CHAIR'S ANNUAL STATEMENT
GULF AIR RETIREMENT BENEFITS SCHEME
Year ending 31 December 2020

Introduction

Governance requirements apply to Defined Contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of each scheme has had to produce an annual statement, signed by their Chair, setting out a number of prescribed matters in relation to:

- The investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "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;
- A "value for members" assessment; and
- Trustee's compliance with the statutory knowledge and understanding requirements.

The Gulf Air Retirement Benefits Scheme ("the Scheme") was set up on 1 November 1975. This is the Chair's annual statement for the year ending 31 December 2020 ("the Statement").

The Scheme is overseen by a sole Professional Trustee, PTL Governance Ltd ("PTL"). Steve Longworth, representing PTL, has acted as the Trustee Chair during the year ended 31 December 2020 as the Client Director for the Scheme.

The Scheme operates under a Trust Deed and Rules dated 10 December 2002 and provides benefits on a Defined Benefit ("DB") basis, but also has four members with Defined Contribution ("DC") transfer ins. This Statement is in respect of the DC benefits only.

The Scheme has historically accepted Additional Voluntary Contributions (AVCs). These have been invested in the same manner as the DC transfer ins. Therefore, this Statement extends to AVCs too.

The total assets held in the DC section is £75,948 as at 31 December 2020.

Investment strategy

There is no default fund as defined in the regulations. The DC section is not used as a qualifying scheme for auto enrolment purposes and there have been no contributions paid into the DC section since 2007. The DC benefits are invested in the Prudential With-Profits Fund.

When selecting this fund, the Trustee considered it to be an appropriate investment for the members of the Scheme. In deciding to use this fund, the Trustee sought advice from their professional advisers as to the product's suitability.

A copy of the latest Statement of Investment Principles ("SIP") is attached to this document as Appendix 1. The SIP was last fully reviewed in September 2020. The Trustee sought advice from Barnett Waddingham (their investment consultant) to undertake the review.

This information is also publicly available on the following website - https://www.ptluk.com/chairs-annual-statements/gulf-air/ and members are directed toward this information in their annual benefit statements.

During the review, the Trustee considered the extent to which the return on investments (after deduction of any charges relating to those investments) met their expectations and the balance of risk and return provided by the Prudential With-Profits Fund and concluded that it is consistent with the investment aims and objectives for the DC section of the Scheme.

The Trustee also considered the up-to-date membership profile of the members of the DC section of the Scheme, the changing long-term investment market conditions and the investment product and techniques available in the market place. A key consideration in reviewing the fund was that there would be a loss of terminal bonus if a member transferred their monies from the With-Profits Fund. It was not felt that the benefits of moving to another fund would outweigh the loss of the bonus.

Core financial transactions

The Trustee is required to make sure that core scheme financial transactions are processed promptly and accurately. The Trustee monitors this through:

- Having an agreement with the service provider committing them to defined service level agreements ("SLAs"); and
- Having the service provider report on an annual basis on their performance against the SLAs above.

The core financial transactions include:

- The investment of contributions to the DC section of the Scheme (there have been none this year);
- The transfer of assets relating to members into and out of the DC section of the Scheme (there have been none this year);
- The transfer of assets relating to members between different investments within the DC section of the Scheme (there have been none this year); and
- Payments from the DC section of the Scheme to, or in respect of, members (there have been none this year).

The Trustee delegates the administration of the DC section of the Scheme to Prudential, a professional pensions administration provider. There is a contract in place between Prudential and the Trustee, clearly setting out the services that they will provide and the cost for these services.

The Trustee monitors the performance of Prudential on an ongoing basis and does this by receiving the annual documentation from Prudential detailing the work undertaken and the timeliness of the delivery of these tasks.

As there have been no new contributions and no movements in the DC section of the Scheme during the period in question, the Trustee is satisfied that the core financial transactions have been processed promptly and accurately.

Member-borne charges and transaction costs

The Trustee is required to set out on-going charges borne by member in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds.

The funds are invested in the Prudential With-Profit Fund. Prudential (who are the Scheme's investment managers) have confirmed that the following charges apply in respect of the Fund:

Policy / Plan fee	Nil
Bid / Offer Spread	Nil
AMC*	1.0%
Transaction Costs**	0.13%
Other Charges***	2%

* The With-Profits fund has no explicit charges. The bonuses declared are set with reference to investment returns earned less an annual management charge ("AMC"). The AMC is the allowance made for expenses, distributions to shareholders and profits or losses from other sources arising in the With-Profits Fund. The AMC is reviewed each year as part of the process for setting bonus rates and at the last review Prudential set it to be 1.00% of invested funds. This rate has applied since March 2018.

** Prudential has published a list of transaction costs in respect of the period 1 January 2020 to 31 December 2020, which shows the transaction costs for the With-Profits Fund to be 0.13%.

*** A charge up to 2% is reflected in any claim to cover the cost of the guarantees. The guarantees reflect that the member is invested in the with profit fund, in particular the guarantees applying to the value payable at Normal Retirement Date ("NRD") or on death.

Please also note that:

- Prudential are reliant on fund managers providing transaction costs details and have requested this information. It is Prudential's understanding that there are no transaction costs within the meaning of the regulations for the with-profit funds.

- A Market Value Adjustment ("MVA") reduction may apply if a member retires or withdraws money, other than at NRD or on death, but no other exit charges apply.

When preparing this section of the Statement, the Trustee has taken account of the relevant statutory guidance.

Illustration of charges and transaction costs

The Trustee is required to provide members with information on the effect of costs and charges on their pension pot.

To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in line statutory guidance from the Department for Work & Pensions. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

For each individual illustration, each savings pot has been projected twice; firstly to allow for the assumed investment return gross of the costs and charges of the fund, and then again, but adjusted for the cumulative effect of the costs and charges of the fund.

To determine the parameters used in these illustrations, the Trustee has analysed the membership data of the DC section of the Scheme relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

- A representative range of pot sizes.
- A representative range of real terms investment returns (gross of costs and charges).
- A representative range of the expected period of Scheme membership, including the approximate duration that the youngest Scheme member would take to reach Normal Retirement Age.

The Trustee has determined not to include future contributions in these illustrations as the Scheme is closed to future accrual.

Prudential With-Profits Fund

The Prudential With-Profits Fund has been selected as it is the only investment option used by members within the Scheme's DC arrangements. The illustrations set out in this table assume that members are wholly invested in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £3,000		Starting pot size: £15,000		Starting pot size: £22,000	
	Before charges	**After charges**	**Before charges**	**After charges**	**Before charges**	**After charges**
0	£3,000	£3,000	£15,000	£15,000	£22,000	£22,000
1	£3,093	£3,061	£15,467	£15,307	£22,685	£22,451
2	£3,190	£3,124	£15,948	£15,621	£23,391	£22,911
3	£3,289	£3,188	£16,445	£15,941	£24,119	£23,380
4	£3,391	£3,254	£16,956	£16,268	£24,869	£23,859
5	£3,497	£3,320	£17,484	£16,601	£25,643	£24,348

Note on how to read this table: The highlighted example shows that if a member has invested £3,000 in this fund today, after 5 years the fund could grow to £3,497 if no charges are applied but to £3,320 with charges applied.

Notes

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. It is for this reason some funds show negative real growth.
2. Inflation is assumed to be 2.5% each year
3. No further contributions are assumed to be paid
4. Values shown are estimates and are not guaranteed
5. Charges used in the illustrations are an annual management charge of 1.00% p.a. and a three-year average annualised transaction cost figure of 0.09%
6. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with those produced for the Scheme's 2020 Statutory Money Purchase Illustrations (SMPI), which is 5.69% p.a.

Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee consider that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the membership of the DC section of the Scheme as a whole, when compared to other options available in the market.

This assessment has been prepared on the basis of the information that is available.

1. What services (including investment products) do members pay for across the four core areas of scheme governance and management, investment, administration and communications?

The broader administrative costs of the Scheme are met by the DB section of the Scheme and as such members do not pay for any costs in respect of the DC funds, except the costs allowed for in the bonus allocation.

2. What do members receive for what they pay?

2.1 Scheme governance and management

The Scheme has a sole Professional Trustee. The Scheme has appointed Barnett Waddingham as investment adviser, Norton Assurance as auditor and BDB Pitmans LLP as legal adviser.

2.2 Investment

All of the DC monies that are invested in the Scheme are invested in the Prudential With-Profits Fund and as there have been no new contributions since 2007 there is no default fund as defined in the regulations. The With-Profits Fund was reviewed as part of the 2019 review of the SIP and due to the number of members invested, the fund values and the bonuses received from the With-Profits Fund it was felt that the fund was meeting its investment objectives and no further action would be required. No such review was undertaken in 2020.

The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long-term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk. The underlying investment return in 2020 was 1.7% (11.5% in 2019). However, investment returns are allocated to members by means of a bonus allocation and so, the value of members' funds and the returns they see will depend on the date invested and the smoothing applied in the With-Profits Fund.

The value of the policy depends on how much profit the fund makes and how Prudential decide to distribute that profit. Policyholders receive a distribution of profits by means of bonuses, or other methods as specified in the relevant policy documentation. There are two types of bonus, regular (or reversionary) and final (or terminal) bonus. The latest bonus declaration and the With-Profits factsheet are attached as Appendix 2 and 3.

Members have the option to transfer their benefits to another arrangement but to date no members have taken up this option.

2.3 Administration

The administration of the DC monies is completed by the Prudential. There have been no contributions during the year ending 31 December 2020. Prudential provide an annual renewal statement and SMPI for each member. At retirement, members have the option to take part of their benefit as a tax free lump sum. The balance can be taken as an annuity or a single cash payment (subject to tax) or transferred to another arrangement if members wish to access their fund via drawdown. Scheme accounts are prepared by Norton Assurance for audit.

2.4 Communications
Members receive an annual SMPI. Due to the number of members and the size of the funds it is not believed to be cost effective to increase the communications available to members. Members do receive information at retirement in respect of their DC benefits.

3. What are the charges and transaction costs associated with those services?
The DB section of the Scheme pays the administration costs for the Scheme and this covers (i) remunerated trustee oversight and risk management; (ii) Scheme secretarial services; (iii) professional advice to trustees; and (iv) work in respect of the Scheme Audit. With-Profits investments are currently subject to a fund charge of 1.0% which is allowed for in the bonus allocation.

4. What are the costs of comparable services?
As the DB section of the Scheme pays the expenses of the Scheme (bar any investment charges) it is difficult to compare the costs of the Scheme with other schemes. However, in most DC schemes members pay the costs of scheme governance and management, investment, administration and communications.

5. Are there any relevant one-off costs, such as investment transition costs?
There have been no movements in the funds in the year to 31 December 2020 and therefore there have been no such costs.

Conclusion

Taking into account the services provided to members and the costs levied within the funds, as outlined above, we believe that the Scheme provides good value for members.

Knowledge and understanding of the Trustee

The Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally;
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee is PTL Governance Limited which is a professional trustee company. There were no changes to the Trustee over the year.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Client Director is supported by another Client Director and calls take place as required to provide a peer review to the work undertaken and challenge the Client Director running the matter. All material decisions are subject to peer review by the supporting Client Director or another Client Director.

Steve Longworth was the Client Director managing the Scheme during the Scheme year supported by Matt Riley as Scheme Secretary and other members of the PTL team who provide support and peer review functions. Steve is an Accredited Member of the Association of Professional Pension Trustees (APPT). Steve is also a qualified actuary and so has an in depth understanding of the funding and investment issues related to the Scheme. In addition, Steve has experience in running standalone DC Trusts. Steve is subject to CPD requirements of the actuarial profession and the APPT and met the CPD requirements of both professional bodies. Steve has undertaken regular training throughout the year including:

- *Training sessions on the issues to consider due to the disruption of COVID-19 on the investment market, and its impact on responsible investment and climate risk;*
- *Attending virtual annual conferences run by actuarial firms and industry groups which included presentations on Environmental, Social and Governance ("ESG") issues and integration, member communication and the impact of technology, and on the importance of data;*
- *Studying for and passing the PMI Trusteeship examination required to become an Accredited Member of the APPT.*

Steve is familiar with the issues relating this Scheme and all governance records are held on our electronic document storage system and can be accessed at any time.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme's Lawyers BDB Pitmans LLP.

PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.

The Trustee is conversant with, and has a working knowledge of, the current SIP. PTL undertake regular training on investment matters and are regular commentators on the wider DC market. The Trustee has sufficient knowledge of investment matters to be able to challenge their adviser.

PTL operate a governance framework which includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints and queries. The Trustee reviews these documents on an annual basis to ensure they are still suitable and makes any changes as required.

PTL's knowledge and understanding of pension schemes and the issues faced, alongside their advisors, means the Trustee is well equipped to properly exercise its functions to act in members' best interest with a view to delivering good member outcomes for the contributions made.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pensions Schemes (Schemes Administration) Regulations 1996 (inserted via The Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment Regulations 2018) and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signed

Agreed, Signed and dated on 12 July 2021 by Steve Longworth on behalf of PTL Governance Limited – Trustee Chair of the Gulf Air Retirement Benefits Scheme

Gulf Air Retirement Benefits Scheme

Statement of Investment Principles

30 September 2020

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Gulf Air Retirement Benefits Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted Gulf Air Company B.S.C. (C), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Rule 60 of the Definitive Trust Deed & Rules, dated 10 December 2002. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme and considers ESG factors, as well as climate risk, to potentially be financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

Financially material considerations

9.1. The Trustee believes that environmental, social and governance (ESG) factors are potentially financially material over the life of the Scheme and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments. The Trustee will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees.

9.2. As the investments are held in pooled funds, ESG considerations are set by each of the investment managers. The Scheme's investment managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk.

Non-financially material considerations

9.3. Non-financial matters, including ethical views of beneficiaries and members, are not ordinarily taken into account in the selection, retention, and realisation of investments and the Trustee does not therefore consult with beneficiaries or members on such issues.

The exercise of voting rights and engagement activities

9.4. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates the exercise of the rights (including voting rights) attaching to the Scheme's investments.

9.5. Where appropriate, the Trustee will monitor and engage with the investment managers about relevant matters (including 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), through the Scheme's investment consultant.

9.6. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

9.7. The Trustee has taken into consideration the UK Stewardship Code, and the investment managers all have stated corporate governance policies which comply with many or all of these principles.

9.8. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider the investment managers' policies on engagement (including exercise of voting rights) and how these policies have been implemented.

9.9. The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

9.10. The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.11. The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

9.12. The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

9.13. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

9.14. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.15. The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

9.16. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.10. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Scheme invests, the duration of the Scheme's arrangements are not predetermined under the terms of agreement with the investment managers.

10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Agreed, Signed and dated on 28 September 2020 by Steve Longworth on behalf of PTL Governance Limited

On behalf of the Trustee of the Gulf Air Retirement Benefits Scheme

Appendix 1 Note on investment policy of the Scheme as at September 2020 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

Portfolio	Asset class	Allocation (%)
Growth portfolio	Global equities	20
	Diversified growth	20
	Multi asset credit	20
	Absolute return bonds	10
Protection portfolio	LDI	30
Total		100

2. Investments and disinvestments

The Trustee will invest new money to rebalance the overall asset allocation toward its overall benchmark (i.e. into the most underweight fund or funds).

In the short term the Scheme's cash flow requirements are expected to be met by the Principal Employer's contributions and through the "Notional Dividend Interest Payment" procedure set up in respect of the LGIM Global Equity Market Weights (30:70) Index Fund (75% GBP Currency Hedged). However, when this is insufficient, the Trustee will make disinvestments in a way which rebalances the overall asset allocation toward its overall benchmark (i.e. from the most overweight fund or funds).

However, the Trustee recognizes that the primary aim of the LDI portfolio is to match movements in the Scheme's liabilities arising from changes in long-term interest rates and inflation expectations and rebalancing the LDI portfolio will affect hedging levels. As a result, the Trustee is comfortable with and will permit the LDI portfolio to move away from its strategic allocation. They will monitor this position as part of the regular investment monitoring.

Collateral management on the LGIM LDI funds

The Scheme invests in LGIM's Matching Core Funds which are pooled LDI funds that provide interest rate and inflation protection. LGIM may require cash collateral calls or payouts in order to manage the amount of leverage within the funds according to defined operational procedures.. In the event of a cash collateral call (requiring the Trustee to top-up the Scheme's investment in the LDI funds), LGIM will automatically disinvest from the LGIM Absolute Return Bond Fund. In the event that cash collateral payouts are made from the LDI funds, LGIM will automatically pay these amounts directly into the Scheme's LGIM Absolute Return Bond Fund. The Trustee will then consider on a case by case basis whether to invest these amounts or to retain them for benefit payment purposes.

3. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Barings Asset Management (Barings)
- Legal & General Investment Management (LGIM)

The investment managers are authorised and regulated by the Financial Conduct Authority.

The Trustee also has a contract with Prudential Assurance Company Limited for the receipt of members' Additional Voluntary Contributions (AVCs) and a small number of members' transferred-in defined contribution (DC) pots. Prudential is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager are given below:

Investment manager	Fund	Benchmark	Objective
Barings	Multi Asset Fund	UK Retail Prices Index (RPI) inflation	To outperform the benchmark by 4% p.a. over a three year period (net of fees)
	Global High Yield Credit Strategy	3 Month USD Libor	To outperform the benchmark by 5% (net of fees)
LGIM	Global Equity Market Weights (30:70) Index Fund (75% GBP Currency Hedged)	Composite benchmark of FTSE equity indices reflecting regional allocation (75% currency hedged)	To track the benchmark
	Absolute Return Bond	3 Month GBP Libor	To outperform the benchmark by 1.5% p.a. (gross of fees)
	Fixed Long Matching Core	Gilt and swap composite index	To track the benchmark
	Real Short Matching Core	Gilt and swap composite index	To track the benchmark
	Real Long Matching Core	Gilt and swap composite index	To track the benchmark
Prudential (AVC)	With-Profits Fund	This fund does not have a benchmark	To provide competitive long-term real returns while smoothing the volatility of day-to-day market movements

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC and DC arrangements are reviewed from time to time.

APPENDIX 2 – Bonus Declaration

PRUDENTIAL

Prudential's 2021 With-Profits Bonus Declaration

Hello,

Our With-Profits Fund delivered a small positive return in 2020 despite a highly unusual year for global investment markets.

The Fund returned 1.7% (gross of tax) over 2020, both before charges and the effects of smoothing*. Please see information specific to your Plan to find out more.

While the longer term performance of the Fund remains strong, there is still considerable ongoing uncertainty in relation to the future outlook for global economies and the investment markets, which is reflected in this year's bonuses. This means annual bonus rates will be reduced slightly for some products and maintained at the same level as last year for other products.

The final bonus declared this year will be lower than last year for the majority of customers but will continue to be paid.

For more information on the Bonus Declaration, go to **pru.co.uk/existing-customers/bonus-declaration**

We aim to provide fair pay-outs based on what the Fund has achieved

In 2021, the investment team will continue to take decisions that allow them to manage the Fund prudently. We'll aim to secure the highest total return for the Fund (after any tax and investment expenses) while maintaining an acceptable level of risk and protecting our customers.

We'll also continue to smooth some of the extreme highs and lows of investment performance.

Jack Daniels, Chief Investment Officer, M&G plc, said:

"Prudential With-Profits investments continue to be an attractive option for investors who want strong returns over the longer-term.

Despite the dramatic fall in asset prices during February and March due to the Coronavirus pandemic, many recovered to produce positive returns in 2020. Some of our UK assets and equity portfolios had a challenging year but the global diversification of the Fund again proved to be beneficial. Our prudent, long-term investment approach continues to provide positive returns to policyholders whilst protecting them from short-term volatility, such as we witnessed in 2020.

Our approach to setting bonuses allows us to continue to manage the Fund to secure the highest total return while maintaining an acceptable level of risk.

The Prudential With-Profits Fund is the largest and one of the financially strongest in the UK. This allows us to be long-term investors in a very wide range of assets and individual companies. We will continue to monitor markets and seek new investment opportunities to further enhance the global diversification of the Fund."

Further information

For more information on Prudential's Bonus Declaration and to get a copy of the bonus rates that apply to your policy, please get in touch with your client manager or contact **Corporate.Pension.Enquiries@prudential.co.uk**

How our With-Profits Fund is helping create a more sustainable world

We're pleased to announce we've created a new, dedicated investment team, called Catalyst, ready to invest up to £5 billion of our £136 billion With-Profits Fund in innovative opportunities that are tackling environmental and social challenges across the globe.

As you are invested in our With-Profits Fund then you're already invested in many types of assets across the world. The £5 billion investment will help us find many more exciting opportunities for growth while helping to make the world a better place.

You can find out more details at **pru.co.uk/catalyst**

Alastair Hogg
Head of Corporate Pensions

*This describes the main asset pool in our With-Profits Sub-Fund, which is relevant to the vast majority of our customers.

Past performance isn't a guide to future performance. The rate of future bonuses may vary and can't be guaranteed.

Our final bonus rates include, where applicable, additional money we shared with some of our With-Profits customers as part of last year's Bonus Declaration. Your final bonus isn't guaranteed. There's a chance we might have to take back this extra money in future, to protect the interests of all customers and the financial strength of our With-Profits Fund. Unless something very unusual was to happen, we wouldn't expect to have to do this.

The Prudential Assurance Company Limited With-Profits Fund is the largest and one of the financially strongest with-profits funds in the UK. The size and strength of our Fund allows us to invest in a very wide range of assets and individual companies.

The Prudential Assurance Company Limited is rated A+ for financial strength by Standard & Poor's, as at December 2020. This is one of the highest ratings currently given to any UK Life Assurance Company.

PRUDENTIAL

Prudential With-Profits Fund factsheet

This document has been produced to provide factual information on Prudential's With-Profits Fund, and specifically, that part of the fund directly relevant to investments of this type, and should not be used as financial advice. If you are unsure what bonus series you are invested in or if there is information or terminology included that you would like to discuss, then please contact your adviser.

Key facts

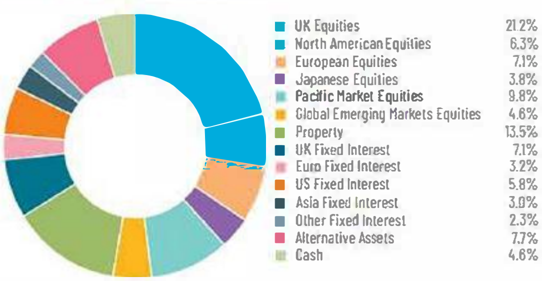
Fund Size	£88.1 billion as at 31 March 2021
Prudential Financial Strength rating*	A+
Portfolio Manager	M&G Treasury & Investment Office (T&IO)
Investment Style	Prudent Active
Performance Objective	To offer competitive long term returns

* Standard & Poor's as at December 2020

Fund description

The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive longterm returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.

Fund breakdown



The asset mix is likely to vary in the future.

Source: Prudential as at 31 March 2021. Asset allocations are regularly reviewed and may vary, but will always be consistent with the fund objective.

All figures are as at 31 March 2021, unless otherwise stated.

Prudential risk rating

Lower to Medium

What is the risk rating?

- These risk ratings have been developed by Prudential to help provide an indication of a fund's potential level of risk and reward based on the type of assets which may be held by the fund. Other companies may use different descriptions and as such these risk ratings should not be considered as generic across the fund management industry.

Commentary

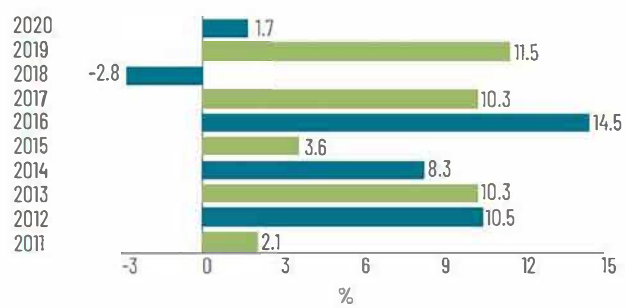
The most significant story was in fixed income markets as many mainstream government bonds were sold off, led by US Treasuries. Investors became fearful that the US Federal Reserve may have to act a lot earlier than anticipated to cool rising prices given the massive extra COVID-19 stimulus package.

The UK ended a volatile quarter just behind the US but ahead of the other major regional equity markets. The UK market was supported by the Brexit trade deal, a resumption in company dividend payments, the successful vaccination programme, extension of government support measures in the Budget and a roadmap for exiting the third lockdown, plus better-than-expected economic data. However, as well as inflation concerns, there were also concerns about more virulent virus strains emerging, which caused European countries to tighten their lockdown rules. President Biden's US$1.9 trillion COVID relief package, along with rallying commodity prices, offered a favourable backdrop to stockmarkets globally. Total returns from traditional safe haven assets like UK gilts, US Treasuries and German bunds fell in the period.

UK commercial property delivered positive returns, driven primarily by rental income. Investor interest remained focused on well-located, modern properties with more secure income streams, as well as those riding the changes in occupier behaviour.

The M&G Treasury & Investment Office (T&IO) outlook is cautiously optimistic although much uncertainty remains in 2021.

Underlying investment returns



Source: Prudential. The above are calendar year returns for the With-Profits Fund (before charges, tax and effects of smoothing).

The value of your policy will be sent out in your annual statement or is available on request. The value will depend on when you actually invested allowing for tax, charges and smoothing. The value could change by more or less than the underlying investment return of the overall fund.

Past performance is not a reliable indicator of future performance.

- We regularly review our fund risk ratings, so they may change in the future. If, in our view, there is a material change in the fund's level of risk, for example due to a significant change to the assets held by the fund or in the way the fund is managed, we will provide information on the new risk rating. We recommend that you make sure you understand the risk rating of any fund before you invest. You will find this information at **pru.co.uk/factsheets**.
- You should also consider discussing your decision and the appropriateness of a fund's risk rating with an adviser.

Prudential With-Profits Fund

Performance (applicable from 6 April 2021)

For investments in the With-Profits Fund, the value of the policy depends on how much profit the fund makes and how we decide to distribute that profit. Policyholders receive a distribution of profits by means of bonuses, or other methods as specified in the relevant policy documentation. There are two types of bonus, regular (or revisionary) and final (or terminal) bonus.

The performance figures shown are overall annualised returns for contributions made on the dates specified. The returns include both regular and final bonuses added to a benefit paid at normal retirement date, but make no allowance for any applicable initial charges, allocation rates or early cash in charges (explicit charges).

Final bonus may vary and is not guaranteed. The rate of future bonuses cannot be guaranteed. The value of an investment can go down as well as up and the fund value in the future may be less than the payments you have made. Please bear in mind that inflation will reduce what you can buy in the future.

Please read the important information below and the Key Features document for the relevant contract.

The performance figures are declared by Prudential Assurance Company Limited, usually each February.

For the Unitised returns shown, it is assumed that the contribution was invested without any allowance made for any explicit charges on 6 April 1, 3, 5 or 10 years ago and realised on or after 6 April 2021 to secure benefits at normal retirement age. For the Cash Accumulation returns shown, it is assumed that 1, 3, 5 or 10 scheme revision dates ending after 15 March 2021 have passed since the contribution was invested.

Bonus Series	1 Year*	3 Years*	5 Years*	10 Years*
Unitised L With-Profits Returns	6.00%	3.50%	4.35%	5.75%
Unitised N With-Profits Returns	6.00%	3.50%	4.35%	5.75%
Cash Accumulation MPP With-Profits Returns	6.00%	3.50%	4.35%	5.75%
Cash Accumulation AVC With-Profits Returns	6.00%	3.50%	4.35%	5.75%
Cash Accumulation AVC With-Profits Series 2 Returns	5.40%	3.05%	n/a	n/a

Source: Prudential. *overall annualised returns

The value of your policy will be sent out in your annual statement or is available on request. The value will depend on when you actually invested allowing for tax, charges and smoothing. The value could change by more or less than the underlying investment return of the overall fund.

Past performance is not a reliable indicator of future performance.

With-Profits bonus series explained

Cash Accumulation With-Profits

Cash Accumulation MPP With-Profits is used solely by the oldest "pre 101" money purchase contracts for occupational pension schemes typically established from 1974.

Cash Accumulation AVC With-Profits is used solely by Additional Voluntary Contribution contracts as part of an occupational pension scheme, where the contracts were applied for before 15 March 2021.

Cash Accumulation AVC With-Profits Series 2 is used solely by Additional Voluntary Contribution contracts as part of an occupational pension scheme, where the contracts were applied for on or after 15 March 2021.

The Cash Accumulation AVC With-Profits and Cash Accumulation AVC With-Profits Series 2 bonus series are not used where voluntary contributions are paid through another Prudential group pension contract.

Unitised With-Profits

Unitised L With-Profits is used by the "101" money purchase contracts for occupational pension schemes and grouped personal pension contracts (including the "Shout/Xafinity" contracts) typically established from 06/04/1987 where holdings are expressed in terms of units.

Unitised N With-Profits is used by the "Select" group personal pension (established 1997) and "Money Purchase Plan/Group Personal Pension" money purchase contracts for occupational pension schemes and group personal pension contracts established since 2001 where holdings are expressed in terms of units.

Important information

Who manages the funds?

Prudential Assurance Company Limited holds the assets of the With-Profits Fund through custodians. Prudential has delegated the investment management of the fund through agreements with various investment managers including M&G Investments.

Can I get advice?

This factsheet should not be considered as financial advice and any changes to investment arrangements should be discussed with an adviser. It is not our intention to give an indication of how any particular funds will perform in the future. The commentary in this factsheet reflects the general views of the individual fund manager and should not be taken as a recommendation or advice as to how a specific market or fund is likely to perform.

Who is this factsheet for and what does it do?

This factsheet is intended for the trustees, sponsors, advisers and members of occupational pension schemes using Prudential group pension contracts. Its purpose is to provide an insight into how the fund(s) have performed over the period and is provided for information only. If you are not familiar with any of the investment terminology included on this factsheet, then please contact an adviser.

Other important information

If money invested in the With-Profits Fund is taken out at any time other than on death or normal retirement date, a Market Value Reduction (MVR) may be applied; this may have the effect of reducing the fund value.

For details on MVR and charges applicable to your investment, please refer to the Key Features document for the relevant contract. For a copy of the Key Features document, please contact your pensions department for scheme members or usual Prudential contact for trustees and advisers.

pru.co.uk

BTBQ0068 05/2021_WEB