THE EUROPE ARAB BANK PLC PENSION SCHEME ("the Scheme")

ANNUAL GOVERNANCE STATEMENT FOR THE SCHEME YEAR ENDING 31 DECEMBER 2022 PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (ADMINISTRATION) REGULATIONS 1996, AS AMENDED (THE "REGULATIONS")

Regulations effective from 6 April 2015 require the Trustees to prepare a statement showing how they have met governance standards in relation to defined contribution ("DC") benefits. In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The statement has a focus on:

- Review of investment strategy including the default investment arrangement
- Core financial transactions
- Member borne charges and transaction costs
- Net investment returns
- Value for Members assessment, and
- The Trustee's compliance with the statutory knowledge and understanding requirements.

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 Plan's DC Section over the period from 1 January 2022 to 31 December 2022.

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 where you can look for advisers in your area.

1. REVIEW OF INVESTMENT STRATEGY INCLUDING THE DEFAULT INVESTMENT ARRANGEMENT - Reg 23(1)(a)

The Trustees have appointed Aon Investments Limited 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 investment strategy annually, 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. A detailed review of the Scheme's default was not carried out during the Scheme year and no investment changes were made to the default strategy or the wider self-select range.

Detailed review

A detailed strategy review was last completed on 17 November 2020. This included a review of the current default strategy in place and considered the Scheme's membership profile and the needs of Scheme members, as well as expected member outcomes at retirement, associated risks and past performance of the strategy. Following the review, the Trustees agreed that the default strategy and range of options remained appropriate for the Scheme's membership and that no significant changes to the strategy were required. The Trustees did however decide to make enhancements to the underlying funds used in the **Passive Global Equity Fund** and the **Multi-Asset Growth Fund,** as well as to add a new self-select fund, the **Responsible Investment Global Equity fund.** These changes were implemented on 1 October 2021 and were explained in more detail in last year's Chair's Statement.

The next detailed investment strategy review is due to take place during 2023.

Quarterly performance monitoring and annual review

The Trustees reviewed four quarterly investment reports over 2022 to assess investment performance and carried out their annual investment review meeting on 28 November 2022. This review involved reviewing investment performance of each fund versus its set objective.

The review raised two performance concerns that were discussed with the Trustees.

1. <u>Negative performance of the Government (Index-Linked) Bond and Corporate Bond Funds following difficult market conditions in 2022</u>

Despite both funds performing in line with their set benchmarks, they fell significantly in value over 2022. Following advice from their investment advisers, it was agreed that while no urgent changes were needed for these funds, the strategic positioning of these funds would be reviewed again as part of the 2023 detailed review. Given the extent of the underperformance and the possible risk for any member wholly invested in these funds and/or close to retirement with holdings in these funds, the Trustees also agreed to communicate with members regarding the negative performance they might have experienced and what it means for them. A member communication was subsequently issued in January 2023.

2. <u>Underperformance of the Multi Asset Growth Fund versus its long-term target</u>

In line with advice from their investment advisers, the Trustees agreed that no urgent changes were needed despite the fund underperforming its target. This is because the underperformance reflected short-term market conditions rather than any fundamental issues with the investment strategy or managers.

Default investment arrangement - Flexible Income Lifestyle Option

Since 2017, the default arrangement 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.

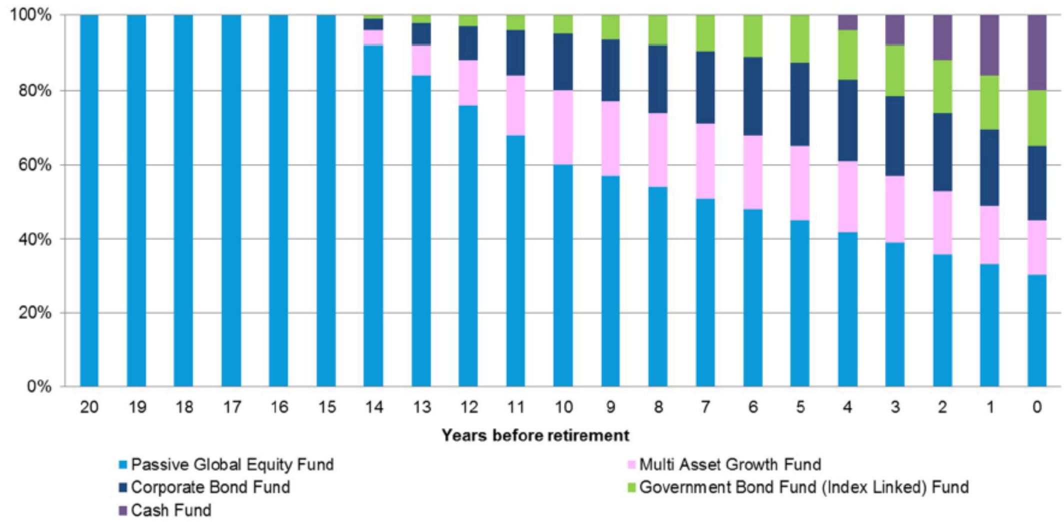
Each withdrawal will be subject to a 25% tax-free element (under current laws). As a result of the review carried out in 2020, the Trustees agreed that this option remains appropriate for the Scheme membership.

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 broad mix of higher and lower risk funds. 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.

2. CORE FINANCIAL TRANSACTIONS - Reg 23(1)(b)

The Trustees have a specific duty to ensure that core financial transactions (including the investment of 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.

These transactions continue to be undertaken on the Trustees' behalf by the Scheme Administrator, Mercer Limited, and its investment manager, Legal & General Assurance (Pensions Management) Limited. 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, and reporting of performance against those service levels are reviewed via regular administration reports. Overall, following on from last year when Mercer acknowledged the continued underperformance of service over the year, and due to a number of initiatives underway in order to improve the overall service, the performance level for the Scheme year was 92%, achieving 95% during the quarter ending 31 December 2022.

The Trustees also regularly review the methods and efficiency of the Scheme's Administrators and challenge them as necessary. In addition, Mercer has commissioned KPMG to independently test their internal controls and procedures to ensure that they meet industry standards, and a copy of the KPMG report has been reviewed by the Trustees.

Below is a table illustrating the service standards for different work types.

Work Type	Service Standard
Benefit Quotation	10 Working Days
Benefit Payments	5 Working Days
Death Benefit Quotation	1 Working Day
General Member Correspondence	10 Working Days
Invoice Payment	20 Working Days
Investment / Disinvestment Request	5 Working Days
Member Updates	5 Working Days
NICO Enquires	20 Working Days
Scheme Event Work	As agreed with the Trustees

Regular updates on the impact to the administration service have been provided at each meeting.

Mercer confirmed that there were a number of initiatives underway in order to improve the overall service that had been experienced in 2021. This included a prioritisation initiative for urgent requests to help improve the short-term performance levels. There would also be a gradual move towards working on cases starting from day 1 of the SLA rather than looking at cases towards the end of the SLA.

In last year's Statement we advised of an administrative error that had come to light in early 2022. This related to delays in the processing of lifestyle switches within the default investment strategy. There were also delays in the processing of contributions.

During 2022 an exercise was undertaken to review the investment of the contributions and lifestyle switches. Delays had been identified in the investments and a number of Lifestyle switches had not been processed, and hence a rectification project was being undertaken. This impacted a number of members, with the value of loss experienced by members, including allowance for lost investment returns, of around £26,000. This correction has since been applied to the funds of affected members who have been notified of this. The outcome of this was independently audited by PricewaterhouseCoopers (PwC).

For the year to 31 December 2022, 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.

Charges

The TER information is normally readily available as these charges are explicit and are deducted as a percentage of member's 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, known as 'negative costs'.

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.

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

All costs for the year to 31 December 2022 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)	0.20 – 0.28	0.11 – 0.16	0.31 – 0.44
Annuity Lifestyle Option	0.13 – 0.28	0.09 – 0.16	0.22 – 0.44
Self-Select Options			
Passive Global Equity Fund[1]	0.28	0.16	0.44
Responsible Investment Global Equity Fund[3]	0.24	0.08	0.32
UK Equity Fund	0.10	0.04	0.14
Ethical Global Equity Fund	0.30	0.00[2]	0.30
Shariah Compliant Global Equity Fund	0.35	0.00[2]	0.35
Multi-Asset Growth Fund[1]	0.33	0.12	0.45
Government Bond (Index-Linked) Fund[1]	0.10	0.21	0.31
Corporate Bond Fund[1]	0.15	0.00[2]	0.15
Cash Fund[1]	0.13	0.06	0.19

Source: LGIM. Data covers the 12 months up to 31 December 2022.

1. Used within the lifestyle strategies.
2. A lower bound of 0.00% applies
3. As there were no member assets invested in the Responsible Investment Global Equity Fund as at 31 December 2022, 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 2022. 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.

Over the year to 31 December 2022, the TERs applicable to the Scheme's default strategy ranged from 0.20% 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 of the Flexible Income Lifestyle (the default strategy) varies with a member's term to retirement:

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	0.27	0.27	0.27	0.26	0.26	0.25	0.25	0.24	0.24	0.23	0.22	0.22	0.21	0.20
Transaction costs %	0.16	0.16	0.15	0.14	0.14	0.13	0.13	0.13	0.13	0.13	0.12	0.12	0.12	0.12	0.11	0.11
Total costs %	0.44	0.44	0.42	0.41	0.41	0.39	0.39	0.38	0.38	0.37	0.36	0.34	0.30	0.28	0.25	0.22

The charge 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	0.27	0.27	0.27	0.26	0.26	0.25	0.25	0.24	0.24	0.22	0.19	0.17	0.15	0.13
Transaction costs %	0.16	0.16	0.15	0.14	0.14	0.13	0.13	0.13	0.13	0.13	0.12	0.12	0.11	0.11	0.10	0.09
Total costs %	0.44	0.44	0.42	0.41	0.41	0.39	0.39	0.38	0.38	0.37	0.36	0.34	0.30	0.28	0.25	0.22

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)
  - 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 2022. 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).

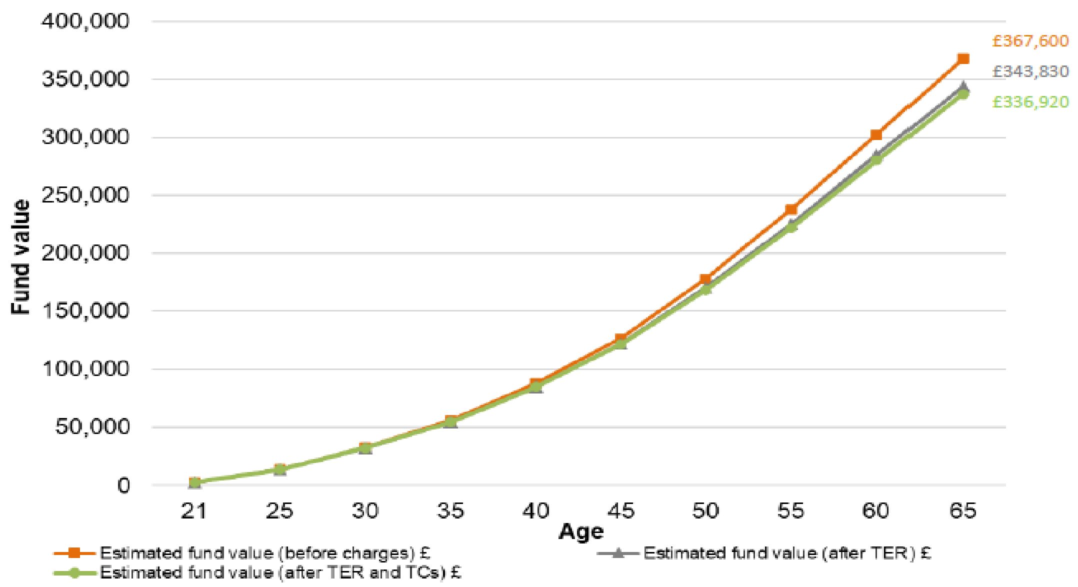
As each member has a different amount of savings within the Scheme and the amount of any future investment returns cannot be known in advance, nor the level of future costs and charges, the Trustees have had to make several assumptions about what these might be. All assumptions are explained in the notes 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 21, current fund value of £2,600, salary of £22,000, 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 Arrangement



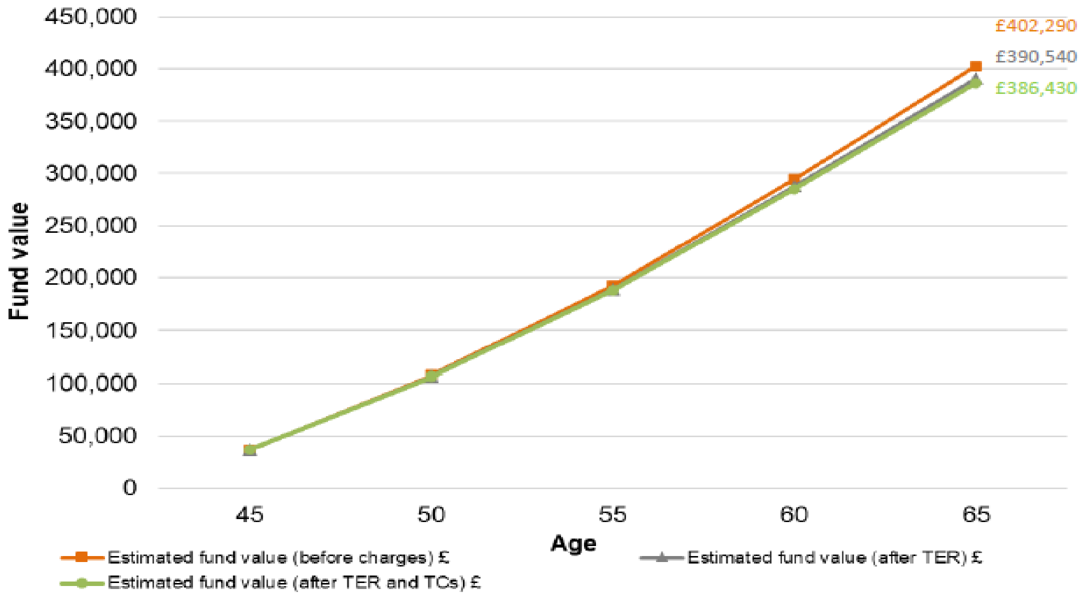
As the projected fund values are dependent on investment returns as well as the level of costs and charges, comparison figures are also included in the table below. For comparison purposes, projected values are shown as if the example member were invested in the highest charging self-select fund (the Multi-Asset Growth Fund) and the lowest charging self-select fund (the UK Equity Fund). Projected values are also shown as 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			Multi-Asset Growth Fund (Highest cost)			UK Equity Fund (Lowest cost)			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 (£)	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 (£)
21	2,600	2,600	0	2,600	2,600	0	2,600	2,600	0	2,600	2,600	0
25	13,520	13,410	110	13,210	13,020	190	13,520	13,480	40	12,160	12,120	40
30	32,510	31,970	540	31,000	30,120	880	32,510	32,340	170	26,290	26,120	170
35	56,060	54,620	1,440	52,040	49,780	2,260	56,060	55,600	460	40,410	40,020	390
40	87,680	84,630	3,050	79,300	74,700	4,600	87,680	86,690	990	56,710	55,990	720
45	126,870	121,230	5,640	111,540	103,350	8,190	126,870	125,050	1,820	73,010	71,860	1,150
50	177,870	168,270	9,600	152,040	138,610	13,430	177,870	174,760	3,110	91,480	89,790	1,690
55	237,390	222,100	15,290	199,950	179,140	20,810	241,100	236,060	5,040	109,950	107,590	2,360
60	302,380	279,840	22,540	258,970	228,060	30,910	321,910	314,090	7,820	130,590	127,440	3,150
65	367,600	336,920	30,680	328,790	284,290	44,500	422,080	410,300	11,780	151,230	147,160	4,070

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 45, current fund value of £37,000, salary of £66,000, 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.

Typical Active Member – Default Arrangement



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 as 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).

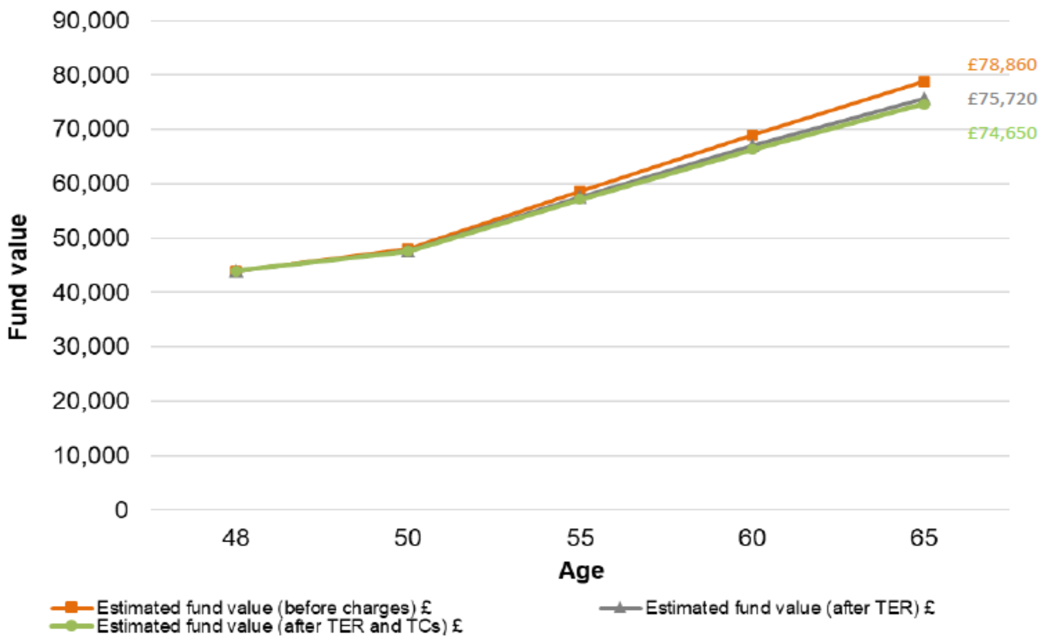
Projected values are also shown as if the example member was invested in the Cash Fund, which has a lower expected return and lower costs compared to the default strategy.

Age	Default Strategy: Flexible Income Lifestyle			Multi-Asset Growth Fund (Highest cost)			UK Equity Fund (Lowest cost)			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 (£)	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 (£)
45	37,000	37,000	0	37,000	37,000	0	37,000	37,000	0	37,000	37,000	0
50	107,680	106,410	1,270	104,100	101,980	2,120	107,680	107,270	410	92,410	91,980	430
55	192,480	188,260	4,220	183,460	176,680	6,780	195,290	193,940	1,350	147,820	146,590	1,230
60	294,220	285,010	9,210	284,420	269,530	14,890	311,170	308,060	3,110	209,750	207,320	2,430
65	402,290	386,430	15,860	403,840	376,250	27,590	454,830	448,810	6,020	271,680	267,660	4,020

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 48, current fund value of £44,000, no ongoing contributions and a Normal Retirement Age of 65, which reflects a typical deferred member based on the Scheme's current membership.

Typical Deferred Member – Default Arrangement



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 as 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 as 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 £44,000 across all ages of the typical deferred member. This is because the assumed nominal return achieved by the Cash Fund matches 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			Multi-Asset Growth Fund (Highest cost)			UK Equity Fund (Lowest cost)			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 (£)	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 (£)
48	44,000	44,000	0	44,000	44,000	0	44,000	44,000	0	44,000	44,000	0
50	47,950	47,630	320	47,060	46,520	540	47,950	47,850	100	44,000	43,880	120
55	58,500	57,160	1,340	55,660	53,470	2,190	59,440	59,010	430	44,000	43,590	410
60	69,000	66,300	2,700	65,830	61,460	4,370	73,680	72,770	910	44,000	43,290	710
65	78,860	74,650	4,210	77,870	70,650	7,220	91,340	89,740	1,600	44,000	43,000	1,000

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 7.0% p.a.*
- *Multi-Asset Growth Fund 6.0% p.a.*
- *Corporate Bond Fund 4.0% p.a.*
- *Government Bond (Index Linked) Fund 3.0% p.a.*
- *Cash Fund 2.5%*
- *UK Equity Fund 7.0%*

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:

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*

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*	*0.07*
Multi-Asset Growth Fund.	*0.33*	*0.27*
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.

4. 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.

Age of member as at 1 January 2022	**1 Year Net Return (%)**	**5 Year Net Return (%) p.a.**
25	-4.8	6.3
45	-4.8	6.3
55	-12.6	3.5
60	-17.7	1.4
65	-16.3	0.9

Source: LGIM. Performance as at 31 December 2022.
Assumes annual lifestyle switching.

1-year returns

Members across all ages that were invested in the Flexible Income Lifestyle experienced negative net investment returns over the 1-year reporting period, which reflects the difficult financial market conditions in 2022.

Members closer to retirement experienced bigger losses than those further from retirement across the 1-year reporting period. Members closer to retirement hold more of their savings in bond investments through the Corporate Bond Fund and Government Bond (Index Linked) Fund, whereas members further from retirement are more (or fully if 15 years or more from retirement) invested in the Passive Global Equity Fund. Over 2022, the Corporate Bond Fund and Government Bond (Index Linked) Fund underperformed the Passive Global Equity Fund, with rising interest rates and high inflation more negatively impacting the Bond Funds' investments.

5-year returns

Despite a tumultuous year, all members achieved a positive net return across the 5-year reporting period. Younger members achieved the strongest returns within the Flexible Income Lifestyle. This is to be expected given that members within this age bracket are solely invested in equities via the Passive Global Equity Fund, which would be expected to generate higher long-term returns due to a higher overall level of risk.

The level of net returns achieved over the five years to 2022 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 lower risk 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 given the lower risk profile overall.

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 as at 1 January 2022	1 Year Net Return (%)	5 Year Net Return (%) p.a.
25	-4.8	6.3
45	-4.8	6.3
55	-12.6	3.5
60	-17.7	1.4
65	-28.8	-3.3

Source: LGIM. Performance as at 31 December 2022.
Assumes annual lifestyle switching.

Similar to the Flexible Income Lifestyle, the net investment returns achieved by all members in the Annuity Lifestyle, regardless of their proximity to retirement, were negative over 2022.

As above, members closer to retirement experienced lower net returns versus younger members, due to having more of their savings invested in the Corporate Bond Fund and Government Bond (Index Linked) Fund.

Over the longer-term, almost all members invested in the Annuity Lifestyle achieved a positive net return. Similar to the Flexible Income Lifestyle, the level of return achieved is lower for members closer to their selected retirement age, and members closest to retirement experienced a negative investment return.

Whilst this is disappointing, we note that annuity prices have also reduced substantially as a result of recent market conditions (meaning that members should be able to secure a similar level of retirement income with their smaller fund value, although the value of their tax-free cash will be lower in absolute terms).

Self-Select Funds

The table below shows the net investment returns achieved by each of the Self-Select funds over 2022.

Fund Name	1 Year Return (%)	5 Year Return (%) p.a.
Passive Global Equity Fund	-4.8	6.3
Responsible Investment Global Equity Fund*	-13.5	Not available*
UK Equity Fund	0.8	3.1
Ethical Global Equity Fund	-6.6	9.4
Shariah Compliant Global Equity Fund	-15.8	11.4
Multi-Asset Growth Fund	-9.9	1.2
Government Bond (Index-Linked) Fund	-38.8	-5.4
Corporate Bond Fund	-38.9	-6.5
Cash Fund	1.3	0.5

Source: LGIM. Performance as at 31 December 2022.
*The 5 year net return for the Responsible Investment Global Equity Fund is not available as the Fund was initially added to the self-select range on 1 October 2021.

5. VALUE FOR MEMBERS

The Trustees monitor value for members on an ongoing basis and have a good understanding of the membership demographics of the Scheme and what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for members does not necessarily mean selecting the cheapest fund and in our ongoing reviews of value for members, we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.

All of the funds used by the Scheme are approved by our investment advisors as having good prospects of achieving their objectives, and the performance of funds is reviewed and discussed at least quarterly. The Trustees also take into account forward looking considerations such as market outlook and the advisor's expectations of manager performance. The same applies with the efficiency of administration services, which are also discussed quarterly.

The Trustees are required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	**Type of assessment**
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest.

The Trustees have carried out a value for members assessment as at 31 December 2022. The conclusions of this assessment are set out in the table below:

Assessment area	**Conclusion**
Costs and charges	The Trustees have assessed the Scheme as offering good value from a costs and charges perspective. Whilst the Scheme's costs and charges within the default are slightly higher than those of the comparator arrangements, investment returns have also typically been higher, offsetting the higher costs. Within the self select fund range charges also remain competitive.
Net investment performance	The Trustees have assessed the Scheme's investment performance as offering good value. Within the default and self-select funds, the majority of net investment returns have been higher than those of the comparator arrangements across the one and five year periods to 31 December 2022.

Assessment area	Conclusion
Governance and administration	The Trustees have assessed the Scheme as offering good value from a governance and administration perspective: • The Service Level Agreement performance for the Scheme year was 92%, achieving 95% during the quarter ending 31 December 2022. However, the Trustees remain concerned over the general level of service. The Admin provider acknowledged the continued underperformance of service over the year, and confirmed there were a number of initiatives underway in order to improve the overall service. • The Scheme's data is in a reasonable condition. Data audits are carried out on a regular basis and the last was carried out in 2022 where data cleansing work was being undertaken. The Data Gap Analysis report is due to be shared with the Trustees in 2023. • The default strategy has been designed with demographic and anticipated retirement needs of the membership in mind. An annual review of the investment strategy was carried out during the Scheme Year and the Trustees are due to carry out a more detailed strategy review in 2023. • The Trustee Board includes an experienced professional independent Trustee. The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with legislative and regulatory requirements relevant to the Scheme. • The Trustees have a conflicts of interest policy in place, with any new conflicts declared, considered and recorded at each Trustee Board meeting.
Overall	Overall, considering all three areas set out above, the Trustees have assessed the Scheme in its current form as offering good value for members. We believe that based on our analysis, the Scheme offers competitive prices relative to the comparator funds available and the funds within the Scheme have generated positive returns (relative to the comparator arrangements) for the default strategy over 1 and 5 years. With regards to Productivity, this is assessed overall as good and the Trustees are considering ways to improve this. In particular, the provision of online services for members has been delayed and delivery of this as part of the change in Scheme administrator would help to deliver improved value for members. Ideally this will allow members to be able to view fund performance data and other fund information as well as review and amend their investment choices to be more closely aligned with the services offered by the comparator arrangements considered in this assessment.

The Trustees have set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online and will notify members about this in their annual benefit statements.

The costs and charges of the default arrangement and self-select fund range for the year ending 31 December 2022 can be found in Appendix 1 of this report. The Trustees have assessed the fees and they are satisfied that they have negotiated a good deal for members and that the stated charges for the Scheme's funds represent good value for members. This is in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile. Aon will, however, continue to discuss any scope for fee discounts with Legal & General.

6. TRUSTEE KNOWLEDGE AND UNDERSTANDING - Reg 23(1)(d)

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 8 April 2022. A nomination selection process was undertaken and a new MNT was appointed with effect from 11 November 2022 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 2022 scheme accounts and is also publicly available on the Europe Arab Bank plc company website: EAB SIP November 2021 DC Section (FINAL SIGNED - redacted).pdf (eabplc.com).

The November 2020 Investment strategy review covered, amongst other things, a review of the ongoing suitability of the existing fund range offered by the Scheme, member outcomes monitoring and a review of the Fund charges.

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 also began the review of Aon's performance against these objectives in Q4 2022 which was finalised in 2023.

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. This includes an Induction Plan for new Trustees (of which there was one during 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. 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. Below is a list of the training completed by the Trustees over the year to 31 December 2022.

- Market environment over 2022 and the impact on the funds used in the Scheme – November 2022
- Pensions Dashboard, scams and cyber risk – 28 June 2022
- Potential requirements of the Pensions Regulator's new Single Code of Practice – 15 November 2022
- Chair Statement and Value for Members assessment requirements – 13 and 28 June 2022
- Actuarial Valuation assumptions – 28 June and 15 November 2022

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.

7. NON-AFFILIATION OF TRUSTEES AND MEMBER REPRESENTATION - Reg 26

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.

8. 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
- 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.

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

Roger Mattingly, Ross Trustees Services Limited - Chairman of the Trustees

Date: July 2023