Defined Contribution Default Arrangement
Statement of Investment Principles for the
Airbus Group UK Pension Scheme

1. Introduction

This Default Arrangement Statement of Investment Principles ("DASIP") sets out the policy of Airbus UK Pension Trustee ("the Trustee") on various matters governing decisions about the investments of the default arrangements for the Defined Contribution ("DC") sections of the Airbus Group UK Pension Scheme ("the Scheme"), including Additional Voluntary Contributions ("AVCs").

This DASIP has been prepared after obtaining and considering written professional advice from LCP, the Scheme's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments for the default arrangements. The Trustee has consulted with the principal employer in producing this DASIP.

The Trustee will review this DASIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, or in the demographic profile of the relevant members, and at least once every three years.

2. Default Arrangement Objectives

The Trustee's primary objectives are to provide members with access to a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions. The objective of the default option is to generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement. The default aims to have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the principal employer, last undertook a review of DC investment arrangements in January 2020, taking into account the objectives described in Section 2 above.

If a member does not choose an investment option (as described in the main DC SIP), their account will be invested into the default option, which is managed as a "lifestyle" strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

3.1 Retirement Accounts/AVCs

The Airbus Cash Lifestyle is the default option for members of Schedule 1 (Retirement Accounts) and Schedules 1, 2 and 3 (AVCs). It is set out in the table below:
Members of Schedule 1 of the Scheme receive employer contributions to provide additional money purchase benefits, known as Retirement Accounts. The Scheme also provides a facility for members of Schedules 1, 2 and 3 to pay Additional Voluntary Contributions (“AVCs”) into the Scheme in order to provide additional benefits on a money purchase basis.

The default option offered to these sections was designed to be in the best interests of the majority of the members based on the demographics of the Scheme’s membership. The default option (the Airbus Cash Lifestyle) targets cash withdrawal at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking cash withdrawal.

To help manage the volatility that members’ assets experience in the growth phase of the default strategy, the Trustee has included an allocation to a “diversified growth fund”, which over the long term is expected to generate returns lower than those of equities but with lower volatility than equities.

3.2 Schedules 4 and 5 (Airbus Group UK Retirement Plan)

The default lifestyle strategy (Airbus Drawdown Lifestyle) for those Schedule 4 members who do not wish to make their own choices is set out in the table below:

<table>
<thead>
<tr>
<th>Years to retirement</th>
<th>Global Equity Fund %</th>
<th>DGF – Passive Fund %</th>
<th>Corporate Bond Fund %</th>
<th>Cash %</th>
<th>Total allocation %</th>
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Schedules 4 and 5, known as the Airbus Group UK Retirement Plan, provides solely money purchase benefits.

The default option offered to these sections was designed to be in the best interests of the majority of the members based on the demographics of the Scheme’s membership. The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

The Trustee will review the strategy used for the default option and the other investment options at least every three years and as soon as practicable after any significant change in investment policy, or the demographic profile of relevant members. The Trustee will also monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

4. Considerations made in determining the default investment arrangements

When deciding how to invest the Scheme’s assets, the Trustee considers a number of risks as set out in Appendix 2 of the main DC SIP. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

In determining the default investment arrangements the Trustee also took into account:

- the best interests of members and beneficiaries;
- the profile of the membership and what this was likely to mean for the choices members might make upon reaching retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
the need for appropriate diversification within the default strategy to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;

- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;

- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions;

- any other considerations which the Trustee considers financially material over the periods until members’ retirement, or any other timeframe which the Trustee believes to be appropriate; and

- the Trustee’s investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers, their objectives, investment guidelines, and custody arrangements are set out in Appendix 3 of the main DC SIP.

The Trustee has entered into a contract with a platform provider, who makes available the default arrangements to members. There is no direct relationship between the Scheme and the underlying investment managers of the DC investment funds.

The Trustee and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

The Trustee has limited influence over managers’ investment practices because all the Scheme’s assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee’s view is that the fees paid to the investment managers, 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 fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee’s responsibility to ensure that the managers’ investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.
The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. The duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover 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 the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme’s investment mandates.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Scheme and in considerations relating to the liquidity of investments. The Trustee’s policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.

7. Consideration of financially material and non-financial matters

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers’ investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. The Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore has made available the L&G Ethical Global Equity Fund as an investment option to members.

8. Stewardship

The Trustee believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.
The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers’ general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

9. Further information

More information on the full options available to members with DC funds is available in the DC SIP.

Signed on behalf of Airbus UK Pension Trustee

Signed: ________________________________  Date:_____________

The Trustee has consulted with the Principal Employer over the contents of this SIP in accordance with the Act.

Signed on behalf of Airbus Defence and Space Limited

Signed: ________________________________  Date:_____________