

# The BA CityFlyer Pension Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. It confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated September 2020 have been implemented. The SIP provides further background on investment arrangements and should be read in conjunction with this document as well as the Trustees' Annual Governance Statement dated January 2022.

This Statement covers the period 01 October 2020 to 30 September 2021.

2020 Trustee Services Limited were appointed as the sole professional independent Trustee to the Scheme on 10 December 2021. Whilst this implementation statement is based on the SIP that was put in place by the former Trustees to the Scheme, Chris Halewood, as the Trustee Director representing 2020 Trustee Services Limited has reviewed the SIP dated September 2020 and confirmed that it remains appropriate.

### Investment managers and funds in use

The Scheme is invested in an insured contract with AVIVA. The Scheme is paid up so has no ongoing contributions. Funds into which members are permitted to invest are listed within the table below but over 95% of member assets are invested in the With Profits fund. Those members who have investments in Multi-asset funds, in the main, have a portion in the With Profits fund too and have elected to diversify with a percentage of their fund.

Asset Class	Fund
<b>With Profits</b>	FLC With-profits sub fund
<b>Multi-asset</b>	AV Asia Pacific excl Japan AV Ethical Distribution AV Global Equities AV Global managed AV Higher Income AV Managed AV Overseas AV Property AV Retirement Distribution AV UK Equity AV Fixed Interest AV Cash

### Strategy Review

The Trustees periodically review the investment choices, including whether the arrangements provide value for members. Further details are set out in the Annual Governance Statement.

This is a paid-up Scheme and has no ongoing contributions. Historically the default fund selected by the Trustees was the AVIVA (previously Friends Life) With Profits fund. This carries a 4% guaranteed return which attaches to the value each year and can pay a terminal bonus on crystallisation of benefits or upon moving away from the fund (This fund could also apply a market value reduction in

certain circumstances but this has not been applied to date). According to the former Trustees, many members have expressed their preference for this fund and having been reminded that they can switch to alternative arrangements, have elected to retain the guarantees and low risk nature of the With Profits fund.

The Trustees do have an intended strategy in conjunction with the employer for winding up the BA CityFlyer Pension Scheme. This will still allow those members to retain their investment in the With-Profits fund, including the retention of the 4% guaranteed growth, via a transfer to an AVIVA plan in their own name. This means that no investment strategy would be taken prior to wind up which would jeopardise this position.

## **Scheme Governance**

Governance arrangements, in terms of the constitution of the trustee board, service level agreements with providers, processing of core financial transactions, costs and charges and investment arrangements, are detailed in the Trustees' Annual Governance Statement.

The Trustee board is responsible for making investment decisions, and seeks advice from Broadstone Corporate Benefits Limited, as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Plan to help form their policies set out in the SIP.

## **Trustee Knowledge and Understanding**

The Trustee board solely consists of a corporate professional trustee and as such has the appropriate knowledge and understanding to ensure its policies on financially and non-financially material considerations, as well as engagement and voting activities, are and remain appropriate for the Plan. Further details are set out in the Annual Governance Statement.

## **Statement of Investment Principles**

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2020. The SIP was also previously updated for new investment regulations in relation to Environmental, Social & Governance (ESG) considerations.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out below and are detailed in the SIP.

There were no departures from the policies set out in the SIP, including the Trustees' policies on financially and non-financially material considerations, during the year.

## **Policy on financially material considerations**

- 1. The Trustees policy on financially material considerations – The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. However, the only way in which the Trustees could take direct control of such***

***decision making is to surrender the insurance contract. As this would have significant implications to the financial security of member benefits owing to the loss of guarantees held within the BA CityFlyer Pension Scheme; and given the fact that >95% of member assets are invested in a with-profits fund which would no longer be available upon surrender of the contract, the Trustees have decided to retain the insurance policy and fully delegate ESG decisions and other Financially Material Considerations to the manager(s) of the relevant funds. Likewise, the stewardship of investments, including the exercise of any attaching voting rights is fully delegated to the manager of the underlying funds. Non-financial matters, such as member views on ethical matters are not considered as part of the Trustees investment decision-making process as it would be impossible to take these into account within the current investment strategy. There is an ethical fund option for members who wish to choose this.***

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees and their investment advisers have reviewed AVIVAs Responsible Investment Policy and the Principles and Practices of Financial Management document for the With Profits fund.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in pooled funds. The Trustees expect the investment managers to take financially material ESG factors into account.

### **Policy for taking into account non-financially material considerations**

***Trustees' Policy: Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect its Investment Managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.***

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year.

### **Policy on the exercise of voting rights and engagement activities**

***Trustees' Policy: The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees cannot exercise their responsibilities directly as they do not hold investments in their name. The Trustees expect their Investment Managers to exercise voting rights on all***

***resolutions at annual and extraordinary general meetings of companies. The Trustees expect their Investment Managers to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame.***

There have been no changes to the Trustees' policy, nor any departures from their policy, during the year. All voting activities have been delegated to the investment managers as the Trustees do not have any legal right to vote on the underlying holdings given the pooled nature of the Scheme's investments.

The Trustees currently invest in pooled investment funds and they acknowledge that this limits their ability to directly influence each investment manager.

### **Monitoring of Investment Arrangements**

Over 95% of member funds are invested in the With Profitsfund. This carries a 4% guaranteed growth which is attached to the members fund value each year. The underlying performance of the sub fund assets is reviewed by the Trustees but this is not directly related to the returns received by the members.

A handwritten signature in black ink, appearing to read 'Chris Halewood', with a stylized, looping flourish at the end.

**Chris Halewood, Trustee Director, 2020 Trustee Services Limited**

**On behalf of 2020 Trustee Services Limited, as Trustees of the BA CityFlyer Pension Scheme**

**19 January 2022**