BBA Income and Protection Plan

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the BBA Income and Protection Plan (the “Plan”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Plan.

The Plan’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

More details on the Plan’s investment arrangements can be found in Appendix C.

Adhering to industry standards

In relation to the Myners Code of Conduct for Investment Decision Making, the extent of the Trustee’s adoption of the Code is provided in a separate document named the Myners Code Adherence Document.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expects investment managers to comply with the code and to produce a statement of their commitment to the code.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Plan invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Plan’s total value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Governance

The Trustee of the Plan make all major strategic decisions including, but not limited to, the Plan's asset allocation and the appointment and termination of investment manager appointments.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

Investment objectives

The Trustee invests the assets of the Plan with the aim of ensuring that all members' accrued benefits can be paid. The Plan's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Plan's circumstances.

The Trustee has agreed that it was appropriate to target 100% funding on a buyout basis on or before 31 December 2030. The Plan's funding target is specified in the Statement of Funding Principles.

The Plan's present investment objective is to achieve a return of 1% across all assets and 2.9% excluding the 2 buy-ins per annum above the return on a liability matching portfolio of UK Government bonds. This expected return reflects Isio's asset class return assumptions as at 30 September 2021.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Plan's investment strategy.

The Plan's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Plan's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of contributions required to fund the Plan, and also the strength of the Signature Aviation plc's covenant.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Plan consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Plan as listed in the SIP. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as is reasonably practicable.

As most of the Plan's assets are invested in pooled vehicles, the custody of these holdings is arranged by the investment manager.

The Trustee has appointed a custodian to operate alongside the segregated LDI mandate in place. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

In April 2008 the Trustee purchased a matching asset for the then current pensioner liabilities via a "buy in" transaction, i.e. the purchase of a bulk annuity policy with Legal & General Assurance Society ("LGAS"). The annuity is an asset of the Plan and the corresponding pensioner obligations also remain as liabilities of the Plan. On a quarterly basis, until March 2010, the Trustee paid an additional premium to LGAS to secure matching assets for further retirement pensions as they came into payment.

In February 2020 the Trustee purchased a further matching asset for the remaining pensioner liabilities not covered by the 2008 buy in via a second buy in transaction with LGAS.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Plan's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receives a quarterly monitoring report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Plan's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment manager have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Plan's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers' approach to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee policies in this area.

Through the engagement described above, the Trustee will work with the investment manager to improve their alignment with the above policies. Where this improvement is not forthcoming, the Trustee will review the investment manager's appointment and will consider terminating the arrangement.

Signed: Jo Myerson

Date: 7 December 2021

On behalf of the Trustee of the BBA Income and Protection Plan

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The likelihood of the Plan's assets achieving losses relative to an expected rate of return.	• Selecting an investment objective that is achievable and is consistent with the Plan's funding basis and the sponsoring company's covenant strength. • Investing a diversified portfolio of assets.
Funding	The extent to which there are insufficient Plan assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial report to the Plan.	• When developing the Plan's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Plan is exposed to is at an appropriate level for the covenant to support.

The Plan is exposed to a number of underlying risks relating to the Plan's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Plan assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 80% of these risks relative the Plan's liabilities on a gilts +0% basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI/synthetic equity manager.

Market risk	Experiencing losses due to factors that affect the overall performance of the financial markets.	To hold assets such as bonds which deliver a return through contractual income, which limits the exposure to market risk. To appoint investment managers who diversify market risk by region and sector.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Plan for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Plan's investments.	To appoint managers who satisfy the following criteria (and monitor these managers on an ongoing basis), unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factor to improve medium to long-term performance 4. ESG specific reporting 5. UN PRI Signatory Further details on ESG policy can be found in the ESG Policy Statement which sets out the Trustee's policy on integrating ESG factors into the investment decision-making process.
Currency	The potential for adverse currency movements to have an impact on the Plan's investments.	Hedge 100% currency risk on the credit mandates. For the equity mandate 100% of the USD exposure is hedged which is c.2/3^{rds} of the total currency exposure.
Non-financial	Any factor that is not expected to have a financial impact on the Plan's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Plan:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.	• As the Plan is mostly invested in several pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee policies. However, the Trustee instructs their Investment Consultant to engage with their managers in order to outline the Trustee's policies and influence future decision making to align to these. • The Trustee has invested in a segregated LDI arrangement, thereby allowing the investment manager to align their strategy with the Trustee policies. This is reviewed on an ongoing basis to ensure that the manager's strategy and decisions are in line with expectations.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee policies.	• The Trustee reviews the performance of all of the Plan's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Plan's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Plan invests in. o For closed ended funds or funds with a lock-in period the Trustee ensures

	the timeframe of the investment or lock-in is in line with the Trustee objectives and Plan’s liquidity requirements. ○ For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Appendix C

Manager Arrangements

Details of the Plan's investment strategy and structure are provided in the tables below. Any change in investment structure may require a corresponding change in the statement.

Asset Class	Target Proportion (%)	Benchmark
Return Seeking	83.3%	
Synthetic Equity	11.7%	MSCI World ex-UK ESG Leaders (100% USD hedged to GBP)
Long Lease Property	5.0%	RPI
Liquid Diversified Credit	20.0%	SONIA
Higher Return Credit	30.0%	LIBOR
Illiquid Credit	16.7%	LIBOR
Liability Matching	16.7%	
Liability Driven Investment (LDI)	16.7%	80% Gilts +0% Liabilities
Total	100%	

Note: The actual weightings fluctuate with the holdings in both respective benchmark indices.

The strategy shown in the table above is subject to ongoing review by the Trustee.

The Plan's assets (excluding the portion allocated to the buy-in policy) are managed by the following managers, all of whom are authorised under the Financial Services Markets Act 2000 to undertake investment business.

Mandates	Target Proportion (%)
Return Seeking	83.3%
River & Mercantile Synthetic Equity	11.7%
M&G Secured Property Income Fund	5.0%
M&G Total Return Credit Investment	20.0%
Apollo - Total Return Fund	15.0%
Barings - Global High Yield Credit Strategies	15.0%
Partners Group - Private Market Credit Strategies Fund (2018)	16.7%
Liability Matching	16.7%

River & Mercantile Liability Driven Investment (LDI)	16.7%
Total	100%

The Trustee considers rebalancing Plan assets on a quarterly basis. The typical objective will be to ensure the allocation to “growth” and “matching” assets will remain with the bounds of +/- 5% of target. Any rebalancing switches required will be used to bring investment manager weightings back towards target allocations. The Trustee also uses any monthly surpluses or deficits arising from the administrator’s cashflow to rebalance.