



APS Responsible  
Investment Policy  
Updated December  
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# 1 Introduction

## 1.1 Scope and purpose of policy

This policy covers the responsible investment (“RI”) approach for the Airways Pension Scheme (“APS” or “the Scheme”).

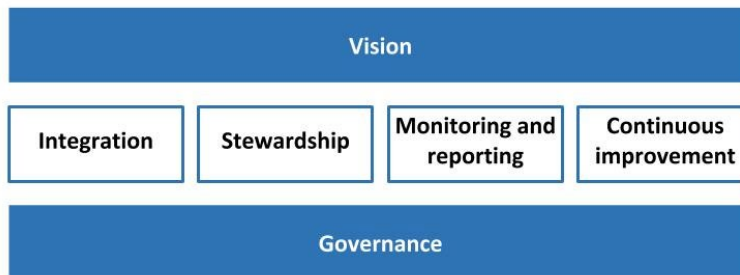
This policy applies to all investments held by the Scheme.

The Trustee Directors of the Scheme (the “Trustee Board”) believe the RI approach outlined in this policy is consistent with their fiduciary duty to the beneficiaries of the Schemes. It reflects an evolution of the Scheme’s existing RI approach in line with the Trustee Board’s Mission Statement set out below.

Further information about the Scheme, including this policy and Statement of Investment Principles (SIP), can be found on the Scheme’s publicly accessible website.

## 1.2 Overview of framework

The Scheme’s RI approach is based on the following framework:



# 2 Vision

## 2.1 Mission statement

*“Environmental (including climate change), social and governance (“ESG”) issues are multifaceted and represent long-term systemic risks.*

*We recognise that ESG risks are financially material and need to be managed as we have a long-term payment horizon. We therefore seek to integrate ESG considerations into our decision-making and reporting processes across all asset classes.*

*Where consistent with our fiduciary duties, and applicable to our investment strategy, we will require our investment managers to actively engage and utilise their proxy voting rights/engagement to drive up ESG standards in the organisations in which we invest.”*

There is strong support for RI amongst Trustee Directors but they recognise best practice will not happen immediately and the Scheme will need to continuously evolve its RI approach over time.

## 2.2 Affiliations with other organisations

The Scheme's asset manager, BlackRock Investment Management (UK) Limited, ("BlackRock") is a signatory to or participates in a large number of sustainability related organisations, including the United Nations Principles for Responsible Investing ("UN PRI"), the Task Force on Climate-related Financial Disclosures ("TCFD") and the International Corporate Governance Network ("ICGN"). The Trustee Board will regularly review the affiliations of the Scheme.

## 2.3 Member views

The Trustee Directors do not currently take into account the views of members and beneficiaries in respect of non-financial matters, including environmental and social issues.

# 3 Climate change

## 3.1 Priority theme

In September 2021, the Trustee Directors reviewed their RI beliefs in a workshop. Climate change was identified as a priority theme from both a risk and return perspective. In addition, it is a theme that can impact and/or influence social and governance factors, as well as environmental factors.

## 3.2 TCFD report

In line with the Climate Change Governance and Reporting Requirements, the Trustee Board will produce its first annual climate change, or TCFD (Taskforce on Climate-related Financial Disclosures) report, for the Scheme year ending 31 March 2023. The report will set out the Trustee Board's governance and risk management framework for addressing climate related risks and opportunities. It will also provide a summary of the climate scenario analysis in respect of the Scheme's assets and liabilities, as well as the climate-related metrics and targets for the investment portfolio.

## 4 Governance

### 4.1 Role of the Trustee and responsibilities of different parties

The Trustee Board has ultimate responsibility for setting its RI policy and strategy.

The Trustee oversees the RI activities of the Scheme's asset manager, BlackRock, (who will in turn oversee the activities of their assigned external managers), and any other external asset managers appointed from time to time who are responsible for implementing the Scheme's RI policy.

BlackRock has two dedicated teams focussed on Responsible Investment.

- BlackRock Sustainable Investing ("BSI") is focussed on the relationship between sustainability issues, risk and long-term financial performance.
- BlackRock Investment Stewardship ("BIS") is focussed on engagement with companies on governance and business practices and long-term financial sustainability.

### 4.2 Frequency of policy review

Responsible investment is an area that is evolving rapidly. The Trustee will timetable an annual review of this policy through its Calendar at least annually to help keep it relevant and up-to-date.

## 5 Integration

### 5.1 Responsibility of ESG integration in investment decision-making

Asset managers are responsible for integrating ESG considerations into the investment decision-making process, with support from the BIS and BSI teams at BlackRock and external advisors where appropriate.

### 5.2 Consideration of financially material ESG factors in investment decision-making

Wherever possible, and if applicable to the Scheme's investment strategy, asset managers integrate financially material ESG considerations into the investment decision-making processes across all asset classes.

ESG integration is defined by the UN PRI as "the explicit and systematic inclusion of ESG issues in investment analysis and investment decisions."

ESG considerations are relevant at both a portfolio level (e.g. asset allocation, portfolio construction and risk management) and at asset level (e.g. security valuation).

ESG considerations are relevant throughout the entire investment life-cycle and will be factored alongside strategic decisions:

- selection e.g. due diligence before an investment is made;
- retention e.g. ongoing monitoring and stewardship activities; and
- realisation e.g. through decisions to divest on ESG grounds.

They are also relevant in the selection and monitoring of the Scheme's asset managers and insurance policies.

In practice this means the types of activities asset managers aim to carry out include:

- analysing ESG information alongside financial information;
- identifying both material financial factors and material ESG factors;
- undertaking qualitative, and where appropriate quantitative, analysis of material ESG issues to inform investment decisions; and
- making investment decisions that include considerations of all material factors, including material ESG factors.

### 5.3 Approach across different asset classes

Asset managers tailor the approach to ESG integration to each asset class, taking into account the nature and time horizon of the investment and materiality of different ESG factors.

### 5.4 Evidencing

Asset managers are expected to provide evidence of consideration of material ESG factors at each stage of the investment life-cycle.

Asset managers use a variety of RI tools and data sources to inform the investment decision-making process.

This includes both qualitative and quantitative information.

As asset managers evolve their RI tools and capabilities, ESG considerations are expected to become more integrated over time.

### 5.5 Example ESG factors considered by the Scheme

Examples of ESG factors considered by the Scheme include, but are not limited to:

#### **Environmental**

Climate change, including physical and transition risks  
Resource depletion, including water  
Waste and pollution  
Deforestation

#### **Social**

Working conditions, including slavery and child labour  
Local communities, including indigenous communities  
Conflict  
Health and safety  
Employee relations  
Diversity

#### **Governance**

Executive pay  
Bribery and corruption  
Political lobbying and donations  
Board diversity and structure  
Tax strategy  
Data and cyber security

## 6 Stewardship

### 6.1 Overall approach

Where consistent with the Trustee Directors' fiduciary duties, and applicable to the Scheme's investment strategies, asset managers will actively engage and use voting and other rights attached to the Scheme's investments to drive up ESG standards in the organisations in which the Scheme is invested.

The Scheme's stewardship activities are undertaken by asset managers, supported by BlackRock's BIS and BSI teams where appropriate.

### 6.2 Engagement

Asset managers engage with investee companies to protect or enhance the value of the Scheme's assets across all time horizons. Engagement can be in relation to a number of matters including, but not limited to, performance, strategy, risks, capital structure and management of actual or potential conflicts of interests. Engagement also aims to bring about a change to the investment's ESG practices and performance.

Asset managers also engage with investee companies and other relevant stakeholders to build long-term relationships with management as part of their ongoing monitoring and scrutiny of the Scheme's assets.

Asset managers may engage with investee companies in a number of ways depending on the purpose of the engagement and type of asset class, region or sector.

Examples of engagement activities undertaken by asset managers include written communication, private meetings with management and collective engagements with other investors e.g. investor roadshows.

Asset managers may also engage with investee companies collaboratively with other investors if they believe this is the most effective way to bring about change.

Asset managers keep records of each engagement, including material ESG issues raised, the management's response and actions agreed plus the outcome following each engagement.

BlackRock's BIS team uses a global engagement tracking tool to monitor and report engagements and share insights with underlying investment teams. The tool enables BlackRock to record if a company's governance and business practices are in line with expectations (as outlined in BlackRock's governance principles and voting guidelines), summarise engagement conversations, track timeframes for change, map ESG key performance indicators to engagement priorities and ESG issues, and define and note engagement outcomes. This enables progress to be measured over time, as many of the engagements can be long-term and ongoing.



### 6.3 Unsuccessful engagements

If an investee company fails to make progress within a reasonable amount of time after an asset manager has raised concerns about their ESG practices and performance, asset managers may escalate or increase their engagement activities.

The appropriate course of action will depend on the severity of the issue, potential impact on the investment's performance and likelihood of success.

Actions may include:

- holding additional meetings with management specifically to discuss concerns;
- expressing concerns through the investee company's advisers;
- meeting with the chairman or other board members;
- intervening jointly with other institutions on particular issues;
- making a public statement in advance of General Meetings; and
- voting against management proposals, especially a vote against directors or for shareholder proposals, where relevant.

In extreme cases, if the issue is not resolved and/or is deemed detrimental to the investment's long-term performance, a decision to divest from the investment may be taken.

### 6.4 Voting

Asset managers exercise voting and other rights attaching to the Scheme's investments at UK and overseas meetings on behalf of the Trustee Directors wherever practicable.

BlackRock's voting decisions are made by members of the BlackRock BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. While BlackRock subscribes to proxy advisory firms, it is just one among many inputs into the vote analysis process. BlackRock annually reviews its voting guidelines and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Asset managers are able to follow an alternative form of action based on their informed view of the investment and knowledge of the issue.

## 7 Monitoring and reporting

### 7.1 Ongoing monitoring

Asset managers proactively monitor investments on an ongoing basis to help them identify any situation where long-term risk-adjusted returns may be compromised by ESG issues, or that could place the reputation of the Scheme at risk.

Voting and engagement activity summaries are produced by BlackRock on a quarterly basis and cover the activity on the listed equity and listed credit assets of the Scheme. The Trustee reviews BlackRock's voting and engagement summary reports annually.

The Trustee receives ESG integration examples from BlackRock across asset classes.

### 7.2 External reporting

To keep members and other beneficiaries up-to-date on the Scheme's RI activities, and in accordance with the Occupational Pension Scheme Regulations 2019, the Trustee produces an annual implementation statement, setting out how the policies within the Scheme's SIP have been followed. This statement includes details of the voting and engagement activity conducted by the Scheme's asset manager over the year, and is made available on the publicly accessible Scheme website.

## 8 Continuous improvement

### 8.1 Ongoing improvement

Trustee Directors and asset managers will embed a process to continuously learn from their practices and experiences in order to keep their approach to RI relevant and up-to-date. This includes regular reviews against peers to understand policies and practices being adopted by other pension schemes.

The Scheme's asset manager, BlackRock, continues to build on and evolve its RI capabilities, processes and systems.

## 9 Closing statement

In applying the RI policy, all parties will adhere to the law and latest UK regulation.

The RI policy is a reflection of the approach taken by Trustee Directors of the Schemes and is not related to the views or approach of the Scheme's sponsor.

Adopted with effect from December 2022