Statement of Investment Principles

The Europe Arab Bank Plc Pension Scheme

September 2020

1. INTRODUCTION

Under Section 35 of the Pensions Act 1995 (the '**1995 Act**'), subsequently amended by the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005 (the "**Investment Regulations**") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, trustees are required to prepare a statement of principles governing decisions about investments for their pension funds. This Statement of Investment Principles (the '**SIP**') describes the investment policy, guidelines and procedures being pursued by the trustees (the **'Trustees'**) of The Europe Arab Bank Plc Pension Scheme (the '**Scheme'**). The Trustees believe this is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of the Investment Regulations.

In accordance with the Act, the Trustees confirm that, before preparing the SIP, they have obtained and considered written advice from their appointed Investment Advisers, SEI Investments (Europe) Limited ('SEI') and have consulted with The Europe Arab Bank Plc (the 'Principal Employer' of the Scheme). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustees have adopted for determination of the Scheme's Statutory Funding Objective and the associated Recovery Plan to repair any funding shortfall.

The Trustees believe SEI in their capacity as investment advisor, is qualified by their ability and practical experience of financial matters and to have appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and arrange administration of the Scheme. Where they are required to make an investment decision, the Trustees first receive and consider advice from SEI and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 ('FSMA'), the Trustees are responsible for setting a general investment policy, but have delegated the day-to-day investment of the Scheme's assets to the Investment Manager.

The Investment Manager (SEI) listed in Appendix C is authorised and regulated by the Financial Conduct Authority ('FCA') and provides the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustees confirm that this SIP reflects the investment strategy it has implemented for the Scheme. The Trustees acknowledge that it is their responsibility, with guidance from their Investment Adviser, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed Roger Mattingly **Date:** 15 September 2020

For and on behalf of the Trustees of the Europe Arab Bank Plc Pension Scheme.

2. SCHEME GOVERNANCE

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider the governance structure set out in this SIP to be appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management to the Investment Manager as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

3. INVESTMENT OBJECTIVES

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following long-term objectives:

1. To make sure that, together with contributions from the employer the assets can meet the Scheme's obligations to the beneficiaries of the Scheme;

2. To strike an acceptable balance between the stability of funding and the long-term cost of benefit provision; and

3. To achieve, over the long term, a rate of investment return sufficient to outperform the growth of the Scheme's liabilities and reach full funding on an appropriate basis while only taking the level of risk required to achieve this objective with a reasonable degree of certainty.

The Trustees have determined that an appropriate rate of investment return to meet these objectives is 3.6% per annum in excess of the return on UK government gilts. Such rate of return may be adjusted by the Trustees from time to time. The Trustees have engaged with its advisers to ensure that excessive risk will not be taken in achieving this level of investment return. The Trustees have taken account of the financial strength of the Principal Employer.

The Trustees have also put a Journey Plan in place with the aim of reducing risk in the portfolio in the event that the Scheme finds itself ahead of plan. The funding level triggers and proposed portfolios are set out in Appendix D.

4. INVESTMENT STRATEGY

4.1 General Policies

The Trustees' approach to investment strategy is to allocate the assets into the following broad asset categories in order to meet the investment objective:

- Liability Driven Investments (LDI) - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, credit and liability driven derivative overlays such as interest rate and inflation swaps.

- Growth Assets - these investments exist in the portfolio to generate return relative to the liabilities. Assets in this pool include:

- Equities
- Diversified Growth Fund
- Alternative Assets and Credit:

Assets in this pool consist of, but are not limited, to investment grade bonds, property, emerging market debt, high yield bonds, commodities and structured credit instruments.

The Trustees' investment objective determines the split of assets between these components and within each component.

4.2 Asset Allocation

The Trustees recognise the importance of asset allocation to the overall investment returns achieved. However, given the approach to managing the investments set out in the previous section, the Trustees also recognise that the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types. In recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Investment Manager and the Trustees.

4.3 Return Objective

A return on investments is required which, over the long term, is expected to be consistent with the Trustees' goal of meeting the Statutory Funding Objective.

Where the Trustees have felt it appropriate, the Investment Manager have been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices. The return objective of the portfolio can be found in Appendix B.

5. STRATEGY IMPLEMENTATION

The Trustees employ the Investment Adviser to manage the assets of the Scheme. SEI is appointed to invest the Scheme's assets through:

- Selecting appropriate pooled investment funds suitable for the Scheme.
- Defining the allocations to each investment vehicle or segregated portfolio.
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives set for each investment vehicle or Portfolio, as this is consistent with the overall investment objectives set out earlier in the SIP.

5.1 Mandates and Performance Targets

The Trustees have received advice on the appropriateness of the Performance Target's. Investment Manager's targets, benchmarks and risk tolerances from the Investment Adviser and believe them to be suitable to meet the Scheme's investment objectives.

SEI has been mandated by the Trustees to manage the investments under its control, in a particular way, and details of these mandates are given in agreement under which SEI is appointed by the Trustees (the "Fiduciary Management Agreement").

5.2 Fiduciary Management Agreement

The Fiduciary Management Agreement sets out the scope of SEI's duties, as both Investment Manager and Investment Advisor together with fees, investment restrictions and any other relevant matter in relation to the Scheme.

SEI has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk. The Trustees understand the importance of diversification and, as such, the Investment Adviser is required by the Trustees to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix B is designed to ensure that the Scheme's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Investment Adviser and the Trustees. These ranges and sets of limitations are specified in the Fiduciary Management agreement and may be revised from time to time where considered appropriate as circumstances change. The Trustees also have regard to the investment powers of the Trustees as defined in the Trust Deed.

5.4 Suitability

The Trustees have established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustees have taken advice from the Scheme's Investment Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustees' objectives, regulatory guidance and specifications in the Trust Deed.

5.5 Journey Plan

The Trustees have agreed a Journey Plan for the purpose of de-risking and re-risking the investment strategy as the Scheme`s funding level changes. SEI will estimate and monitor the funding level and have been given discretionary authority to implement strategy changes as certain funding trigger points are reached.

6. MONITORING

6.1 Investment Management

The Trustees will monitor the performance of the Investment Manager against the agreed performance objectives.

The Trustees will regularly review the activities of the Investment Manager to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Scheme.

6.2 Statement of Investment Principles (SIP)

The Trustees will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

6.3 Trustees

The Trustees maintain a record of all decisions taken, together with the rationale in each case.

7. RISKS

The Trustees recognise there are a number of risks involved with the investment of fund assets. The Trustees intend to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Manager. The Trustees will monitor and review the Investment Managers' performance on a regular basis.

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Scheme:

- **Cashflow risk**

  The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustees and their advisers will manage the Scheme`s cash flows taking into account the timing of future payments, and may borrow over the short-term in order to minimise the probability that this occurs.

- **Financial mismatching risk**

  The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustees will control these risks by monitoring their key characteristics and setting appropriate tolerances.

- **Demographic risk**

  Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustees recognise that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustees will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

- **Manager risk**

  The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustees have put in place.

- **Concentration risk**

  The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustees have set diversification guidelines for the investment managers to mitigate this risk.

- **Credit risk**

  The possibility of default of a counterparty in meeting its obligations. The Trustees have set guidelines with investment managers to limit its exposure to investments with high credit risk.

- **Systemic risk**

  The possibility of an interlinked failure by a number of companies or organisations that sponsor pension schemes in particular sectors or industries. This also includes consideration of the overlap of risk between the investment held and the exposure to scheme deficits, as the failure of investments may also coincide with increasing scheme liabilities to the Scheme. The Trustees will seek to mitigate this risk by limiting its exposure to investments with high credit risk. In addition, the asset allocation is set so as to ensure a low level of correlation between the Scheme's assets relative to its liabilities and that of a typical UK defined benefit pension scheme.

- **Transition risk**

  The risk of incurring inappropriate costs in relation to the transition of assets of pension schemes from one or more investment managers to another. The Trustees will mitigate this risk by using one or more specialist managers to implement transitions of assets with the explicit aim of minimising costs.

- **Custody risk**

  The Trustees will assess and consider the actions of the custodian of the Scheme's assets, SEI Investments (Europe) Limited, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

  The Custodian ring fences the Scheme assets from its own assets and those of its other clients.

- **Derivative risk**

  Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements and pooled fund structures.

- **Currency risk**

  Addressed through the Investment Adviser's guidelines and its currency hedging strategy.

- **Covenant risk**

  The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

- **Climate change risk**

  The risk that changes in global or regional climate patterns adversely impact the Scheme's assets or liabilities. For instance climate change could cause certain companies' business models to become less sustainable over the long term. This is turn could impact the value of corporate securities held by the Scheme. These risks are managed by engaging with the corporate securities issuers to help control the long term impact of climate change upon businesses.

  The Trustees will keep these risks under regular review.

8. OTHER ISSUES

8.1 Statutory Funding Objective

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.
The Trustees will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

8.2 Corporate Governance Social, Environmental and Ethical Issues

The Trustees are seeking to deliver a required level of returns over the long term subject to an acceptable level of risk recognising that not all risks are rewarded.

Consideration of financially material factors in investment arrangements

Following advice from the Investment Adviser, the Trustees have adopted a policy of delegating responsibility for the consideration of ESG issues such as climate change to the Investment Manager and its delegates. The Trustees are comfortable with the advice they have received and regard the advice on these areas as sufficient to support their investment policy. They expect the Investment Manager to take account of all financially material factors, including ESG, in the selection, retention and realisation of investments. The Investment Manager will keep the Trustees up to date with their latest position on ESG factors.

As noted above, the Investment Manager is expected to take account of all financially material factors in the selection of investments. The Trustees, and the Investment Manager, will keep this under review.

Consideration of non-financially material factors in investment arrangements

The Trustees have decided not to take non-financial considerations into account in the selection, retention and realisation of investments. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme. In reaching this decision, the Trustees have considered both the challenges of engaging a properly representative sample of members and the strong likelihood of a lack of consensus among those most likely to respond to such a consultation.

8.3 Additional Voluntary Contributions (AVCs)

The Trustees hold a series of individual assurance policies securing additional benefits on a money purchase basis for those members electing to pay AVCs. Members are offered a range of funds in which to invest their AVCs with AEGON Scottish Equitable Plc and Old Mutual Wealth Assurance Limited (Skandia Life Assurance Limited).

Members participating in this arrangement each receive an annual statement up to 31 December confirming the amounts held to their account and the movements in the year. Money purchase section members' AVCs are invested with the main fund with Legal & General.
AVCs are periodically reviewed by the Trustees.

8.4 Realisation of Assets

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

8.5 Custody

The Trustees have appointed SEI as the custodian of the assets managed by SEI. SEI uses the back-office services of its associate, SEI Private Trust Company ("SPTC"). SPTC acts as agent for SEI's associate, SEI Global Nominee Limited who holds the client assets of SEI.

Details of other custodians used by the Investment Manager who provides the AVC services for the Scheme are set out in the agreement between that party and the Trustees on behalf of the Scheme.

8.6 Use of Derivatives

Derivatives or other financial instruments may be used to hedge the Scheme's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks).
At any given time a minimum level of assets of sufficient liquidity and quality will be held to ensure the Scheme is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

8.7 Borrowing

The Trustees do not intend to borrow or allow borrowing on behalf of the Scheme except in exceptional circumstances.

8.8 Conflicts of Interest

The Trustees will endeavour to ensure that any conflicts of interest are managed at all times in the best interests of the Scheme.

9. Buy-in Policy

The Trustees have secured a buy-in policy with Legal & General Assurance Society ("LGAS") to pay for the pensions in respect of a portion of the pensioners. The primary responsibility of LGAS is to ensure that pensions are paid at the correct level and at the right time to pensioners and their dependants as appropriate. LGAS's charges for managing the policy were crystallised into the up-front premium that the Trustees paid when securing the policy. LGAS is also authorised by the PRA and FCA.

10. Voting Stewardship & Engagement

The Scheme's investments are achieved via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. The direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to SEI, or in the case of a third party pooled fund, its investment manager.

The management of the Trustees' policy in relation to the exercise of rights (including voting rights) and other engagement activities in respect of an investment is as follows:

- Voting decisions on stocks are delegated to the investment manager of the pooled fund. Where this is SEI, SEI has pooled the holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. SEI is also a signatory to the UK Stewardship Code issued by the Financial Reporting Council. SEI will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code.

- SEI, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments:

  (a) with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager, another stakeholder or another holder of debt or equity);

  (b) about relevant matters including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Under the Investment Regulations the Trustees must document the methods by which and the circumstances under which the Trustees monitor and engage with the relevant persons about relevant matters. The Trustees have delegated the responsibility for such monitoring and engagement to SEI.

SEI will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code. The Trustee will consider whether the approach taken was appropriate or whether an alternative approach is necessary.

11. Asset manager arrangements

Incentivising and monitoring managers to align with Trustee's' investment strategy

SEI is incentivised to align its investment strategies with the Trustees' policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement and through the Trustees setting investment objectives which are reviewed annually. The Trustees will monitor performance quarterly and assess performance against these investment objectives annually and have also appointed an independent adviser to assist in assessing SEI's performance. Such review will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided.

If SEI does not meet its objectives it may ultimately result in the termination of its mandate. The agreement with SEI allows the Trustees to terminate with 90 days' notice.

SEI engages third party asset managers either through the use of third party pooled funds or through the appointment of asset managers within multi-manager pooled funds.

SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to SEI, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the Scheme. SEI is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Scheme.

Medium to long term and non-financial performance

Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. The Trustees have delegated this to SEI and will monitor performance against this.

Monitoring portfolio turnover and costs

The Trustees have delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to SEI.

The Trustees recognise that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by SEI. However, SEI will incorporate portfolio turnover and resulting transaction costs in its advice on the Scheme's investment mandates. When the Trustees agree a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustees review and monitors the actual level of the costs and turnover against this expected level.

Monitoring manager performance and remuneration

The Trustees will as indicated above, regularly monitor and review SEI. Such review will also include how well SEI is aligned with the SIP, including in terms of ESG factors and the quality of service provided. Such assessment will include a review of actual fees paid relative to expected and contractual fee levels. In terms of third party asset managers appointed by SEI, SEI will monitor the managers' performance and fees on an ongoing basis against the particular investment strategy, objectives and fee arrangements agreed with that manager.

Duration of asset manager agreements

The agreement with SEI has an indefinite term but can be terminated by the Trustees giving 90 days' notice. The Scheme does not have any direct agreements with third party managers used by the Scheme.