The British Airways Holidays Limited Retirement Benefit Scheme (the "Scheme")

Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 01 January 2026. The Trustees of the Scheme ("the Trustees") will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

The Appendices to this Statement contain further detail of the investment strategy and may be updated from time to time without updating this Statement.

Consultations made and parties involved

The Trustees have consulted with the employer prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained and considered written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited ("Aon") who are authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to members of the Scheme on request.

The Trustees have decided to invest the Scheme's assets in an investment solution managed by Russell Investments (the "Manager"). The Trustees, following advice from Aon, set specific funding objectives for the Scheme. The Manager invests the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. The Manager conducts the necessary day-to-day management of the Scheme's assets required to meet the Scheme's objectives.

Objectives

Under the investment solution agreed with the Manager, a funding objective will be set in relation to the liability cash flows that are required to be met by the Scheme in each future year. In each future year the cash flow is made up from a mixture of pensioners' and (current) non-pensioners' benefits.

The funding objective will be based on a measure of liabilities which takes into account a risk-free return plus an explicit allowance for excess return derived from the growth assets. The risk-free measure used is based on yields on fixed income and index-linked securities being the financial instruments which can appropriately match the profile of the expected benefit payments. The excess return is based on the proportion of growth assets that the Scheme holds and an anticipated return that the Trustees are comfortable with in the context of the covenant of the sponsoring employer.

The Scheme's investment objective is for the assets of the Scheme to generate sufficient return to meet the funding objective, while minimising the risks to the extent possible.

Choosing investments

This statement sets out the Trustees' policies for securing compliance with section 35 of the Pensions Act 1995.

The types of investments held and the balance between them is adjusted as necessary to match the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees delegate their powers of investment in a manner that is expected to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and are properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings, so as to avoid accumulations of risk in the portfolio as a whole.

Assets held to cover the Scheme's liabilities will in time be invested in a manner appropriate to the expected future retirement benefits payable under the Scheme, whilst recognising also the return required in order to meet the funding objective.

Investment in derivatives is only made in so far as they; (a) contribute to the reduction of investment risks; (b) facilitate efficient portfolio management, including the reduction of costs, reduction of risks and the generation of additional capital or income with an acceptable level of risk; (c) for hedging purposes and/or to alter currency exposure. Any such investments must be made and be managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation.

Under the investment solution agreed with the Manager, the Scheme will have an allocation to a diversified growth fund ("the Growth Portfolio"); an allocation to specific liability matching funds ("the Matching Portfolio") and an allocation to income generating assets ("Income Generating Portfolio"). Within this structure:

- The allocation to assets within the Growth Portfolio is set so that the expected return, together with the planned contributions, are expected to be sufficient to meet the funding objective by the target date to be set. The Growth Portfolio will be well diversified and will be managed actively between asset classes. Within the Growth Portfolio, fixed income securities may be held as a source of return and a diversifier.
- The Matching Portfolio's asset profile is selected to provide protection against movements in interest rates and inflation. The Matching Portfolio will be tailored to match the Scheme's liability cash flows as far as is practically possible.
- The Income Generating Portfolio is expected to provide exposure to investment grade corporate bonds held on a buy and maintain basis. This objective to provide both excess returns (above liabilities) and interest rate exposure as well as a stable cashflow profile.

Under the investment solution agreed with the Manager, the Trustees, following advice from Aon, delegate responsibility for managing their day to day asset allocation to the Manager. This allows the asset allocation of the Scheme to be adjusted quickly where needed, in response to changes in funding level, to best meet the investment objectives of the Scheme.

The Trustees review their investment strategy in conjunction with each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

Details of the Scheme's Growth, Matching and Income Generating Portfolios are described in the Appendices to this Statement.

Expected returns on assets

The Growth Portfolio is expected to provide good participation in rising markets and resilience in falling markets, through an efficient, diversified, and actively managed portfolio.

The Matching Portfolio is expected to move in a way that matches the sensitivity of the liabilities to interest rates and inflation.

The Income Generating Portfolio is expected to contribute to excess returns and interest hedging along with a stable cashflow profile.

Monitoring

The Trustees monitor the performance of the assets on a quarterly basis via investment monitoring reports prepared by the Manager. The Manager will monitor the funding level on a daily basis.

Investment risk measurement and management

Regular checks are made as to whether the funding and investment strategy remains on target to achieve the original funding objective, and within acceptable parameters. If not, then corrective action is considered by adjusting the investment policy, or through amendments to the contribution plan.

Risks associated with changes in the employer covenant are assessed by various means. The Trustees have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. The Trustees also monitor the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy).

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. Day to day control of custody arrangements for the Scheme's assets invested with the Manager are delegated to State Street, who are independent of the sponsoring employer.

The Manager is responsible for the appointment and monitoring of the custodian of the pooled fund assets.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (through the sale of units in pooled funds).

Environmental, Social and Governance considerations

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk when selecting managers and when monitoring their performance, which is delegated to the Manager.

As part of the ongoing decision making and monitoring of underlying investment managers that is delegated to the Manager by the Trustees, environmental, social and corporate governance ("ESG") ratings assigned by the Manager are used to help monitor the integration of ESG by the underlying investment managers.

The Manager and Aon are signatories of the UN Principles for Responsible Investment (the "Principles"). The Principles are a voluntary set of global best practices that aim to provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices. The Principles are voluntary and aspirational. Where consistent with their fiduciary responsibilities, the Manager will aim to pursue each of the six Principles, these being:

- Incorporating ESG issues into investment analysis and decision-making processes;
- Being active owners and incorporating ESG issues into their ownership policies and practices;
- Seeking appropriate disclosure on ESG issues by the entities in which they invest;
- Promoting acceptance and implementation of the Principles within the investment industry;
- Working together to enhance their effectiveness in implementing the Principles;
- Reporting on their activities and progress toward implementing the Principles.

Arrangements with the Manager

The Trustees have appointed Russell Investments Limited ("the Manager") as their fiduciary manager, which they consider to be their investment manager. References in this policy to ‘underlying investment managers’ refers to those investment managers which the Manager in turn appoints, directly or indirectly, to manage investments on behalf of the Trustees.

The Trustees recognise that the arrangements with their fiduciary manager, and correspondingly the underlying investment managers, are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that the fiduciary manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustees receive quarterly reports and verbal updates from the Manager on various items, including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme’s objectives and assesses the Manager over rolling 3- and 5-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by the Manager, which supports the Trustees in determining the extent to which the Scheme’s engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this Statement, with the Manager and requests that they review and confirm whether their approach is in alignment with the Trustees' policies.

The Trustees delegate the ongoing monitoring of underlying investment managers to the Manager. The Manager monitors the Scheme’s investments to consider the extent to which the investment strategy and decisions of the underlying investment managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying investment managers:

- Make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity to improve their performance in the medium to long-term.

Before appointing a new fiduciary manager or investment manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express its expectations to the investment manager by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the Manager, and regular monitoring of the Manager's performance and investment strategy, is sufficient to incentivise the Manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the Manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the Manager, but could ultimately replace it where this is deemed necessary.

The Trustees have not set a duration for their arrangements with the Manager, although its continued appointment is reviewed periodically, and at least every 5 years. Similarly, there are no set durations for arrangements with the underlying asset managers that the Manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

Costs and Performance

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that, in addition to annual management charges, there are other costs incurred by investment managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from the Manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to the Manager;
- The fees paid to the investment managers appointed by the Manager;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the Manager:
  - The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the Manager;
- Any charges incurred through the use of pooled funds (custody, admin, audit fees etc.)
- The impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The Manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees delegate the management of the underlying manager cost transparency relationships to the Manager. However, the Trustees expect full compliance with the provision of the cost transparency disclosure templates and that the Manager reports back any non-compliance.

The Trustees benefit from the economies of scale provided by the Manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers;
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

Evaluation of performance and remuneration

The Trustees assess the (net of all costs) performance of the Manager on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to the Manager and the fees incurred by third parties appointed by the Manager are provided annually by the Manager to the Trustees. This cost information is set out alongside the performance of the Manager to provide context. The Trustees monitor these costs and performance trends over time.

Stewardship – Engagement and the Exercise of the Rights Attaching to Investments

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the Scheme's investments reside. The Trustees recognise that ultimately this creates long-term value for the Scheme and its beneficiaries.

The Trustees delegate all voting and engagement activities to the Scheme's underlying investment managers, via the Manager. The Trustees accept responsibility for how the underlying investment managers steward assets on their behalf, including the casting of votes in line with each underlying manager's individual voting policy. The Trustees rely on the Manager to review manager voting and engagement policies and activities on an annual basis. The Manager reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustees', and therefore the members', best interests.

The Trustees carefully review the Manager's approach to stewardship, and other ESG-related matters, and communicates their expectations and standards to the Manager. These standards include:

- The Trustees expect the Manager to be a signatory to the PRI.
- The Trustees expect the Manager to be a signatory to the UK Stewardship Code.
- The Trustees expect the Manager to ensure that, where appropriate, the underlying investment managers use their influence as major institutional investors to exercise the Scheme's rights and duties as a shareholder, including exercising voting rights and, where relevant and appropriate, engaging with underlying investee companies on ESG considerations and other relevant matters.
- The Trustees expect the Manager to provide adequate transparency around stewardship activities, including an annual report on the stewardship activities of the underlying managers.

The underlying managers are expected to vote at company meetings and engage with companies on the Trustees' behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where voting is concerned, the Trustees expect the underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees will engage with the Manager, which in turn is able to engage with the underlying managers or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustees' active ownership policies, are being actioned. This will take the form of annual reporting and follow up meetings, where necessary, from the Manager. Such reporting will be made available to Scheme members on request.

Should the Trustees' monitoring process reveal that an underlying manager's voting and engagement policies and actions are not aligned with the Trustees' expectations, the Trustees will engage with the Manager, via different medium such as emails and meetings, to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme. The Trustees review the Manager's stewardship activity on an annual basis. The Trustees review these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustees', and therefore the members', best interests. The Trustees will engage with their Manager where necessary for more information.

If the Manager is found to fall short of the expectations and standards set by the Trustees, the Trustees will engage with the Manager (through different mediums such as emails, calls and meetings) to seek a more sustainable position. If a more satisfactory position cannot be achieved, the arrangements with the Manager may be altered or their appointment terminated. Should the Trustees look to appoint a new Manager, they will request stewardship information as part of the selection process. All responses will be reviewed and monitored with input from the Trustees' investment adviser.

In line with their commitment to transparency and disclosure, the Trustees report their stewardship activities to the Scheme's stakeholders on an annual basis within their Engagement Policy Implementation Statement.

- The transparency offered for engagements should include the objectives and relevance to the Scheme and its members, methods of engagement, progress and perspectives around shortcomings and outcomes to date, as well as escalation points and procedures as necessary.
- The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the underlying investment manager.

Additional Voluntary Contributions ("AVC's") arrangements

Some members have previously obtained further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. AVC assets are invested separately to the main Scheme assets. These assets are managed by Standard Life Aberdeen.

From time to time, the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Agreed by Trustees of The British Airways Holidays Limited Retirement Benefit Scheme

Appendix 1 – Scheme Objective

Scheme objective

The investment return target of the scheme is gilts +1.0% p.a. In order to achieve this, the Trustees have set Russell Investments a target return of gilts +1.0% p.a. net of fees and a target hedge ratio of 100% of self-sufficiency liabilities.

The Manager manages the Scheme's overall mandate in order to best meet the Scheme's objectives.

Current asset allocation

The allocation of the Scheme's assets between the Growth Portfolio (Appendix 2), Matching Portfolio (Appendix 3) and Income Generating portfolio (Appendix 4) will depend on the funding position of the Scheme and target investment return/objective.

As at 31 December 2025, the allocation is 20% to growth assets, 17% to income generating assets and 63% to matching assets.

Last updated: January 2026

Appendix 2 – Russell Investments' (the "Manager's") Growth Portfolio

The objective of the Growth Portfolio is to deliver long term returns above the liabilities, with a lower risk than an equity investment (around two-thirds of the risk

Total portfolio volatility (defined in terms of standard deviation of returns) is expected to be between 50% and 75% of that of equity markets. Whilst the Manager will normally seek to operate within these bands, from time to time market circumstances may mean that the portfolio proves to have a higher or lower volatility than this range.

The performance of the Growth Portfolio will vary considerably from the performance target over the short-term. The Manager does not seek to manage the portfolio in a way that matches either the risk or the return characteristics of the performance target.

The Growth Portfolio may invest in collective investment vehicles and other securities including, but not limited to, equity and fixed income securities.

The Growth Portfolio will be subject to the following restrictions:

- The exposure to publicly listed equities will be between 0% and 80% of the Growth Portfolio;
- The exposure to fixed income securities, including cash, cash equivalent and other money market securities, will be between 0% and 80% of the Growth Portfolio;
- The exposure to real assets being assets that are linked to Inflation rates (including but not limited to commodities) will be between 0% and 30% of the Growth Portfolio;
- The exposure to all other asset classes and strategies not covered above, including instruments or investments which use absolute return strategies, (for example but not limited to: portable alpha funds, active currency funds, hedge funds, PFI funds) will be between 0% and 40% of the Growth Portfolio.

The limits on investments shall apply at the time of the purchase of the investments. If the limits referred to are exceeded for reasons beyond the control of the Manager, the Manager shall ensure that the fund will adopt as a priority objective for its sales transactions the remedying of that situation taking due account of the interests of the Scheme.

The Growth Portfolio may employ investment techniques and financial derivative instruments for investment purposes or for efficient portfolio management purposes, such as to reduce risk, reduce cost or to generate additional capital or income for a Fund and for hedging purposes and/or to alter currency exposure.

No more than 50% of the Growth Portfolio, after adjusting for currency hedging, will be exposed to currencies other than Sterling.

Last updated: January 2026

Appendix 3 – Matching Portfolio

The Matching Portfolio, held by the Scheme with the Manager, will change from time to time based on:

- The proportion of overall assets that are held in the Matching Portfolio;
- The advice received from Aon.

The Manager will use reasonable endeavors to maintain the interest rate sensitivity of the Matching Portfolio within the following limits:

- The total interest rate sensitivity of the Hedging Assets may be greater than or less than the total target interest rate sensitivity by up to 10% of the Target Hedge Ratio, subject to practical considerations such as the minimum dealing requirements and/or transaction costs.
- The real interest rate sensitivity of the Hedging Assets may be greater than or less than the target by up to 10% of the Target Hedge Ratio, subject to practical considerations such as the minimum dealing requirements and/or transaction costs.
- The nominal interest rate sensitivity of Hedging Assets may be greater than or less than the target by up to 10% of the Target Hedge Ratio, subject to practical considerations such as the minimum dealing requirements and/or transaction costs.
- The Matching Portfolio will comprise primarily of fixed income securities, inflation-linked securities, money market securities, derivatives on these instruments and collective investment schemes that invest in the foregoing instruments.
- Duration held within the Income Generating Portfolio will be allowed for in the overall target hedge.

In order to achieve the Target Hedge Ratio, the Manager will invest a portion of the Portfolio into Hedging Assets which are expected to generate returns that have a high correlation to the change in the value of the Scheme's liabilities attributable to changes in the nominal and real interest rates used to value those liabilities. These assets will comprise primarily of investments in fixed income securities, inflation-linked securities, money market securities, derivatives on these instruments and collective investment schemes that invest in these instruments. The contribution to the Target Hedge Ratio arising from assets defined as Hedging Assets will be limited to the following:

Asset class (including collective investment schemes investing in such assets)	Maximum Contribution to Total Hedge Ratio
Interest rate swaps	0 – 100%
Inflation swaps	0 – 100%
Gilt based derivatives and instruments	0 – 100%
Other	0 – 50%

Last updated: January 2026

Appendix 4 – Income Generating Portfolio

The Income Generating Portfolio, held by the Scheme with the Manager on a buy & maintain basis (i.e. no ongoing rebalancing unless Trustee instructed), are those assets in the Portfolio designated as income generating assets by the Manager (i.e. assets the provide a known stable set of cashflows from income and maturity proceeds).

In February 2025, the Trustee instructed a £7.5m in the Income Generating Portfolio (via the Russell Investments Buy & Maintain Credit Fund 2026-2030 vintage).

- Fund Objective: *Credit portfolios with emphasis on delivering stable and predictable cash flows to deliver against liabilities.*
- Success metrics: *Measured by initial yield and subsequent credit performance of portfolio (avoiding defaults). Meeting cash flow and other ESG related targets.*
- Excess return: *Aims to deliver return in excess of government bonds. Return from the Income Generating Portfolio allow for in overall investment objective.*
- Cashflow profile: *Provides expected cashflows (income and maturity proceeds) over period between 2026 and 2030. Cashflows are paid in to Matching portfolio and re-invested or distributed to Scheme as per ongoing cashflow requirements.*
- Contribution to interest hedge: *The duration provided by the Fund is integrated in to the overall hedging solution.*

Last updated: January 2026.

Appendix 5 – Other matters

Cash balances

In addition to the Growth, Matching and Income Generating Portfolios, the Manager may hold Residual Cash from time to time.

The primary purpose of a Residual Cash allocation will be to meet anticipated disbursements and expenses and to facilitate any short-term cash flows.

Residual Cash will be held on deposit or invested in short term money market funds.

Other cash balances

In addition to the assets managed by the Manager, the Trustees will run a bank account which holds a working balance of cash, held for imminent payment of benefits, expenses, etc. Under normal circumstances, it is not the Trustees' intention to hold a significant cash balance, and this is carefully monitored by the Scheme's administrator.

Fee arrangements

A fee (based on the value of the assets invested) is deducted from the assets managed by the Manager to cover a range of services. The costs are reviewed regularly.

The fee arrangement for the Income Generating portfolio is 0.2% p.a.

Last updated: January 2026