund value after charges (£)**	**Effect of charges (£)**
2	2,000	2,000	0	2,000	2,000	0
25	10,890	10,780	110	11,280	11,250	30
30	28,710	28,000	710	31,140	31,000	140
35	46,960	45,110	1,850	53,550	53,160	390
40	68,370	64,790	3,580	81,660	80,850	810
45	90,300	84,350	5,950	113,380	111,920	1,460
50	115,470	106,450	9,020	151,980	149,610	2,370
55	141,260	128,420	12,840	195,540	191,900	3,640
60	170,380	152,910	17,470	247,500	242,180	5,320
65	200,230	177,270	22,960	306,110	298,600	7,510

Typical Active Member

For a typical active member invested in the default strategy, the estimated impact of costs and charges on a member's accumulated fund value is shown in the chart and table below. The amounts shown relate to a member aged 44, current fund value of £39,000, salary of £73,000, employer contributions as per the current age-related contribution structure plus a 3% matched additional voluntary contribution (which the majority of members utilise) and a Normal Retirement Age of 65. These demographics are considered to reflect a typical active member based on the Scheme's current membership.

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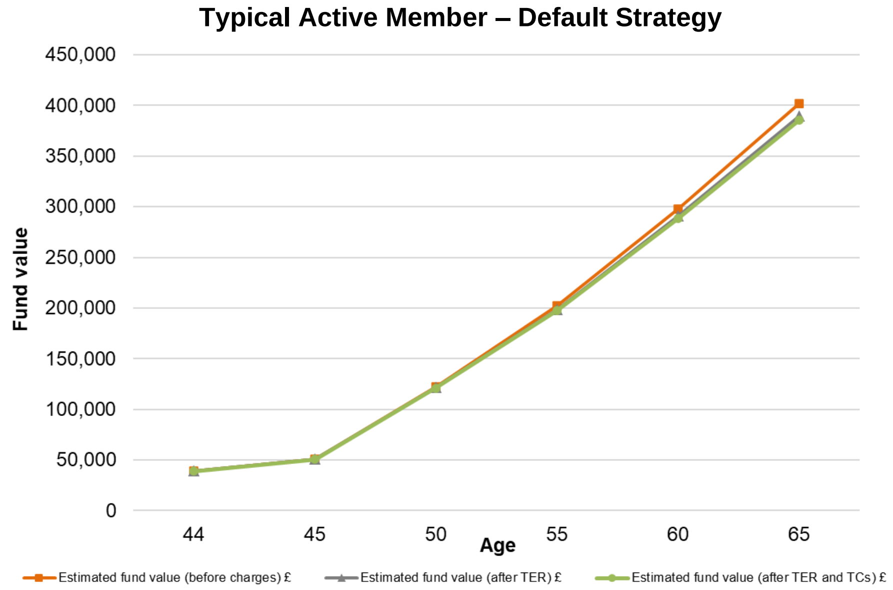


As the projected fund values are dependent on investment returns as well as the level of costs and charges, comparison figures are also included in the table below. For comparison purposes, projected values are shown for if the example member were invested in the highest charging self-select fund (the Multi-Asset Growth Fund) and the lowest charging self-select fund (the UK Equity Fund). Projected values are also shown for if the example member was invested in the Cash Fund, which has a lower expected return and lower costs compared to the default strategy.

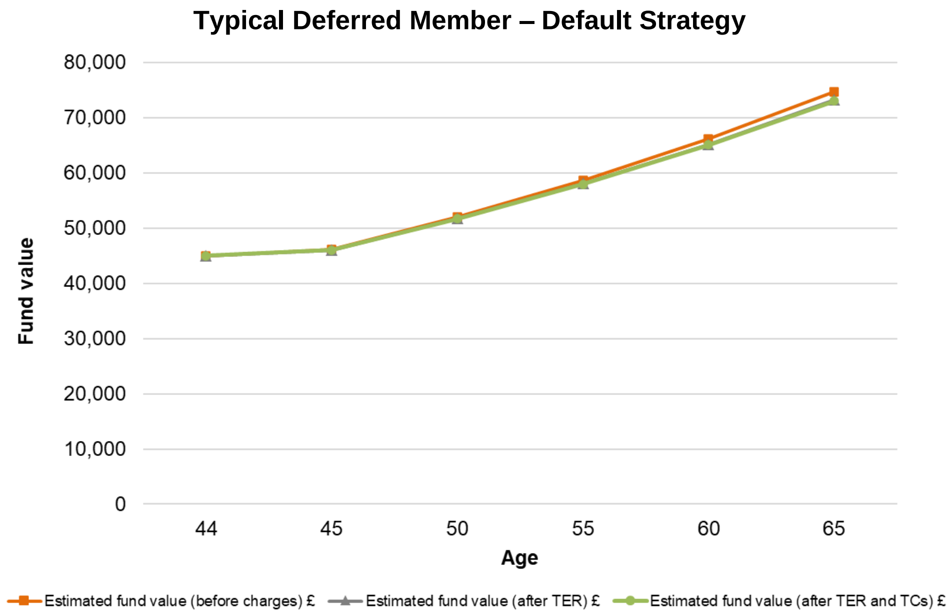
Age	Default Strategy: Flexible Income Lifestyle *Shown in chart*			Cash Fund (Low cost, low expected return)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
44	39,000	39,000	0	39,000	39,000	0
45	50,900	50,740	160	49,170	49,100	70
50	122,550	120,820	1,730	104,760	104,170	590
55	202,320	197,440	4,880	156,400	154,970	1,430
60	298,040	288,190	9,850	211,320	208,750	2,570
65	401,590	385,250	16,340	262,340	258,370	3,970

Age	Multi-Asset Growth Fund (Highest cost)			UK Equity Fund (Lowest cost)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
44	39,000	39,000	0	39,000	39,000	0
45	50,030	49,760	270	50,900	50,850	50
50	113,300	110,570	2,730	122,550	122,020	530
55	178,140	171,020	7,120	203,370	201,870	1,500
60	251,860	238,310	13,550	302,210	299,110	3,100
65	327,400	305,190	22,210	413,700	408,230	5,470

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Typical Deferred Member

For a deferred member invested in the default strategy, the estimated impact of charges on a member's accumulated fund value is shown in the table and chart below. The amounts shown relate to a member aged 44, current fund value of £45,000, no ongoing contributions and a Normal Retirement Age of 65, which reflects a typical deferred member based on the Scheme's current membership.



As the projected fund values are dependent on investment returns as well as the level of costs and charges, comparison figures are also included in the table below. For comparison purposes, projected values are shown for if the example member were invested in the highest charging self-select fund (the Multi-Asset Growth Fund) and the lowest charging self-select fund (the UK Equity Fund). Projected values are also shown for if the example member was invested in the Cash Fund, which has a lower expected return and lower costs compared to the default strategy.

As shown in the table below, the projected fund values prior to charges for the Cash Fund remain at or below £45,000 across all ages of the typical deferred member. This is because the assumed nominal return achieved by the Cash Fund is less than the long-term inflation assumption used within the modelling, which effectively results in a real return of 0.0% p.a.

Age	Default Strategy: Flexible Income Lifestyle *Shown in chart*			Cash Fund (Low cost, low expected return)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
44	45,000	45,000	0	45,000	45,000	0
45	46,100	45,940	160	44,340	44,280	60
50	52,000	50,930	1,070	41,190	40,840	350
55	58,320	56,130	2,190	38,260	37,680	580
60	65,040	61,520	3,520	35,540	34,750	790
65	71,950	67,010	4,940	33,020	32,060	960

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Age	Multi-Asset Growth Fund (Highest cost)			UK Equity Fund (Lowest cost)		
	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)	Est. fund value before charges (£)	Est. fund value after charges (£)	Effect of charges (£)
44	45,000	45,000	0	45,000	45,000	0
45	45,220	44,950	270	46,100	46,050	50
50	46,330	44,680	1,650	52,000	51,670	330
55	47,470	44,410	3,060	58,660	57,980	680
60	48,640	44,150	4,490	66,170	65,060	1,110
65	49,840	43,890	5,950	74,640	73,000	1,640

The following assumptions have been made for the purposes of the above illustrations:

1. *Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% each year.*
3. *Salary growth is assumed to be in line with inflation each year (0% real salary growth)*
4. *Values shown are estimates and are not guaranteed.*
5. *The assumed growth rates reflect 10-year annualised returns (gross of costs and charges) are as follows:*
   - *Passive Global Equity Fund 5.0% p.a.*
   - *Multi-Asset Growth Fund 3.0% p.a.*
   - *Corporate Bond Fund 5.0% p.a.*
   - *Government Bond (Index Linked) Fund 7.0% p.a.*
   - *Cash Fund 1.0%*
   - *UK Equity Fund 5.0%*
6. *The lifestyle strategy is assumed to undergo rebalancing on an annual basis.*
7. *Contributions are assumed from current age to 65, increasing in line with the age-related structure in place, plus an additional 6% (reflecting a 3% employee additional voluntary contribution, which attracts a further 3% uplift through employer matching contributions).*

   The age-related contribution structure is as follows:

Age	***Company contribution (%)***
16-24	*5*
25-34	*7*
35-44	*9*
45-54	*11*
55 onwards	*13*

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

8. *The transaction costs, as defined in regulation 2(1) of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, should be based on an average of the previous 5 years' transaction costs or, where data is available for fewer than 5 years, an average of transactions costs over the years for which data is available.*

Fund	***TER (%)***	***Average Transaction Costs (%)***
Passive Global Equity Fund	*0.28*	*0.08*
Multi-Asset Growth Fund	*0.33*	*0.24*
Corporate Bond Fund	*0.15*	*0.00*
Government Bond (Index Linked) Fund	*0.10*	*0.09*
Cash Fund	*0.13*	*0.01*
UK Equity Fund	*0.10*	*0.01*

A floor of 0% p.a. has been used for transaction costs if these values were negative in any year so as to not potentially understate the effect of charges on fund values.

Value for members

Trustees of specified schemes must carry out a holistic assessment of how their scheme delivers value for members. The outcome of this assessment must be reported in the annual DC Chair's Statement and include consideration of reported costs and charges, fund performance (and net investment returns) and other measures of scheme governance and administration. The new regulations now require the Trustees to test the Scheme against comparable UK schemes or DC arrangements, including one which is ready and able to take on the assets and liabilities of DC members if necessary.

The Trustees have carried out a value for members assessment as at 31 December 2023. The conclusions of this assessment are set out in the table below:

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Assessment area	Conclusion
Costs and charges	The costs and charges paid by members for a member aged 65 in the current arrangements are broadly less expensive versus the comparator schemes. Meanwhile, for a member aged 45 or 55, the total costs and charges for the current arrangements are broadly in line with the median comparator scheme.
Net investment performance	Over the past 1-year and 5-year periods, the current default arrangement has delivered returns which are broadly lower than the median comparator, for a member aged 65. This is largely explained by the higher bond allocation in the current default arrangement (which delivered significant negative returns throughout 2022 and early-2023, due to rising bond yields) versus the comparators in the final years before retirement. For a member aged 55, the current default arrangement has delivered returns which have performed broadly in the line with the median comparator. Meanwhile, for a member aged 45 (i.e. that sits within the growth phase) the current default arrangement has performed in line with the median comparator over 1-year and has outperformed over the 5-year period.
Governance and administration	In assessing the governance and administration of the current arrangements against the seven key metrics, Broadstone are satisfied that the Scheme is performing at a satisfactory level in these areas. Following the switch in administrator, Broadstone are working through various data rectification issues, and a full assessment of these issues will be carried out in next year's assessment. Before the switch of the Scheme's administration services to Broadstone, the Trustees identified the provision of online services for members as one area which would help to deliver improved value for members. This feature enables the membership to be able to view fund performance data and other fund information as well as review and amend their investment choices. The new online member portal *Engage* went live on 19 February 2024 for members.
Overall	Broadstone's overall assessment is that the current arrangements provide value for members and the Trustees of the Scheme are not required to consider transferring benefits to one of the comparator arrangements. This is provided in the context of the latest detailed review of the Scheme's investment strategy, which the Trustees undertook in December 2023. This included formally reviewing the default strategy with consideration being given to the membership profile of the Scheme (including member ages, fund value, salary, investment choices and projected retirement fund value) in order to determine whether the default strategy remained appropriate for the majority of members. Following the review, the Trustees decided that the current default strategy remained appropriate for the majority of the Scheme's members.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Costs in respect of the running of the Scheme, such as administration and adviser fees, but excluding individual transaction costs such as at retirement fees, are met directly by the Employer. The Trustees have also considered the investment management charge cap put in place by the UK Government for the default arrangements of defined contribution schemes used for auto-enrolment purposes. Overall, the Trustees conclude that the Scheme provides good value for members. The assessment will be updated in 2025.

5. Trustee Knowledge and Understanding

The requirements under sections 247 and 248 of the Pensions Act 2004 (requirement for knowledge and understanding – individual and corporate trustees) have been met during the Scheme year by a continuous process of relevant on-the-job training. The Trustee Board is chaired by a knowledgeable and experienced APPT Accredited professional independent trustee and all the Trustees have successfully completed all relevant modules of the Pensions Regulator's Trustee Toolkit.

During the Scheme Year one member-nominated Trustee ("MNT") resigned with effect from 31 October 2023. A nomination selection process was undertaken and a new MNT was appointed with effect from February 2024 and has undertaken the requirements to complete the Pension Regulator's Trustee Toolkit within six months of appointment. The Trustees believe as a group they have sufficient knowledge and understanding of the law relating to UK trust-based pensions and review training needs annually with their advisors.

The Trustees reviewed and updated the Statement of Investment Principles (SIP) for the DC section in November 2021 in conjunction with Aon to reflect changes made to the Scheme's investment strategy. The SIP now takes into account all financially material considerations (including but not limited to Environmental, Social and Governance (ESG) factors). A copy of the updated document will be appended to the 31 December 2023 scheme accounts and is also publicly available on the Europe Arab Bank plc company website: https://www.eabplc.com/downloads/EABChairsStatement.pdf https://www.eabplc.com/downloads/EABDCStatementofInvestmentPrinciples.pdf

As a result of the Competition and Markets Authority (CMA) review of the investment consulting industry, the Trustees agreed investment consultant objectives with Aon in advance of the deadline of 10 December 2019. The Trustees last reviewed Aon's performance against these objectives in Q4 2022. These objectives will next be reviewed before December 2025.

The Trustees maintain and regularly review their DC Governance checklist at Trustee meetings. This has helped to identify the need for a Trustees' Succession Plan, which was implemented in 2018, and includes an Induction Plan for new Trustees, last updated in 2022.

A Governance Report and Business Plan is also maintained by the Trustees, which records all of the Trustees' policies and their Trustee Training Register, and this is reviewed at each Trustees' meeting. As part of this, the Trustees have developed a Trustee Training plan outlining relevant topics that they will be addressing in the year and who will be providing the training to them. The Trustees feel that they have a good working knowledge of the Trust Deed and Rules as a result of the policies that they have implemented and refer to this key document on a regular basis when discretionary cases arise. The Trustees also seek advice from their consultants and legal advisers where they feel the need for clarity on their interpretation of the Scheme Rules.

The Trustees ensure that they have the knowledge and understanding by considering Trustee Knowledge and Understanding requirements at every Trustees' meeting and, where any specific gaps in knowledge or understanding are identified, bespoke training is arranged to address this accordingly.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

The Trustees have received updates from their advisers at regular Trustees' meetings throughout the year on relevant topics. These include updates on investment markets, advice on investment strategy, transaction cost disclosure and SIP requirements, and current pension issues. During the Scheme year to 31 December 2023, the Trustees did not undertake any training on specific topics, however given that training needs are considered on an individual basis, several topics including Environmental, Social and Governance issues, legislation on new reporting requirements for DC schemes, and the potential requirements of the Pension Regulator's new Single Code of Practice, were proposed for the following Scheme year.

The professional trustee, Roger Mattingly (representing Ross Trustees Services Limited) is an Accredited Professional Trustee, as accredited by the Association of Professional Pension Trustees (the APPT). The professional trustee maintains a comprehensive record of his Continuous Professional Development (CPD), which includes many events devoted to DC governance. Further to this, the professional trustee is a trustee on three DC Master Trust trustee boards and has led on climate change reporting for the Occupational Pensions Stewardship Council.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their duties and responsibilities as Trustees of the Scheme.

6. Non-Affiliation of Trustees and Member Representation

The Scheme is not constrained by the requirements of regulation 27(2) of the Regulations for the majority of the Trustees to be non-affiliated as it is not a Master Trust but, as stated, the Board of the Trustees is chaired by a non-affiliated professional independent trustee.

The Trustees continue to encourage members of the Scheme to make their views on matters relating to the Scheme known. A series of member presentations were carried out during 2017 to make sure, as far as is possible, that members have all the information they may require to make informed decisions, as necessary. It is also planned, with the assistance of the Employer, to carry out another round of member presentations, and this will be run alongside the introduction of an online benefits platform.

Members receive an annual benefit statement which sign-posts them to where they can find this Statement to understand the default strategy, the returns on investment, the charges/transaction costs and how these represent value for members.

7. Governance Statement

As Trustees, we have reviewed and assessed our systems, processes and controls across key governance functions, and we are satisfied that these are consistent with those set out in the Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits (replaced by the General Code of Practice in March 2024)
- Regulatory guidance for defined contribution schemes

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the robust administration processes and investment governance required to achieve good outcomes for members.

Annual DC Governance for the Scheme year ending 31 December 2023 (continued)

Signed for and on behalf of the Trustees of the Europe Arab Bank Plc Pension Scheme by

Roger Mattingly, Ross Trustees Services Limited (part of the Independent Governance Group) – Chairman of the Trustees

Date: July 2024