Implementation Statement, covering the Scheme Year from 6 April 2020 to 5 April 2021

The Trustee of the Airbus Group UK Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") and Default Arrangement Statement of Investment Principles ("DASIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

This Statement is based on the Scheme's SIP agreed on 8 July 2019 and its replacement SIP which was agreed on 28 September 2020. This Statement uses the same headings as the latest SIP and should be read in conjunction with the latest SIP and DASIP which can be found online at **https://www.airbus.com/company/uk-pensions/privacy-policy.html#Inv**

A copy of this statement will be posted by 1 October 2021 on the Scheme's website at the same link as above.

1. Introduction

The SIP was reviewed and updated during the Scheme Year (6 April 2020 – 5 April 2021) in September 2020 to reflect:

- statements regarding the Trustee's view on non-financial matters, to address the 2018 amendments to the Occupational Pension Schemes (Investment) Regulations 2005. This reflects that it 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;

- statements regarding the Trustee's policies regarding their investment managers, which address the requirements of the 2019 SIP regulations which implement the European Union Shareholder Rights Directive. . This included updates to the Trustee's policies regarding investment manager fees, portfolio turnover and associated transaction costs and how the Trustee monitors manager performance; and

- the Trustee's policy towards equity risk, to reflect the Trustee believes that equity risk is a rewarded investment risk, over the long term, and considers exposure to equity risk in the context of the Scheme's overall investment strategy.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the policies in the Scheme's SIP and DASIP during the Scheme Year.

2. Investment objectives

The first part of the triannual strategy review was completed on 24 January 2020 and the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

Subsequent parts of the performance and strategy review of the DC default arrangements were undertaken over 2020 and completed on 28 September 2020. 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 remained suitable and appropriate given the Scheme's risk profile, membership and the variety of ways that members may draw their benefits in retirement from the Scheme. Based on the outcome of this analysis, the Trustee concluded that the targets of the defaults have been designed to be in the best interests of the majority of the Scheme's members (targeting drawdown and cash) and reflects the demographics of those members. In order to improve the diversification of the defaults and the risk/return profile for members, the Trustee decided to make various changes, detailed in section 3, to the defaults which were implemented after the Scheme Year, on 15 April 2021.

The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available an alternative lifestyle strategy and a self-select fund range to members covering all major assets classes (as set out in Appendix 3 of the SIP). The Trustee monitors the take up of these funds and their DC advisers have confirmed it is in-line with the market.

The Trustee reviewed the membership demographics as part of the first part of the triannual strategy review completed on 24 January 2020.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the default arrangements over the Scheme Year. 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 default lifestyles, which now have a 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. These changes were made to further diversify the equity allocation within the lifestyle strategies and bring the allocation in line with a market capitalisation approach.

- Replacing 100% of the allocation to cash in the Airbus Drawdown Lifestyle and 50% of the allocation to cash in the Airbus Cash Lifestyle with the BlackRock Short-Duration Credit Fund. This fund has also been added as a self select option for members. These decisions were made to increase the long term expected return of the cash allocations in a risk-controlled manner

These changes were implemented after the Scheme Year end on 5 April 2021.

As part of this review the Trustee made sure the Scheme's default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Trustees will, from time to time, review retirement data to see how members access their benefits to check whether assumptions made about how members will access their benefits are borne out in practice.

4. Considerations in setting the investment arrangements

As part of the review of performance and strategy of the default, the Trustee considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

In January 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020. The Trustee was satisfied with the results of the review for the Scheme's investment managers.

5. Implementation of the investment arrangements

The Trustee has entered into a contract with a platform provider, L&G, who makes available the range of investment options to members. As all the funds are accessed via an agreement with the Scheme's platform provider, there is no direct legal relationship between the Scheme and the underlying investment managers of the DC investment funds. Nevertheless, the Trustee is responsible for appointing and providing governance oversight of the managers which the Scheme accesses via the L&G arrangement.

No changes to the manager arrangements have been implemented over the Scheme Year but the Trustee decided on some changes as part of the investment strategy review that took place over the Scheme Year. These are detailed in section 3 above.

The Scheme uses L&G passive funds within the fund range. In order to further diversify the equity allocation within the lifestyle strategies, the Trustee took the decision to incorporate several L&G passive equity funds within the lifestyle strategies. In addition, a decision was taken to add the BlackRock Short-Duration Credit Fund within the drawdown and cash targeting default strategies and the self-select fund range. This decision was made to increase the long term expected return of the cash allocations in a risk-controlled manner. The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the funds. This change took place following the end of the Scheme Year.

Before appointing the managers, the Trustee received information on the investment processes and philosophy, the investment teams and past performance. The Trustee also considered the manager's approach to responsible investment and stewardship.

The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund. No updates were provided to the Trustee during the Scheme year.

The Trustee updated the SIP on 28 September 2020 to reflect its policies regarding their investment managers, in line with the latest legislative requirements. This included updates to the Trustee's policies regarding investment manager fees, portfolio turnover and associated transaction costs and how the Trustee monitors manager performance.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using the quarterly investment report provided by L&G. The report shows the performance of each manager over the quarter, 1 year, 3 years and 5 years. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the Scheme year and the long-term.

Over the Scheme Year, the Trustee undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against schemes with similar sizes mandates. Overall the Trustee believes the investment managers provide good value for money.

6. Realisation of investments

It is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the Scheme's funds which the Trustee offers are daily priced.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In the paper titled 'Responsible Investment: Our view of your managers and plans for 2020' produced by the investment adviser, LCP in January 2020, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores are based on LCP's Responsible Investment Survey 2020.

The Trustee was satisfied with the results of the review and no further action was taken.

Within the DC Section the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the L&G Ethical Global Equity Fund as an investment option to members.

The Trustee updated the SIP on 28 September 2020 to reflect that it 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.

8. Voting and engagement

This is covered in Section 7 and 12.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investment managers on an ongoing basis as part of the quarterly investment reports they receive.

The performance of the investment adviser is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for its investment adviser in accordance with the required Order and will review the adviser's performance against these objectives on a regular basis and the last review took place in December 2020.

During the Scheme year, the Trustee Directors received training on Stewardship and the Pensions Act 2021. 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.

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.

The Trustee Board undertook annual evaluation of the performance and effectiveness of the Board. 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. The Trustee will report this to the members in the upcoming newsletter.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustee maintains a risk register and this is discussed at quarterly meetings, with an in depth review undertaken on an annual basis.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Trustee's policy towards equity risk, which is the risk that the Scheme's equity holdings fall in value and is commonly considered a key risk by pension schemes, was updated on 28 September 2020. The Trustee believes that equity risk is a rewarded investment risk, over the long term, and considers exposure to equity risk in the context of the Scheme's overall investment strategy. The Trustee has used equity and equity-based funds in the growth phase of the defaults and they are also made available within the self-select fund range.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Scheme's SIP.

12. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and as noted in the Scheme's SIP, 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, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations. The Trustee itself has not used proxy voting services over the Scheme Year. The Trustee notes each of the investment managers quarterly reports and questions investment managers on any voting or ESG issues when necessary.

In this section we have sought to include voting data on the Scheme's funds that hold equities as follows:

- L&G Global Equity Fixed Weights 50:50 Index Fund
- L&G Diversified Fund

For the DC Section we have included only the funds used in the default strategy and not any self-select funds.

12.1 Description of the voting processes

Both funds included in this section are managed by Legal and General Investment Management ("LGIM"). LGIM have provided the following wording regarding its voting processes.

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS' 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS' recommendations is to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the year to 31 March 2021 is provided in the table below.

	Fund 1	Fund 2
Manager name	LGIM	LGIM
Fund name	L&G Global Equity Fixed Weights 50:50 Index Fund	L&G Diversified Fund
Total size of fund at end of reporting period	£4.1bn	£11.1bn
Value of Scheme assets at end of reporting period	£151m	£16m
Number of equity holdings at end of reporting period	2,858	6,642
Number of meetings eligible to vote	3,641	11,362
Number of resolutions eligible to vote	44,680	115,604
% of resolutions voted	100.0%	99.0%
Of the resolutions on which voted, % voted with management	83.6%	81.7%
Of the resolutions on which voted, % voted against management	16.3%	17.7%
Of the resolutions on which voted, % abstained from voting	0.2%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management	5.5%	6.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.4%	0.2%

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below. The Trustee has not formulated its own definition of what constitutes a significant vote and has therefore relied on its managers' definitions as provided below. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM's Investment Stewardship's 5-year ESG priority engagement themes.

Due to the number of votes provided by LGIM, the votes selected are those which relate to ESG factors. The most significant voting data included below applies to both the L&G Global Equity Fixed Weights 50:50 Index Fund and the L&G Diversified Fund. Further information on L&G's most significant votes are available on request from the Airbus Pensions Team at https://www.airbus.com/company/uk-pensions/contact-us.html#PCC.

Vote #1: Whitehaven Coal, November 2020. Vote: For.

Summary of resolution: Request for the company to produce a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Rationale: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, LGIM believe the phase-out of coal will be key to reaching these global targets.

Reason this vote was assessed as significant: The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.

Vote #2: Pearson, September 2020. Vote: Against.

Summary of resolution: Amendments to the company's remuneration policy.

Rationale: Pearson issued a series of profit warnings under its previous CEO. The company put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy, seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company. If this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM took the decision to vote against the amendment to the remuneration policy.

Reason this vote was assessed as significant: Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, LGIM deemed this vote to be significant.

Vote #3: ExxonMobil, May 2020. Vote: Against.

Summary of resolution: Elect Director Darren W. Woods.

Rationale: In June 2019, under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that it would be removing ExxonMobil from its Future World fund range and would be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, LGIM also announced it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.

Reason this vote was assessed as significant: LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

Vote #4: Qantas Airways, October 2020. Votes: Against Alan Joyce's participation in the long-term incentive plan and For the remuneration report.

Summary of resolutions: Approve CEO Alan Joyce's participation in the long-term incentive plan and approve the remuneration report.

Rationale: The COVID-19 crisis had an impact on the financials of Qantas, an Australian airline company. In light of this, the company raised significant capital to be able to execute its recovery plan and cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as it wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. LGIM voted for the remuneration report given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan in light of the pandemic. However, LGIM had concerns regarding the value of the 2021 long-term incentive plan grant, especially given the company share price at the date of the grant. As a result LGIM voted against the resolution to approve CEO Alan Joyce's participation in the long-term incentive plan.

Reason this vote was assessed as significant: It highlights the challenges of factoring in the impact of the COVID situation into executive remuneration packages.