



NAPS Responsible
Investment Policy
Updated December
2023

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1 Introduction

1.1 Scope and purpose

This policy describes the New Airways Pension Scheme's ("NAPS" or "the Scheme") approach to Responsible Investment ("RI") and applies to all investments held by the Scheme.

The Scheme's primary objective is to have enough funds to pay member benefits when they are due. The Scheme has a long-term payment horizon and is therefore required to consider investment risks and returns over the long-term.

The Trustee Directors of the Scheme (the "Trustee Board" or the "Trustee") believe that material environmental, social and governance ("ESG") issues including climate change can impact the long-term financial returns it should expect from its investments.

The Trustee therefore believes it is important to consider ESG factors when assessing its existing and future investments. It also includes ESG capabilities when selecting its investment manager, external advisors and insurance providers.

The Trustee believes the RI approach outlined in this policy is consistent with their fiduciary duty to the beneficiaries of the Scheme and Mission Statement set out below.

The RI policy is not related to the views or approach of the Scheme's sponsor.

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

2 Vision and Strategy

2.1 Mission

"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."

2.2 Priorities

The Trustee Board periodically reviews its RI priorities.

At the most recent review conducted in September 2021, the Trustee identified climate change as a priority from both a risk and return perspective.

Other 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 and diversity

Governance

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

3 Governance

3.1 Framework

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



3.2 Roles and responsibilities

The Trustee Board has ultimate responsibility for setting the Scheme’s RI policy and implementation strategy. The Trustee Board has delegated the implementation elements of the RI policy to the Scheme’s asset manager, BlackRock Investment Management (UK) Limited (“BlackRock”).

The Trustee Board expects its other advisors to proactively consider and integrate ESG issues when providing advice, to ensure strategic decision-making takes into account these factors.

The Trustee Board has delegated the responsibility to make recommendations on the RI policy and strategy for the Scheme to the Investment Committee. The Investment Committee may approve non-material changes to the RI policy and strategy. It is also responsible for oversight of implementation. The Investment Committee has delegated certain RI monitoring responsibilities to the BAPSL executive.

British Airways Pension Services Limited (“BAPSL”) is the Scheme’s in-house administrator. BAPSL also acts as the Scheme’s executive, coordinating the interaction between the Trustee Board, their covenant, investment and actuarial advisors, and the Scheme’s sponsor.

3.3 Policy review

Responsible investment is an area that evolves over time.

The Investment Committee therefore timetables an annual review of this policy through its Committee Calendar to ensure it remains relevant and up to date. Input is sought from BlackRock and the Scheme’s external advisors during this process.

As part of the annual review, the Committee looks to establish that the Trustee’s RI priorities remain aligned with BlackRock’s published engagement priorities and voting policies.

3.4 Affiliations

The Scheme’s asset manager, BlackRock, implements the RI policy. BlackRock is a signatory to, or participates in, a large number of responsible investment related organisations.

The Scheme does not currently maintain independent RI related affiliations, although the Trustee Board reviews this position from time to time. The Trustee does however respond to regulatory and industry consultations as well as direct enquiries on matters it considers to be of importance to members.

3.5 Member views

The Trustee does not take the views of members and beneficiaries into account when setting the investment strategy of the Scheme. This includes their views on matters such as environmental, social and governance issues.

However, the BAPSL executive does respond to members questions and concerns which can be sent to them at: esg@bapensions.com.

4 Implementation

As mentioned above, the Trustee Board has delegated the implementation aspects of the RI policy to the Scheme’s asset manager, BlackRock.

4.1 Integration

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.

BlackRock are responsible for integrating ESG considerations into the investment decision-making process, wherever possible, and if applicable to the Scheme’s investment strategy across all asset classes.

BlackRock tailors its approach to ESG integration to each asset class, taking into account the nature and time horizon of the investment, and the likely materiality of different ESG factors.

BlackRock draws on research, data and analytics provided by their specialist investment teams, its Sustainable and Transition Solutions (“STS”) platform, Aladdin Climate and the BlackRock Investment Institute (“BII”).

BlackRock are expected to provide evidence of its consideration of material ESG factors at each stage of the investment life cycle. This includes providing both qualitative and quantitative information, which is reviewed quarterly with the Scheme’s investment advisor and the BAPSL executive.

4.2 Stewardship

BlackRock is authorised to 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. This is encouraged by the Trustee. BlackRock’s Investment Stewardship (“BIS”) team serves as the link between BlackRock’s clients and the companies they invest in.

To ensure the delegation to BlackRock remains appropriate, the Trustee has recently undertaken an exercise to assess how well BlackRock’s stated priorities align with the Scheme’s. The outcome was that there is good alignment between BIS’ engagement priorities and the Scheme’s, and that the Trustee is therefore comfortable with the delegation.

As part of that same review, the Trustee and BAPSL executive considered the voting policy options available to the Scheme under BlackRock’s “Voting Choice” and elected to retain BlackRock’s Policy.

4.2.1 Engagement

BlackRock engages with the Scheme’s investee companies to protect or enhance the value of the Scheme’s assets across all time horizons. The extent and frequency of engagement will vary depending on BlackRock’s assessment of the type and materiality of the issues that need to be addressed as well as the type of asset owned.

BlackRock's Investment Stewardship 2022 and 2023 engagement priorities were:

- Climate and natural capital – Climate action plans with targets to advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business practices.
- Board quality and effectiveness – Quality leadership is essential to performance. Board composition, effectiveness, diversity, and accountability remained a top priority.
- Strategy, purpose, and financial resilience – A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience.
- Incentives aligned with financial value creation – Appropriate incentives reward executives for delivering sustainable long-term value creation.
- Company impacts on people – Sustainable business practices create enduring value for all key stakeholders.

More about the BlackRock Investment Stewardship team's engagement priorities can be found here: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

4.2.2 Voting

BlackRock exercises 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 guidelines are intended to help clients and companies understand their thinking on key governance matters. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant.

BlackRock's market-specific voting guidelines are available on their website at: <https://www.blackrock.com/corporate/insights/investment-stewardship>

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.

4.3 Monitoring and reporting

4.3.1 Monitoring

BlackRock monitors investments on an ongoing basis to help them identify any situation where the Scheme's long-term risk-adjusted returns might be compromised by ESG issues, or where a material issue could place the reputation of the Scheme at risk.

Voting and engagement reports are produced by BlackRock on a quarterly basis and cover activities related to the listed equity and corporate bond holdings of the Scheme. They are

reviewed by the Scheme's investment advisor and the BAPSL executive to check that the activity described is in accordance with the Scheme's RI policy.

The Investment Committee reviews voting and engagement summary reports annually. These include examples of significant votes, defined as those votes which – in BlackRock's option – most clearly demonstrate action taken in support of the Scheme's engagement priorities.

BAPSL and the Investment Committee also periodically receive and review examples of BlackRock's approach to ESG integration activities, using case studies to understand the types of ESG risks, including climate change, that are relevant to each asset class.

4.3.2 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 within the Scheme's Report and Accounts which can be found here: <https://www.mybapension.com/naps/documents/index>

In line with the Climate Change Governance and Reporting Requirements, the Trustee Board produces an annual climate change, or TCFD (Taskforce on Climate-related Financial Disclosures) report, which sets out the Trustee Board's governance and risk management framework for addressing climate related risks and opportunities. It also provides 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. The latest report can be found on the member website:

<https://www.mybapension.com/naps/documents/responsible-investment>

4.4 Continuous improvement

The Trustee Directors recognise best practice is continually developing and the Scheme will need to evolve its RI approach over time.

This policy is adopted with effect from December 2023.