

# AIRBUS GROUP UK PENSION SCHEME

## TRUSTEE'S STATEMENT ON DC GOVERNANCE

YEAR ENDED 5 APRIL 2021

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### Introduction

This Statement has been prepared for the year 6 April 2020 – 5 April 2021 (the "Scheme Year") by Airbus UK Pension Trustee ('Trustee') in accordance with Regulation 23 of the Occupational Pension Scheme (Scheme Administration) Regulations 1996 (the "Regulations") and in compliance with the Defined Contribution ('DC') governance requirements in the Regulations for the year to 5 April 2021.

This Statement is incorporated into the Trustee's Annual Report which is available on request to members and beneficiaries of the Airbus Group UK Pension Scheme (the "Scheme") and members' appointed representatives. The appointed Chairman of the Trustee and the completion of this Statement will be confirmed in the annual return to the Pensions Regulator. The DC Statement of Investment Principles ("SIP") and Default Arrangement Statement of Investment Principles ("DASIP") are appended to this document. The DASIP was reviewed and signed in September 2020.

As required by the Regulations, this Statement covers the process and considerations of the Trustee relating to the Scheme's DC Sections –

- The Airbus Group UK Retirement Plan (Schedules 4 and 5)
- Schedule 1 Retirement Accounts
- Schedule 1, 2 and 3 Additional Voluntary Contributions

It covers:

- Management of the Scheme's default investment arrangements
- Processing of core financial transactions
- Disclosure of fund charges
- Information regarding investment transaction costs
- 'Value for members' assessment
- The Trustee Directors' knowledge and understanding

In addition to the minimum statutory requirements covered in this Statement, the Trustee has undertaken other activities throughout the Scheme Year to ensure good governance for the Scheme. In order to ensure that projects are managed effectively, and the Trustee has an oversight of the work being undertaken by the Pensions Team and the Scheme Secretary (Capital Cranfield Pension Trustees Limited, represented by Bushra Chaudry), a Scheme Diary is presented to the Trustee Board at each quarterly meeting in addition to the strategic business plan.

### Governance

The Trustee takes governance of the Scheme very seriously and follows the Pension Regulator's Codes of Practice for practical advice and guidance. Policies and registers are listed in the Scheme diary for regular review to ensure that they are relevant and accurate. The Trustee also reviews the Scheme's advisors and its own performance annually.

During the Scheme Year to 5 April 2021, in addition to the Trustee's internal policies, which are used to help run the Scheme, the Trustee reviewed the content of the Scheme's Risk Register, which was amended as necessary, and the register of controls - both of which were presented at each Trustee meeting.

The Trustee can confirm that all regulatory submissions required of the Scheme (such as the Event Report, Scheme Return, Declarations of Compliance and Quarterly Tax Submissions) were completed and submitted accurately and within the reporting deadlines during the Scheme Year.

The Trustee has kept abreast of regulatory requirements (see page 13). External support from various professional advisers has been sought and the Trustee remains confident that it is taking a proportionate, practical and rational approach to the regulations that the Scheme is required to follow.

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### Member Engagement

Member engagement is a key priority for the Trustee, which acknowledges the challenges that all pension schemes face in this area. The Trustee had undertaken a project to update the Scheme's website to ensure that it remained member-friendly, easy to understand and provided the correct information. A refresh of the website was undertaken in August 2020.

The Scheme offers a matching contributions structure for members where, within 3 months of joining the Scheme or each April thereafter, they can increase their employee contribution and thereby benefit from the enhanced employer contribution. The April 2021 opportunity was taken up by 250 respondents, of which 99% elected to increase their contribution levels to the maximum matched amount.

Despite the challenges of the pandemic, the Airbus Pensions Team has continued its work on a communications plan to raise awareness of pensions generally, promote the help and support that is available to Scheme members and generally to improve knowledge of pensions in both the wider business and with members. The Trustee acknowledges that cost and scalability of engagement is key and is supportive of the objective to 'help people to help themselves'. The activities undertaken during the Scheme Year have included:

- Personal letters are sent to all members over age 50 at 5-yearly intervals to inform them about their retirement options
- In Quarter 1 2021, reminders were sent to members who have not provided the Trustee with an Expression of Wish nomination in respect of their life cover
- Member of Schedules 1, 2 and 3 were offered a preferential fee structure if they chose to transfer to the Legal & General Drawdown Master Trust at retirement
- A pensions eSite was introduced for employees with additional resources for employees to engage with their pension and to support the objective of 'help people to help themselves'.
- Contribution from the Company of £500 towards the cost of financial advice for each active employees retiring

The Trustee has supported these initiatives with enthusiasm and recognises that these challenges will be ongoing.

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## TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

YEAR ENDED 5 APRIL 2021

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### Management of the Scheme's Default Investment Arrangements

#### Default for Airbus Group UK Retirement Plan (Schedules 4 and 5)

The Scheme (Schedules 4 and 5) is used as a Qualifying Scheme for automatic enrolment purposes and for these purposes is known as the Airbus Group UK Retirement Plan.

The Trustee makes a range of investment options available to Scheme members. Employees who join the Airbus Group UK Retirement Plan who do not choose an investment option are placed into the Airbus Drawdown Lifestyle (the "Drawdown Default").

#### Default for Airbus Group UK Pension Scheme (Retirement Accounts in Schedule 1 and AVCs in Schedules 1,2 and 3)

The default for the members of the Airbus Group UK Pension Scheme (Schedules 1, 2 and 3) who have a Retirement Account or AVCs is designed to target taking a cash sum at retirement. Based on Scheme experience, the Trustee still believes that most members in these Schedules will take their DC benefits in cash and therefore agrees that this remains the most appropriate strategy. As a result, the default for these members is the 'Airbus Cash Lifestyle' (the "Cash Default").

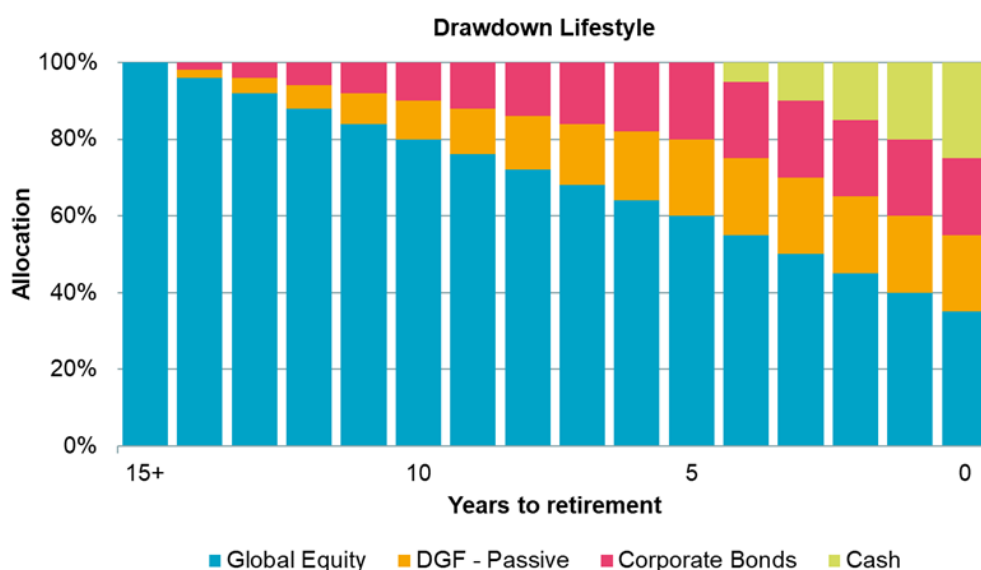
The Trustee is responsible for investment governance, which includes setting and monitoring the investment strategy for the Drawdown Default and the Cash Default (together, the "Defaults").

Details of the objectives and the Trustee's policies regarding the Defaults can be found in the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the Defaults is attached to this document.

### Overview of the Scheme's Defaults

#### Airbus Drawdown Lifestyle (the "Drawdown Default")

The default lifestyle strategy (Airbus Drawdown Lifestyle) for Airbus Group UK Retirement Plan (for Schedule 4 and 5 members of the Scheme who do not wish to make their own investment choices) is set out in the diagram below:



# AIRBUS GROUP UK PENSION SCHEME

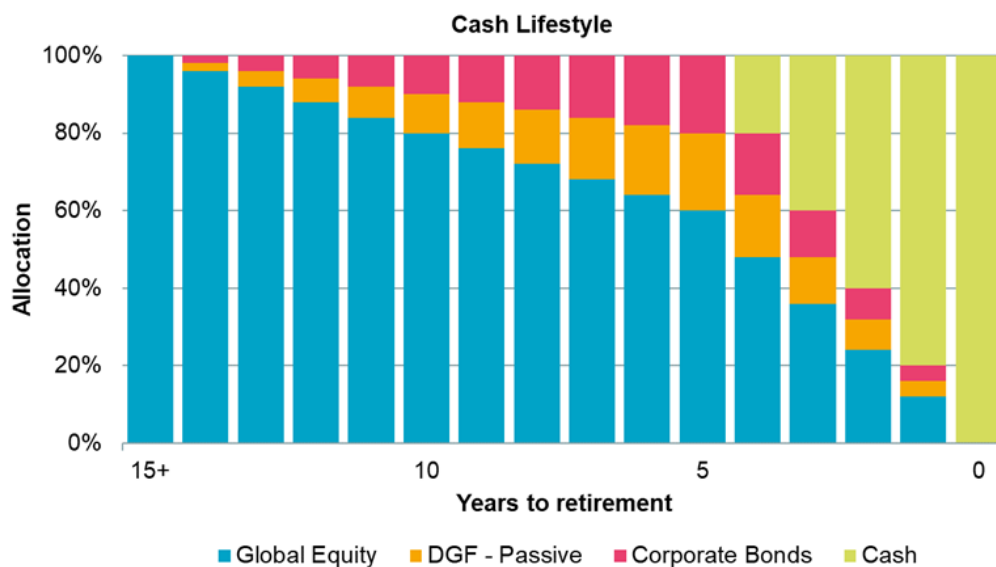
## TRUSTEE'S STATEMENT ON DC GOVERNANCE (continued)

YEAR ENDED 5 APRIL 2021

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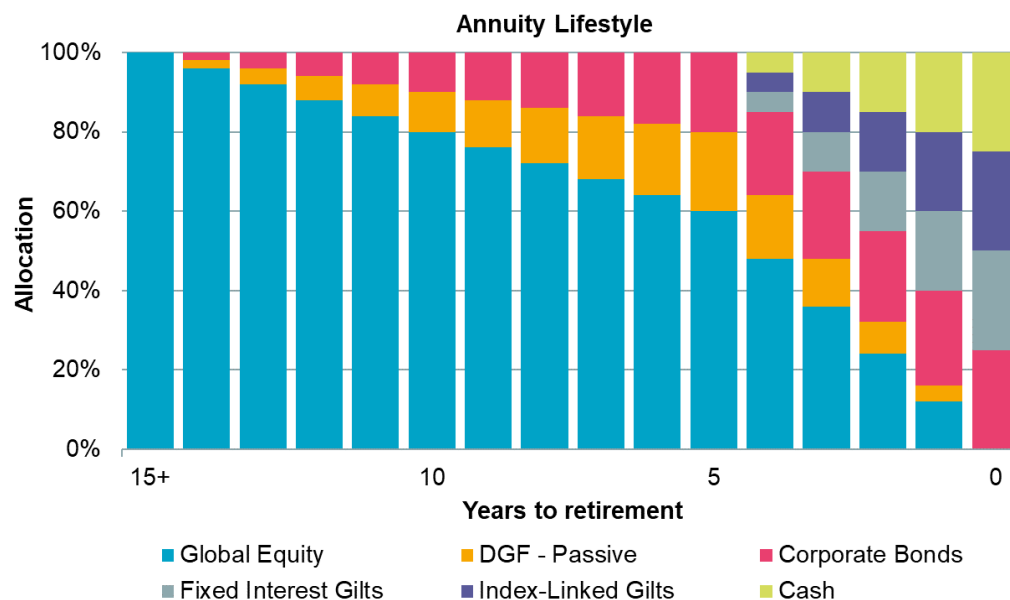
### Airbus Cash Lifestyle (the "Cash Default")

The Airbus Cash Lifestyle is the default option for members of Schedule 1 (Retirement Accounts) and Schedules 1, 2 and 3 (AVCs) of the Scheme. It is set out in the diagram below:



### Airbus Annuity Lifestyle

In addition to the default arrangements, members also have the option to invest in one other lifestyle, targeting annuity purchase. It is set out in the diagram below.



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## TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

### YEAR ENDED 5 APRIL 2021

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#### Review of the Defaults

The Trustee recognises that most members do not make active investment decisions and instead invest in the Defaults. After taking advice, the Trustee decided to make all of the Defaults adopt a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

All of the lifestyle funds in the Defaults use the same 'growth' strategy until 15 years before the member's selected retirement date, after which, each gradually diverges into different asset classes, depending on the target retirement outcome chosen. This approach ensures consistency during the initial growth phase

All Scheme members can choose a different lifestyle fund to their designated Default or select a range of self-select funds.

Full details of the current Default funds and other self-select funds that are available to members are described in the latest Default Arrangement Statement of Investment Principles ("DASIP") and DC Statement of Investment Principles ("SIP"). Both documents have been prepared in accordance with regulation 2A of the Occupational Pension Scheme (Investment) Regulations 2005.

The Default strategies are reviewed at least every three years; the latest review started in January 2020 and concluded on 24 September 2020. The performance and strategy of the Defaults were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the Defaults as stated in the SIP and DASIP, and to check that they continue to be suitable and appropriate, given the Scheme's risk profile and membership.

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the strategy and performance of the Defaults over the period. The Trustee concluded that drawdown and cash remain appropriate retirement targets for the Scheme. The Trustee reviewed the building blocks of the defaults and decided to make the following changes in order to improve the risk / return profile for members:

- Changes to the growth phase and equity allocation within both Defaults, which now have an 85% allocation to the Legal and General ("L&G") World (ex-UK) Equity Index Fund, a 10% allocation to the L&G World Emerging Markets Equity Index and a 5% allocation to the L&G UK Equity Index Fund. This brings the allocation in line with a market capitalisation approach.
- Replacing the allocation to cash in the Drawdown Default with the BlackRock Short-Duration Credit Fund. This fund has also been added as a self select option for members.
- Replacing 50% of the allocation to cash in the Cash Default with the BlackRock Short-Duration Credit Fund.

Whilst the strategy and performance review took place during the Scheme Year, for completeness these changes were actually implemented after the Scheme year end on 5 April 2021.

For background, the Scheme's SIP, which originally included details of the default arrangements, was signed on 11 December 2017. Since then it has been reviewed and the details of the default arrangements were integrated into a new Default SIP. This was signed on 8 July 2019 and is an appendix to this Statement. The DC SIP was updated and then approved during the Scheme Year on 28 September 2020.

The DASIP and SIP will be reviewed and updated at least every three years and whenever there is a significant change in investment policy. The DASIP and SIP will be updated again when the implementation of the strategy review is complete.

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### TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

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The Trustee's Statement on DC Governance, DASIP and SIP was available on the Airbus Group UK Pension Scheme Website [www.airbus.com/company/uk-pensions.html](http://www.airbus.com/company/uk-pensions.html) from 1 October 2020 in line with the statutory requirements.

The Scheme's fund performance is monitored by the Trustee at quarterly Board Meetings to ensure continued suitability and to discuss potential changes, where required. These reviews include an analysis of fund performance to check that the risk and return levels meet expectations. The Trustee undertook a full review of the Scheme's investment strategy, which started in January 2020 and concluded in September 2020, to ensure the lifestyle strategies and self-select fund range remain fit for purpose. The Trustee is satisfied that the performance of the Defaults has met the aims and objectives for the different groups of members that these funds represent.

The aims and objectives of the Defaults, as stated in the DASIP and SIP, are as follows:

- To provide members with access to the default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions.
- To generate returns significantly above inflation whilst members are some distance from retirement, but then to switch automatically and gradually to lower risk investments near retirement.
- 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.

#### **Processing of Core Financial Transactions**

The processing of core financial transactions is carried out by the Scheme's administrator, Legal & General (L&G). Core financial transactions include (but are not limited to):

- Receipt and investment of contributions
- Processing of transfers in and out of the Scheme,
- Transfers of assets between different investments within the Scheme, and
- Payments to members and beneficiaries.

The Trustee has received assurance from L&G that there are adequate internal controls to ensure that core financial transactions for the Scheme have been processed promptly and accurately.

The Trustee has a service level agreement ("SLA") in place with L&G which covers the accuracy and timeliness of all core financial transactions. The key processes adopted and used by L&G to help it meet the SLA are as follows:

- Full reconciliations are taken on every transaction both into and out of L&G. To do this it uses a 'Strategic Reconciliation Tool' which is monitored daily.
- For monies coming into the DC Section, a fully automated check is completed daily to ensure the money on the contribution file matches the money allocated to members' plans via 'straight through processing'. All money going out of the DC Section is 100% peer checked and authorised by a senior member of staff, prior to any disinvestment.
- L&G operates a robust review process, which is audited by the Trustee's auditors on an annual basis. In addition, L&G issues an annual Audit and Assurance Faculty report that details the controls and procedures in place.
- L&G uses an online scheme management system called "Manage Your Scheme", which allows the Company to manage and oversee the day-to-day running of the DC Section.
- Investment of contributions - investment instructions are issued to the investment managers within five working days of receipt of final contributions.

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- Transfers of members' assets out of the Scheme - disinvestment instructions are issued within ten working days of receipt of completed transfer out documentation.
- For payments from the Scheme to, or in respect of members, a disinvestment instruction in respect of the member's designated account in normal course of events is issued up to ten working days prior to normal retirement date, or up to ten working days after receipt of written confirmation from the member. A disinvestment will not be made until confirmation has been received from the member which enables benefits to be paid in a timely manner. Payments in relation to death benefits are treated in a similar manner to retirements, but a disinvestment instruction is issued within five working days of the Trustee confirming who should receive benefits.

The Trustee monitored this by reviewing the SLAs in L&G's quarterly governance report. L&G provides the Scheme with a dedicated 'Key Account Manager' who has technical knowledge of the Scheme. The relationship with this individual has helped to identify potential issues quickly and to resolve them efficiently.

Any issues identified by the Trustee as part of its review processes of L&G's quarterly governance reports at Trustee meetings is raised with L&G immediately, and steps are taken to resolve these.

The Airbus Pensions Team also holds quarterly administration meetings with L&G, which provides updates on SLAs and identifies any themes in queries from members, so that they can be analysed and addressed. In addition, the parties work together to identify processes where improvements can be made and to provide an enhanced level of customer service.

The Scheme's external auditor independently tests a contribution sample from all participating employers for accuracy and timeliness.

Based on its review processes, the Trustee is therefore satisfied that over the Scheme Year:

- L&G had been operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there had been no administration issues in relation to processing core financial transactions; and
- all core financial transactions had been processed promptly and accurately during the Scheme Year.

#### **Assessment of Member-borne Charges and Transaction Costs**

The Trustee is required to set out the on-going charges incurred by members over the Scheme Year, which are annual fund management charges plus 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 charges and transaction costs have been supplied by L&G, which is the Scheme's platform provider. All transaction cost data has been obtained from L&G and none is outstanding.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated, it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustee has shown any negative figure as zero.

The charges on all funds within the Airbus Group UK Pension Scheme comprised a fixed administration charge of 0.14%pa and a fund management charge which differs between funds.

The Trustee is also required separately to disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and

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### TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

#### YEAR ENDED 5 APRIL 2021

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sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds.

It should be noted that for all members of Schedule 4 and of Schedules 1, 2 and 3 with a Retirement Account or AVCs, the members bear the cost of the administration charge. For the Schedule 5 members, it was agreed as part of the Cassidian transfer in 2018 that the Company would pay the administration charge.

#### Default Arrangements

For Schedule 4 and 5 members in the Airbus Group UK Retirement Plan, the default arrangement is the Airbus Drawdown Lifestyle (the "Drawdown Default").

For Schedule 1, 2 and 3 members within the Airbus Group UK Pension Scheme with retirement accounts and/or AVCs, the default investment strategy is the Airbus Cash Lifestyle (the "Cash Default").

The Defaults have been set up with lifestyle approaches, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

During the Scheme Year, annualised charges and transaction costs are set out in the following tables.

#### Airbus Drawdown Lifestyle

Years to Target Retirement Date	Total TER (incl. 0.14% admin charge)	Transaction costs (%)
15+	0.24	0.00
10	0.26	0.00
5	0.28	0.00
0	0.28	0.00

#### Airbus Cash Lifestyle

Years to Target Retirement Date	Total TER (incl. 0.14% admin charge)	Transaction costs (%)
15+	0.24	0.00
10	0.26	0.00
5	0.28	0.00
0	0.23	-0.01

The charges for the default investment funds remain within the criteria set for a qualifying scheme for automatic enrolment.

#### Self-Select options

In addition to the default arrangements, members also have the option to invest in one other lifestyle, targeting annuity purchase and several other self-select funds. The annual charges for this lifestyle during the period covered by this Statement are set out in the tables below.

#### Airbus Annuity Lifestyle

Years to Target Retirement Date	Total TER (incl. 0.14% admin charge)	Transaction costs (%)
15+	0.24	0.00
10	0.26	0.00
5	0.28	0.00
0	0.23	0.01



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The level of charges for each self-select fund (including those used in the Defaults) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Defaults are shown in bold.

Fund name	Total AMC (incl. 0.14% admin. charge)	Transaction Costs
<b>L&amp;G Global Equity Fixed Weights (50:50) Index Fund</b>	0.24	0.00
<b>L&amp;G AAA-AA-A Corporate Bond Over 15 Year Index</b>	0.26	0.01
L&G Over 15 Year Gilts Index Fund	0.22	0.00
L&G Over 5 Year Index Linked Gilts Fund	0.22	0.03
L&G UK Equity Index Fund	0.24	-0.02
L&G World (ex UK) Equity Index Fund	0.26	-0.01
L&G World Emerging Markets Equity Index Fund	0.39	0.02
<b>L&amp;G Diversified Fund</b>	0.43	0.00
L&G Property Fund	1.37	-0.05
HSBC Islamic Global Equity Index Fund	0.49	0.03
LGIM Ethical Global Equity Index Tracker	0.44	-0.01
<b>L&amp;G Cash Fund</b>	0.23	-0.01
L&G Pre-Retirement Fund	0.26	0.07
L&G PMC Invesco Perpetual Global Targeted Returns	0.89	0.52
L&G PMC Veritas Global Focus Fund	0.98	0.20

#### Information Regarding Investment Transaction Costs

The following tables illustrate the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustee has had regard to the relevant statutory guidance.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

The transaction cost figures used in the illustration are those provided by the managers over the last two years, subject to a floor of zero (so the illustration does not assume a negative cost). We have used the average annualised transaction costs over the past two years as this is the longest period over which figures were available.

- The illustrations are shown for the Airbus Drawdown Lifestyle and Airbus Cash Lifestyle, since these are the arrangements with the most members invested in them, as well as four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return - this is the L&G World Emerging Markets Equity Index
  - the fund with the lowest before costs expected return - this is the L&G Cash Fund
  - the fund with highest annual member borne costs - this is the L&G Property Fund
  - the fund with lowest annual member borne costs - this is the L&G Over 15 Year Gilts Index Fund. Please note that this Fund has been classified as the fund with lowest annual member borne costs due to having the lowest AMC (including the administration charge) of the Scheme's self-select fund range over the Scheme year. However, due to the L&G Cash Fund having lower average annualised transaction costs over the past two years, the L&G Cash Fund appears to have lower member borne costs in the illustrations below.

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## TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

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### Drawdown Lifestyle

#### *Projected pension pot in today's money*

Years invested	Drawdown Lifestyle		L&G World Emerging Markets Equity Index Fund		L&G Cash Fund		L&G Property Fund		L&G Over 15 Year Gilts Index Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£8,300	£8,300	£8,500	£8,400	£8,100	£8,100	£8,300	£8,200	£8,100	£8,100
3	£14,900	£14,800	£15,500	£15,400	£13,800	£13,700	£14,800	£14,400	£13,800	£13,700
5	£21,600	£21,500	£23,100	£22,800	£19,300	£19,100	£21,400	£20,500	£19,300	£19,100
10	£39,300	£38,800	£44,400	£43,400	£31,900	£31,500	£38,400	£35,500	£31,900	£31,400
15	£58,300	£57,100	£69,800	£67,400	£43,100	£42,300	£56,400	£50,300	£43,100	£42,300
20	£78,700	£76,600	£99,900	£95,400	£53,100	£51,900	£75,300	£64,900	£53,100	£51,800
25	£100,500	£97,100	£135,700	£128,000	£62,000	£60,300	£95,100	£79,100	£62,000	£60,200
30	£122,700	£117,700	£178,200	£165,900	£69,900	£67,700	£115,900	£93,100	£69,900	£67,500
35	£144,000	£137,000	£228,600	£210,200	£77,000	£74,200	£137,900	£106,900	£77,000	£74,000
40	£160,800	£151,600	£288,600	£261,700	£83,200	£79,900	£160,900	£120,400	£83,200	£79,700

### Cash Lifestyle

#### *Projected pension pot in today's money*

Years invested	Cash Lifestyle		L&G World Emerging Markets Equity Index Fund		L&G Cash Fund		L&G Property Fund		L&G Over 15 Year Gilts Index Fund	
	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£8,300	£8,300	£8,500	£8,400	£8,100	£8,100	£8,300	£8,200	£8,100	£8,100
3	£14,900	£14,800	£15,500	£15,400	£13,800	£13,700	£14,800	£14,400	£13,800	£13,700
5	£21,600	£21,500	£23,100	£22,800	£19,300	£19,100	£21,400	£20,500	£19,300	£19,100
10	£39,300	£38,800	£44,400	£43,400	£31,900	£31,500	£38,400	£35,500	£31,900	£31,400
15	£58,300	£57,100	£69,800	£67,400	£43,100	£42,300	£56,400	£50,300	£43,100	£42,300
20	£78,700	£76,600	£99,900	£95,400	£53,100	£51,900	£75,300	£64,900	£53,100	£51,800
25	£100,500	£97,100	£135,700	£128,000	£62,000	£60,300	£95,100	£79,100	£62,000	£60,200
30	£122,700	£117,700	£178,200	£165,900	£69,900	£67,700	£115,900	£93,100	£69,900	£67,500
35	£144,000	£137,000	£228,600	£210,200	£77,000	£74,200	£137,900	£106,900	£77,000	£74,000
40	£151,200	£142,900	£288,600	£261,700	£83,200	£79,900	£160,900	£120,400	£83,200	£79,700

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#### Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation are assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £5,100. This is the approximate average (median) pot size for active members aged 30 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection)
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The starting salary is assumed to be £31,200. This is the approximate median salary for active members aged 30 or younger.
- Total contributions (employee plus employer) are assumed to be 10.0% of salary per annum.
- The projected annual returns used are as follows:
  - Drawdown default option: 1.4% above inflation for the initial years, gradually reducing to a return of 0.2% below inflation at the ending point of the lifestyle.
  - Cash default option: 1.4% above inflation for the initial years, gradually reducing to a return of -2.3% below inflation at the ending point of the lifestyle.
    - L&G World Emerging Markets Equity Index: 3.5% above inflation
    - L&G Over 15 Year Gilts Index Fund: 2.3% below inflation
    - L&G Property Fund: 1.0% above inflation
    - L&G Cash Fund: 2.3% below inflation
- No allowance for active management outperformance has been made.

The bespoke statements can be found on the Airbus Group UK Pension Scheme Website [www.airbus.com/company/uk-pensions.html](http://www.airbus.com/company/uk-pensions.html)

The Trustee has taken an interest in the Environmental, Social and Governance (ESG) aspects of fund management. The Trustee has proactively met with the fund managers to ensure that its strategy is in line with the Trustee's priorities and is being promoted. The Trustee is pleased to note that the active and engaged approach of the fund managers towards ESG meets their requirements. The SIP details the Trustee's approach to ESG and Stewardship.

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## TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

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### 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. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. Member borne charges covering the Scheme year to 5 April 2021 were reviewed on 29 July 2021. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

The Trustee believes the transaction costs provide value for members, as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time. All members except Schedule 5 members, bear the cost of the administration charges, but overall charges remain competitive when compared to similar sized bundled schemes. For the Schedule 5 members, it was agreed as part of the Cassidian transfer that the Company would pay the administration charge.

In carrying out the assessment, the Trustee also considers other benefits members receive from the Scheme but do not pay for, which include:

- the oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and addressing any material issues that may impact members. The conclusion of the VFM analysis ranked this governance and oversight as very good and accorded to the Trustee's commitment to running the Scheme.
- the design of the default arrangements and how this reflects the interests of the membership as a whole. This was ranked as very good in the conclusion of the VFM analysis. The default investment strategies target drawdown and cash at retirement, depending on which section of the Scheme members are in, which was confirmed to be suitable for the majority of members following the strategy review undertaken over 2020 with follow up advice in July 2020. The default strategies are broadly achieving their stated performance objectives.
- the range of investment options and strategies. This was ranked as very good. Members are offered multiple lifestyles, each targeting a different retirement option. The self-select fund range is broad, appropriate, not duplicated, and gives access to a number of specialist asset classes.
- the quality of communications delivered to members. This was ranked as good. Communications are clear, tailored and informative, however it was identified that there needs to be additional, or more regular communications and "nudges" to increase member engagement.
- the Scheme design including the Company commitment to the Scheme, and level and flexibility of contribution structures. This was ranked as very good. The Company and Trustee's commitment to the Scheme is strong and demonstrated in the design and contribution structure.
- the 'At retirement' options. This was ranked as very good. The Scheme offers all the flexible retirement options, including access to a Master Trust . Transfers away from the Scheme can be made efficiently.

## AIRBUS GROUP UK PENSION SCHEME

### TRUSTEE'S STATEMENT ON DC GOVERNANCE *(continued)*

#### YEAR ENDED 5 APRIL 2021

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- the efficiency of administration processes and the extent to which L&G met or exceeded its SLAs. This was ranked as very good and carried out as detailed in the earlier section covering the processing of core financial transactions. The Trustee is comfortable with the quality and efficiency of the administration processes provided by L&G and believes it to be of a high standard.

The VFM assessment analysis ranked the costs and charges borne by members as very good. Overall, the Trustee is confident that members of the Airbus Group UK Pension Scheme are receiving good value for money for the reasons set out in this section. The Trustee aims to improve value for members in future by improving the frequency of communications for members to increase member engagement and continuing to maintain the high standards in other areas as it has demonstrated to date.

#### **The Trustee Directors' Knowledge and Understanding**

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements of sections 247 and 248 of the Pensions Act 2004 have been met during the Scheme Year are set out below.

The Trustee has a comprehensive trustee knowledge and understanding policy and all Trustee Directors have completed the Pension Regulator's Trustee Toolkit. Training opportunities are provided throughout the year to ensure competency is maintained. The in-house training usually comprises of a set structure where the Pensions Consultative Committee, which comprises elected member representatives from across the Scheme, are invited to join some parts of a 3 day training course run for the Trustee Directors. This allows for Company Nominated Trustees, Member Nominated Trustees and prospective Member Nominated Trustees to combine their learning efforts where appropriate. Sessions that have more technical content are also held for the benefit of the Trustee Directors. Due to the pandemic, the Trustees were unable to hold the 3 day training course. During the Scheme Year, the Trustee Directors received training on Stewardship, key points of the Pensions Act 2021 provided by their professional advisers. In addition, the Trustee Directors receive regular updates from their advisers on the latest regulatory requirements and industry trends, in particular quarterly updates from their DC adviser. Following the VFM assessment, the Trustee knowledge reported is very good and robust governance processes are well established.

Most Trustee Directors also regularly attend conferences, seminars and webinars to keep up to date on current affairs and topics in the pensions arena. A record of attendance is kept centrally by the Secretary to the Trustee.

Each Trustee Director has an annual assessment and discussion each year with the Independent Trustee Chairman where areas for improvement are identified and actions are planned accordingly.

Each Trustee (excluding those who joined after the year to April 2021) has completed the PMI Award in Pension Trusteeship. The Secretary to the Trustee also holds this qualification.

The Scheme's professional advisers have experienced teams that specialise in advising trustees of occupational pension schemes. They provide the Trustee with investment and legal advice, and with training.

Various scenarios have risen throughout the year through individual member cases where a working knowledge of the Scheme (including the Trust Deed and Rules, the Statement of Investment Principles and various Trustee Policies) was evident. However, the cases also highlighted where the Trustee relied on expert knowledge (such as that from their legal advisers) to supplement their existing knowledge and come to a rational, justified and sound decision.

The Trustee Board also undertake an annual evaluation of the performance and effectiveness of the Board. A questionnaire devised by the previous Secretary to the Trustee (who used the Law Debenture guides as a basis) is issued to each individual Trustee. The results are collated anonymously, and a

## **AIRBUS GROUP UK PENSION SCHEME**

### **TRUSTEE'S STATEMENT ON DC GOVERNANCE** *(continued)*

**YEAR ENDED 5 APRIL 2021**

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discussion is usually held at the Q4 Trustee Board to discuss the results. The results of the review for 2020, which includes a significant part of the Scheme Year, were shared with the Trustee Board and discussed at the June 2021 Trustee meeting. Overall, the Trustee Directors were satisfied with the results which indicated that the Trustee Board was competent.

Considering the knowledge and experience of the Trustee Directors, which includes the independent Chair of Trustee and an independent professional trustee (Capital Cranfield Pension Trustees Limited, represented by Lukshmi Selvarajah was appointed 1 October 2020) and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

Signed for and on behalf of Airbus UK Pension Trustee

**Chairman of Trustee Board**

**Date: 16 September 2021**