Airways Pension Scheme (APS)

Trustee's Report & Financial Statements

For the Year Ended 31 March 2022

Contents

Chair's Review

Since my last report, the Airways Pension Scheme (APS) Trustee Directors have continued to consider a wide range of challenging issues. In particular, the Trustee Directors have worked to agree the latest formal valuation for the Scheme as at 31 March 2021, which was concluded ahead of the June 2022 statutory deadline.

Funding
The valuation of the Scheme, which was carried out by the Actuary, showed a reduction in the surplus position of the Fund from the 2018 valuation.

The headline results of the 31 March 2021 valuation showed that the funding level on the Technical Provisions basis reduced to 104.2% (2018: 108.5%). The Scheme's surplus reduced to £295 million (2018: £599 million). As the Scheme remained in surplus on 31 March 2021, a Recovery Plan was not required.

The Trustee's Report on pages 4 and 5 show how the funding position has evolved since the 2018 valuation. The 31 March 2021 valuation will be summarised in our 2022 Summary Funding Statement, which will be available early in 2023. The **Full Valuation Report** for the 31 March 2021 valuation is available on the 'Scheme Documents' page of the member website.

Investment
We completed our review of the Scheme's Long-Term Objective (LTO) during the year. We have updated the LTO to reflect our ambition to deliver the guaranteed benefits plus full RPI-based discretionary increases without significant risk, including to the funding position of the Scheme on the Agreed Valuation Basis.

You can read more about your Scheme's investments on pages 5 to 8.

Our outsourced chief investment officer (OCIO)
In June 2021, we appointed BlackRock as OCIO for the assets directly under management for APS and the New Airways Pension Scheme (NAPS). The agreement encompassed the management of c.£2.1 billion assets for APS (approximately £5.3 billion of APS's assets are insured through insurance 'buy-ins' with Legal & General Assurance Society and Rothesay Life).

I'm delighted to report that the first year of our partnership with BlackRock has exceeded our expectations in delivering value for the Scheme's investments and our Scheme members. BlackRock has helped APS to successfully navigate the challenges caused by significant geopolitical developments, rising inflation and higher interest rates. Also, against the backdrop of this market turmoil, BlackRock has outperformed its investment benchmarks while also delivering anticipated cost benefits and operational efficiencies for the Scheme.

Chair's Review

Discretionary increase award
Pension increases in APS are determined by the Pensions Increase (Review) Orders (PIRO), which are currently based on the Consumer Prices Index (CPI). The standard Scheme increase for eligible pensions in April 2022 was 3.1%. For 2022, the out-of-court settlement with BA permitted the Trustee to award a discretionary increase of up to the full gap between RPI and the rate specified in the PIRO. The relevant rise in RPI was 4.9%. After considering all relevant circumstances, we awarded a discretionary increase to eligible pensions of 1.8%, representing the difference between RPI and PIRO.

Governance matters
In June 2020, we reduced the APS Trustee Board from twelve to eight Trustee Directors, reflecting the reduced overall workload required for APS. To improve our operational efficiency further, we reviewed our sub-committee requirements during the year. We decided to condense this so that all matters are reported to and considered by the Trustee Main Board. You can find out more in the Trustee's Report on page 9.

Trustee Directors
Since October 2020, there have been no Trustee Director appointments or resignations. This continuity and stability, combined with the unique expertise and wide-ranging skills across the Board, stands us in good stead to deliver the best possible outcomes for our members.

As always, I would like to thank my fellow Trustee Directors for their hard work and considerable contributions to the Scheme over the past year. On behalf of the APS Trustee Directors, I would also like to thank the BA Pensions team for their continued outstanding service to our members.

Roger Maynard
Chair of the Trustee

27 September 2022

Trustee Directors and Advisers

Administration & Investment Management

British Airways Pension Services Ltd (BAPSL – or “BA Pensions”) – Trustee support and member services

British Airways Pension Investment Management Ltd (BAPIML) – investment management (until 1 June 2021)

BlackRock Investment Management (UK) Ltd – investment management (from 1 June 2021)

Fraser Smart - Chief Executive Officer & Scheme Secretary, BA Pensions (until 1 June 2021)

Vinny Ehzuvan - Chief Executive Officer, BA Pensions (from 1 July 2021)

Monica Gupta - Scheme Secretary (from 1 July 2021)

Advisers*

Scheme Actuary
Michael Pardoe
Towers Watson Limited

Legal Advisers
Sacker & Partners LLP

Bankers
BNY Mellon

External custodian
State Street Bank
and Trust Co

Investment Advisers
Mercer Limited

Auditor
KPMG LLP

* In addition to the Scheme’s principal advisers the Trustee has appointed other advisers to provide advice on specific matters as required.

Airways Pension Scheme – Pension Scheme Registry Number: 10057028

For enquiries about the Scheme, members who are registered to manage their pension can enquire via the member website by secure email. Alternatively they can write to British Airways Pensions, PO Box 2074, Liverpool L69 2YL.

Trustee's Report

This report provides information about the management of the Scheme and provides more detail concerning the main activities undertaken during the year. There are sections on the funding position of the Scheme, investments, Scheme governance, Scheme changes and pension administration matters.

The financial statements of the Scheme for the year ended 31 March 2022, as set out on pages 29 to 46, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

SCHEME FUNDING POSITION

The Settlement Agreement agreed between the Trustee and BA on 8 April 2019 sets out a framework, known as the Agreed Valuation Basis, through which the assumptions for each actuarial valuation are set. APS was fully funded on the Agreed Valuation Basis for the 31 March 2018 valuation so deficit repair contributions ceased from 31 December 2018 in accordance with the Settlement Agreement.

It is a requirement that the Scheme Actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme and helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. The latest formal actuarial valuation had an effective date of 31 March 2021 and was finalised in June 2022. A Summary Funding Statement will be issued to reflect this valuation early in 2023.

In the years between formal valuations, the Scheme Actuary provides an interim update that shows how the funding position has evolved since the last valuation date. The Scheme Actuary provided interim updates as of 31 March 2019, and 31 March 2020 and the associated Summary Funding Statements have been issued to members.

The funding positions are shown below:

	31 March 2021 (£m)	31 March 2020 (£m)	31 March 2019 (£m)	31 March 2018 (£m)
Liabilities*	(7,079)[1]	(7,221)[2]	(7,041)[2]	(7,079)[2]
Assets	7,374	7,608	7,922	7,678
Surplus	295	387	881	599
Funding level	104.2%	105.4%	112.5%	108.5%

[1] Based on the Technical Provisions assumptions agreed between the Trustee and BA at the 31 March 2021 valuation.

[2] The liabilities as of 31 March 2018 are based on the Technical Provisions assumptions agreed between the Trustee and BA as part of the Settlement Agreement, with the liabilities as of 31 March 2019 and 2020 updated by the Scheme Actuary in-line with changes in market conditions. For 31 March 2020 the Scheme Actuary also updated the assumption for the gap between the RPI and PIRO.

Trustee's Report

The 31 March 2021 actuarial valuation showed that the Technical Provisions (TPs) funding level had decreased to 104.2% (2020: 105.4%), and the surplus had decreased to £295m (2020: £387m). The reduction in the surplus is largely attributable to:

- The cost of the 2021 discretionary increase awarded to pensioners
- An updated assumption for the gap between the Retail Prices Index (RPI) and the Pensions Increase (Review) Orders (PIRO) in relation to the government's decision to align RPI with the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030.

Following the Settlement Agreement, BA is no longer required to make cash sweep contributions and no deficit funding contributions to the Scheme are needed as APS is more than fully funded on the Technical Provisions basis. However, BA will make available a contingent payment of up to £40m on the terms of the Settlement Agreement, should it be required by the Scheme in the future to fund the proposed package of discretionary increases.

Prior to agreeing the Settlement, the Trustee had appointed PwC to advise the Trustee on BA's ability to fund the Scheme. The advice was based on an analysis of confidential financial and management data provided by BA. In July 2019, the Trustee decided that it was no longer a proportionate use of Scheme resources to obtain input from an external adviser, PwC, to provide detailed covenant monitoring advice. This is due to the unique position APS finds itself in, whereby it has a surplus on the Technical Provisions basis, extremely limited reliance on contributions from BA, a very low-risk approach to investment strategy with substantial insurance, 100% target hedging of remaining interest rate and inflation risks, and reflects the proportionate response which the Trustee wishes to take at the current time. The Trustee continues to monitor the covenant based on publicly available information and keeps the appropriateness of these arrangements under review.

The Scheme Actuary is preparing the latest interim annual update as at 31 March 2022 and the associated 'Summary Funding Statement' will be issued to members early in 2023.

SCHEME INVESTMENT

Review of the year to March 2022

The year to March 2022 was dominated by three major factors - COVID-19, inflation and geopolitics. It was a positive year for global equities with total returns of c.13% in sterling terms. Bond markets suffered, however, as inflation rose and interest rates increased.

The world spent most of 2021 cycling in and out of COVID-19-related lockdowns as new variants of the virus appeared and spread. Only in December 2021 did it become clear that the most worrying of the variants, Omicron, could be contained by existing vaccine programmes. Although optimism was not equally shared across all regions, US and European markets moved quickly to 'price in' a return to normal. However, as the global economy re-opened, it became clear that it would take some time to return to pre-pandemic conditions. Supply chains and transport systems creaked as demand rose, companies struggled to hire new workers, and shortages in some sectors triggered stockpiling. As a result, measures of consumer inflation jumped as economic activity picked up. UK retail prices increases in the second half of the Scheme year hit levels not seen since the 1980s.

In response to increasing confidence and rising prices, central banks globally started to talk about raising interest rates, removing some of the support they had provided during the pandemic. In December 2021, the Bank of England increased base rates, responding to what it considered at the time to be short-term 'transitory inflation'. In early 2022, as it became clear that interest rates would need to rise further to contain inflation, financial markets became more volatile. The prices of government bonds fell as longer-term interest rates increased. In equity markets, there were substantial price swings in sectors impacted by interest rates, such as technology stocks, consumer companies, and banks.

Then in late February 2022, Russia invaded Ukraine, with enormous humanitarian and geopolitical consequences. Many Russian companies and parts of the Russian government were immediately sanctioned by the US, the EU and the UK. The direct impact on global equity and bond markets was modest as most benchmark indices have historically had only minimal exposure to Russian companies. The conflict has however disrupted commodity markets. Oil and gas prices rose materially as Russia threatened to restrict supplies. Prices of agricultural products such as wheat increased as Ukrainian exports were blocked. The impact on consumers in Europe was immediate, with higher utility bills and food prices adding to the post-COVID-19 cost-of-living crisis. This has left central banks facing a conundrum. Should they increase interest rates to help contain inflation? Or would higher rates combined with slowing consumer spending cause a recession? This trade-off has remained the current focus of financial markets.

Trustee's Report

Asset allocation

The assets of APS fall into two categories: liability matching assets and the liquidation portfolio. The Trustee no longer requires nor mandates its Investment Manager to make tactical asset allocation decisions on behalf of the Scheme.

Liability matching assets are held to reduce risk and are those which are most aligned with the Scheme's future benefit payments. The liquidation portfolio consists of illiquid return seeking assets that are being sold as the Scheme looks to reduce its risk and further improve its liquidity.

The Trustee Board (and previously its Investment Committee) is responsible for monitoring the Scheme's asset allocation. The Trustee undertakes an annual review of the liquidity of the Fund[1] and may, where possible and from time to time, recommend changes to the investment strategy with the intention of improving the risk return profile of the Scheme's assets.

An example of such a change that took place over the last year is in relation to the Corporate Credit holdings, where a restructure of the holdings and reduction in duration took place in June and July 2021 following the appointment of BlackRock as Investment Manager. This followed a prior reduction in allocation to Corporate Credit that took place in March 2021.

Until 31 May 2021 the Scheme's Investment Manager was BAPIML. From 1 June 2021, BlackRock took on the role of Investment Manager for the Scheme.

The allocation of the Fund as of 31 March 2022 is shown below.

Asset category	Assets % 31 March 2022	Assets % 31 March 2021
Liability Matching	**94.1**	**89.7**
Index Linked Bonds	70.0	53.1
Nominal Bonds	24.1	36.6
Illiquid Assets	**3.9**	**5.3**
Private Equity	1.8	1.9
Alternatives	2.0	3.2
Property	0.1	0.2
Cash	**2.0**	**5.0**

[1] References to the Fund refer to the net assets managed by BAPIML until 31 May 2021 and by BlackRock from 1 June 2021 i.e. excluding the assets transferred to Legal & General as part of the 2018 buy-in and those backing the synthetic buy-in with Rothesay Life.

Trustee's Report

De-risking and liability hedging

The Trustee has put in place suitable policies to manage risk, to consider further insurance against residual longevity and financial risks and to run off the illiquid assets. In addition, the Trustee has established liability hedging arrangements to align the Scheme's assets with the liabilities by hedging the Scheme's exposure to interest rates and inflation, which are the key drivers in relation to the value placed on the liabilities. A range of instruments can be used for this purpose, including government bonds, gilt repo and swaps.

Following completion of the £4.4bn buy-in in 2018, work has been undertaken to better align the insured liabilities under this contract and other insurance arrangements with the benefits in payment, including, for example, allowance for the impact of the Settlement which meant that the insurance cover was increased to reflect the catch-up Discretionary Increases granted in 2019. This work was completed in July 2021 and resulted in a payment of £69.6m to Legal & General.

Fund performance

The table below shows the performance of the Fund. Over the year to 31 March 2022, the Fund returned 5.08%.

Performance				
Fiscal years to 31 March 2022	**1 year % p.a.**	**3 years % p.a.**	**5 years % p.a.**	**10 years % p.a.**
Fund return	5.08	3.65	3.60	5.66
Benchmark	4.89	3.59	3.56	5.64

Additional Voluntary Contributions (AVCs)

The Mixed Portfolio Fund (MPF) had a positive return of 7.48% for the year ending 31 March 2022. Until 31 May 2021, the MPF was actively run by the in-house BAPIML investment management team against a mandate set by the Trustee. Since the transfer of investment management to BlackRock on 1 June 2021, the MPF has been invested in passive funds, which are designed to track the performance of different asset classes. The MPF remains invested in a mixture of global equities, corporate bonds and UK government bonds.

In the year to 31 March 2022, the Short-dated Gilts Fund (SGF) returned 0.46%, and the Equity Biased Fund (EBF) returned 8.08%. Further information on the performance of the AVC funds can be found in the annual AVC Investment Commentary on the Scheme documents page of the member website.

Performance returns of the AVC funds

Annualised fiscal year return over the period to 31 March 2022:

Fiscal years to 31 March 2022	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
MPF	7.48	3.35	0.14	4.91
EBF	8.08	7.22	7.40	6.76
SGF	0.46	0.32	0.45	0.58

Source: Performance shown is calculated by State Street (prior to May 2021), BlackRock (from May 2021 onwards) or BAPSL. External Fund comparisons are sourced from Willis Towers Watson.

Trustee's Report

Statement of Investment Principles (SIP)

A SIP has been prepared by the Trustee in compliance with the requirements of Section 35 of the Pensions Act 1995. The SIP is reviewed at least annually, and, during the Scheme year, updated SIPs were adopted in June 2021 and December 2021. The Trustee updated its Long-term Objective in December 2021 and this is reflected in the latest SIP.

A copy of the **latest version of the SIP** can be accessed on the Scheme documents page of the member website. In relation to the SIP:

- Representatives from the dedicated Strategic Client Team (SCT) at BlackRock will regularly attend Trustee meetings to discuss performance, portfolio activity and wider issues. The Investment Advisor will be asked to assist the Trustee's Executive, BAPSL, in monitoring BlackRock. The Trustee will monitor BlackRock's performance over different time horizons against performance objectives but will focus on the long term.
- The Trustee expects BlackRock to, where possible, integrate financially material ESG considerations into the investment decision-making processes at a portfolio level, at asset level, across all asset classes and at all stages throughout the entire investment life-cycle including in the selection, retention and realisation of investments.
- The Trustee does not currently take into account the views of members and beneficiaries in respect of non-financial matters, including environmental and social issues.
- The Trustee expects BlackRock to, where consistent with the Trustee's fiduciary duties and applicable to the Scheme's investment strategies, 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 Trustee requires BlackRock to engage with investee companies and other relevant stakeholders, using a variety of means including collaboration with other investors, to protect or enhance the value of the Scheme's assets including over the medium to long term.
- In exercising the voting and other rights attached to the Scheme's investments, BlackRock will act according to its policy on proxy voting and shareholder engagement.
- The Trustee monitors portfolio turnover and turnover costs on an annual basis through reporting from BlackRock. This includes looking at the level of turnover and the associated costs in absolute terms and relative to various comparators.

Measuring investment performance

The Trustee monitors the investment performance by comparing the returns achieved against relevant benchmarks for the Liability Hedging Assets and the cash holdings. All other APS asset classes have a benchmark that equals the actual holdings, due to their advanced run-off stage.

At the close of the Scheme year, BlackRock was the Investment Manager to the Scheme and day-to-day investment decisions were delegated to them. BlackRock's fees are charged to the Scheme in-line with those agreed in the Investment Management Agreement (IMA). During the year to 31 March 2022, the management of the portfolio transitioned from BAPIML to BlackRock. BlackRock took on management of the portfolio from 1 June 2021. One year investment performance figures to the end of 31 March 2022 include ten months of BlackRock asset management and two months of BAPIML asset management. The Trustee set BlackRock a target performance above the weighted average of the agreed performance benchmarks assessed over a rolling five-year period.

Trustee's Report

SCHEME GOVERNANCE

Trustee knowledge and understanding (TKU)

The Trustee has a formal training policy, the foundation of which is the TKU regime developed by The Pensions Regulator (TPR). The Trustee continues to review its approach to training at least annually.

An induction programme is provided for new Trustee Directors on appointment. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the law on TKU, which allows six months for a new Trustee Director to be trained before they are expected to have achieved the required level of knowledge and understanding. Trustee Directors are required to undertake either TPR's toolkit (an online learning programme designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law) or the Award in Pension Trusteeship (a formal pensions qualification).

The content, frequency, and level of ongoing training are related to the business being undertaken by the Trustee Board. The Trustee Board, and previously each of its Committees, produce an annual calendar that identifies the topics and issues that are to be discussed and determined during the year. Appropriate training sessions are then scheduled to support these activities. Standalone training updates cover any important developments in the pensions industry which are relevant to the Scheme. Additional ongoing training may be undertaken to address each Trustee Director's particular learning needs and interests.

Training is provided in a range of formats by a variety of providers. The advisers provide training to some or all of the Trustee Directors either in routine Main Board or in specially arranged sessions. BA Pensions also provides bespoke training, and Trustee Directors are actively encouraged to supplement this formal training plan by accessing other resources, including pensions related publications and, where appropriate, industry conferences, seminars and webinars. Records of all training undertaken are maintained in respect of each Trustee Director.

Risk management and reporting

During the Scheme year, the Trustee continued to review its approach to risk management and reporting. The Trustee identified key risks, which it keeps under review through a risk reporting framework. The assessment of these risks will be supported by input from risk and control owners at BA Pensions. Work to refine the new risk management framework has continued throughout this Scheme year.

Conflicts of interest

The Trustee understands that it is in a position of trust and needs to have policies and arrangements in place to identify, monitor and manage conflicts. The Trustee conducted a review of the Conflicts of Interest policy during the Scheme year and adopted an updated version of the policy in December 2021. The policy requires Trustee Directors to complete a Declaration of Interest Form on appointment and notify any changes as they occur. A consolidated register of interests is shared with all Board members and consideration of conflicts of interest is a standing agenda item at Trustee meetings. Trustee Directors receive training on managing conflicts of interest and the circumstances in which they may arise.

Trustee's Report

Trustee arrangements

The arrangements for Trustee Director appointments are summarised below:

- Four of the Trustee Directors, including the independent Chair, are appointed by BA.
- Four of the Trustee Directors are elected by active members of the Scheme, pensioner members* and adult survivor pensioners of the Scheme (voting members).
- The Trustee Directors elected by voting members must either be active members or pensioner members* (excluding adult survivors) of APS.
- A Trustee Director may remain in office for a minimum of five years and a maximum of five and a half years and is eligible for re-appointment (provided that he/she still meets the eligibility criteria for the relevant vacancy).
- Nominations for elected member Trustee Directors must be supported by at least ten voting members. If there is more than one nomination for a vacancy, a ballot of the voting members is held. The result is decided on a simple majority of the votes cast.
- An elected Trustee Director may be removed from office following a ballot in which two-thirds of the votes cast by voting members are in favour of removal. A ballot may be held on written request to the Trustee by one hundred of the voting members. The other Trustee Directors must also agree to that Director's removal.
- The Trustee may, at any time, use electronic communications to communicate with, give notice to, or ballot members involved in the process.

*For this purpose, pensioner members do not include members whose benefits have not yet come into payment, or pensioners receiving only Equivalent Pension Benefits under the National Insurance Acts.

Committees

A more streamlined Committee structure was adopted in April 2020 and having experienced an improvement in Board Dynamics and efficiency the Board has further streamlined APS's governance to support dynamic decision-making. The APS Committees have recently been removed and all matters are now reported to and considered by the Trustee Main Board across six meetings a year. The Board may establish sub-committees or ad-hoc committees so that a small number of Trustee Directors can give detailed consideration to defined issues.

Trustee's Report

Attendance by Trustee Directors

Attendance records for Trustee and Committee meetings have been maintained and are shown below for the Scheme year to 31 March 2022.

Trustee	Investment Committee	Operations Committee	Main Board	Period of Appointment to Main Board
Roger Maynard (Chair)	4/4	4/4	4/4	Whole Year
Frances Axford	4/4	-	4/4	Whole Year
Zoe Davis	-	-	3/4	Whole Year
Paul Douglas	4/4	-	3/4	Whole Year
Ian Heath	-	4/4	4/4	Whole Year
Phil Hogg	-	4/4	4/4	Whole Year
Sarah Hunt	-	3/4	4/4	Whole Year
Tim Richardson	4/4	-	4/4	Whole Year

Committee and Main Board meetings have been convened throughout the Scheme year using a mix of video-conferencing and in-person attendance.

On occasions that Trustee Directors are not able to attend a meeting, the Rules provide for them to appoint an alternate to attend and vote for them. During the period under review, this has been standard practice. In addition, some Trustee Directors attended, as observers, meetings of committees to which they were not formally appointed. Such occurrences are not included in the attendance list.

Security of assets

The Custodian Trustee of the Scheme, British Airways Pension Trustees Limited, holds title to the assets of the Scheme on behalf of the Trustee; however physical custody of the Scheme's securities (i.e. bonds and shares) has been delegated to independent external custodians, State Street Bank and Trust Co.

Defined Contribution governance statement

Additional Voluntary Contributions (AVCs) in the Scheme are considered in some respects to be Defined Contribution (DC) Benefits. In this regard, the Trustee annually reviews and assesses the systems, processes and controls across key governance functions (the controls) to ensure that they are consistent with the Standards of Practice set out in TPR's DC Code of Practice and Regulatory Guidance. The Trustee is satisfied that the controls are consistent with that Code, however, were the annual review to identify any areas where those Standards of Practice are not met, the Trustee would consider the reason for those differences and whether any changes to current practice are required.

SCHEME CHANGES

There were no changes to the Scheme during the Scheme year.

TRUST DEED AMENDMENTS

There were no changes during the year. The consolidated Trust Deed and Rules and the deed implementing the consolidation can be viewed via the Scheme documents page of the member website.

Trustee's Report

PENSION ADMINISTRATION MATTERS

Cash equivalent transfer values

Transfer values paid during the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993.

Pension increases

The Scheme Rules provide that the annual increase for most pensions shall be the percentage specified in the Pensions Increase (Review) Orders (the Orders). Any increases above those provided for by the Orders are granted on a discretionary basis; those increases provided in-line with the Orders are a right under the Scheme.

The Orders currently reflect the rise in the Consumer Prices Index (CPI) over a twelve-month period measured up to the end of the preceding September. The 2022 Order was 3.1% and in accordance with the Scheme Rules, qualifying pensions were increased by 3.1% on 11 April 2022. These increases apply to all pensions payable under the Rules of the Scheme (whether in deferment or currently in payment - excluding any guaranteed minimum pension in payment) except where the member remained in active service after 31 December 1973 and did not transfer to Part VI of the Scheme. Broadly speaking, people in this latter category receive increases in payment in-line with price inflation, as determined under the Pensions Act 1995 (currently CPI), up to 5% a year in respect of any part of the pension relating to pensionable service after 5 April 1997.

The Pensions Act 2004 reduced increases to pensions in payment for people within this category to inflation up to 2.5% a year in respect of service after 5 April 2005. The Pensions Act 2008 reduced increases to deferred pensions for people within this category, who have not attained their normal pension date, to inflation (currently CPI) up to 2.5% a year in respect of pension accrued after 5 April 2009 (for pension earned before that date the cap is 5% a year). Dependants in receipt of pensions derived from a deceased member within this category receive increases at the rate shown in the Orders, but only up to 5% a year as provided in the Rules.

Discretionary increases under Settlement

Under the terms of the Settlement, the Trustee is permitted, subject to some affordability tests, to award discretionary increases so that Scheme pensions are increased up to the annual change in RPI. The maximum levels of discretionary increases between April 2020 to April 2027 are prescribed under the Settlement. For 2022 the Settlement permits a discretionary increase of 100% of the relevant gap between RPI and the Orders. After considering all relevant circumstances, the Trustee decided to award a discretionary increase to qualifying pensions of 1.8% (the maximum permitted), bringing the total 2022 pension increase to 4.9%.

Reform to RPI methodology

In 2020 the government ran a consultation on more closely aligning the RPI with CPI and CPIH. The yearly rise in the RPI has generally been about 1% higher than the yearly rise in CPIH historically. The Trustee responded to the consultation urging the government to consider an alternative approach, strongly supporting a refinement to redefine RPI as CPIH plus a margin to be implemented in 2030 (rather than 2025).

The government decided that RPI will continue to be published but from 2030 its calculation will be the same as CPIH. This decision was challenged by a Judicial Review claim brought by a group of UK pension scheme trustees. The judgment from the Judicial Review claim concluded that the government's decisions were lawful and therefore no change is expected to the government's decision to align RPI with CPIH from 2030.

Internal dispute resolution procedure (IDRP)

The Trustee is required by law to operate an IDRP. This is a mechanism by which a member may request a designated person to adjudicate on a disagreement with their scheme. The designated person to deal with the first stage adjudication is Richard Pilsworth, General Counsel, BA Pensions. In the event that the complainant is not satisfied with the outcome, the matter is then referred to the Trustee's Discretions Sub-Group for second stage adjudication. Complaints made under this procedure must be in writing and a leaflet giving full details is available from BA Pensions.

Trustee's Report

Tax

The Standard Lifetime Allowance, Annual Allowance and minimum tapered Annual Allowance are unchanged from the previous tax year. The allowances for 2022/23 are:

- Standard Lifetime Allowance: £1,073,100
- Annual Allowance: £40,000
- Minimum tapered Annual Allowance: £4,000

Online communications

The administration team can respond to members who have registered to manage their pension online by secure email. Email responses are issued via Mimecast, which is a cloud-based email messaging service. This is a convenient and faster way for members to receive information securely.

This report was approved by the Trustee Board on 27 September 2022 and was signed on its behalf by:

Monica Gupta
Scheme Secretary

Implementation Statement (forming part of the Trustee's Report)

STATEMENT OF INVESTMENT PRINCIPLES (SIP) - IMPLEMENTATION STATEMENT

1. Introduction

Under the Occupational Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), the Trustee is required to produce an annual Implementation Statement, setting out how the policies described in the Scheme's SIP have been followed. This statement covers the period 1 April 2021 to 31 March 2022, the Scheme's reporting year.

This statement sets out how the Trustee's policies under the terms of the SIP have been implemented.

The Scheme's SIP was updated in June 2021 following the change in Investment Manager from the Scheme's in-house manager, British Airways Pensions Investment Management Limited (BAPIML), to an outsourced arrangement with BlackRock. As such, several areas of this report will be split according to the time when BAPIML was Investment Manager (the initial part of the Scheme year up to 31 May 2021) and the remainder of the year, during which BlackRock was manager. For the purpose of this statement BAPIML and BlackRock are referred to as the "Investment Managers". The SIP was further updated in December 2021, to reflect the Scheme's Long-Term Objective.

The SIP includes an explicit statement of the Scheme's approach to stewardship and responsible investing. This approach is further detailed in the Scheme's Responsible Investment (RI) Policy, with implementation being delegated to BlackRock.

The RI Policy and the RI sections of the Scheme's SIP were further updated in November and December 2021 respectively, following a review of Trustee's ESG principles. The main changes focused on strengthening the wording around voting and engagement.

The responsibility for the implementation, review and monitoring of the Scheme's RI Policy sits with the Trustee Board.

Both the SIP and the RI Policy are available on the **member website**.

2. Assets held and managed

The Airways Pension Scheme (APS) is a defined benefit scheme that has been closed to new entrants since 1984. As of 31 March 2022, APS had a total of 20,532 members, nearly all of which are pensioners in payment, dependants or deferred pensioners.

The Trustee's main objective is to deliver the benefits that members are due without taking significant risks. In a major step towards reaching this goal, APS insured c.£4.4 billion of liabilities through a pensioner buy-in with Legal & General in 2018, which resulted in a large reduction in the assets managed by BAPIML on behalf of the Scheme.

As of 31 March 2022, BlackRock managed over £2 billion in assets for the Scheme. The Scheme's investment strategy consists of a liquidation portfolio and a liability matching portfolio, along with a derivative overlay portfolio as required. The assets managed are predominantly invested in inflation linked government bonds and corporate bonds, with a small allocation to illiquid return-seeking assets (mainly private equity and alternatives).

APS members are also able to invest their Additional Voluntary Contributions (AVCs) in a money purchase arrangement called the Mixed Portfolio Fund (MPF), which owns government bonds, corporate bonds, listed equities and cash.

Investment Managers

Up until 31 May 2021, BAPIML was the Scheme's in-house Investment Manager, providing services exclusively to APS and to the New Airways Pension Scheme[2] (NAPS). BAPIML was a limited company that was wholly owned by the Custodian Trustee of the NAPS and APS Management Trustees.

BAPIML directly managed active mandates for APS in corporate bonds, gilts and inflation-linked bonds, and direct property. Its fund managers selected and oversaw APS's third-party managers in private equity and alternatives. BAPIML also managed a number of active equity and bond portfolios for the MPF.

From 1 June 2021, the Scheme's Investment Manager was changed to BlackRock. Alongside the change of Investment Manager to BlackRock, various restructuring of the assets occurred. Within the corporate bond asset class, the mandate was moved to a buy-and-hold approach.

British Airways Pension Services Limited (BAPSL)

BAPSL is the Scheme's in-house administrator, providing administrative services to the APS and NAPS Trustee Directors and members. BAPSL also acts as the Schemes' executive, coordinating the interaction between the Schemes' Trustee Boards, their investment and actuarial advisors, and the Schemes' sponsor.

[2] NAPS is a defined benefit scheme which is closed to new entrants and future accrual. NAPS is a less mature scheme than APS with a strategic asset allocation of 66% liability matching portfolios and 34% return seeking portfolios.

Implementation Statement (forming part of the Trustee's Report)

3. Policies and practices

The Trustee adopted a substantially updated RI Policy in July 2019, with the key aspects of the Policy being subsequently described in the Scheme's SIP. The Scheme's RI Policy should be expected to develop over time as regulation and best practices evolve. It was most recently reviewed and updated in November 2021. The latest versions of both the **Scheme's SIP** and **RI Policy** can be found on the **member website**.

The APS SIP describes the Trustee's position on ESG issues by means of the following 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 require our Investment Managers to actively engage and utilise their voting rights/engagement to drive up ESG standards in the organisations in which we invest."*

The Scheme's SIP further describes BlackRock's responsibilities with respect to voting and engagement activities as follows:

- The Trustee expects BlackRock to, where consistent with the Trustee's fiduciary duties and applicable to the Scheme's investment strategies, 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 (APS SIP 7.7).
- The Trustee requires BlackRock to engage with investee companies and other relevant stakeholders, using a variety of means including collaboration with other investors, to protect or enhance the value of the Scheme's assets, including over the medium to long term. 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 interest. BlackRock is required to keep records of each engagement and outcome (APS SIP 7.8).
- In exercising the voting and other rights attached to the Scheme's investments, BlackRock will act according to its policy on proxy voting and shareholder engagement (APS SIP 7.10).
- The Scheme's RI activities, annual voting and engagement reports will be made available on a publicly accessible website (APS SIP 7.12).

Implementation Statement (forming part of the Trustee's Report)

4. Monitoring and communication

The responsibility for the implementation, review and monitoring of the RI Policy sits with the Trustee who rely on the support of their investment advisors.

Implementation of the Scheme's RI Policy was delegated to BAPIML as the Scheme's in-house Investment Manager until 31 May 2021, at which point BlackRock assumed responsibility. The Investment Managers are charged with integrating ESG considerations where possible and appropriate to the Scheme's investment strategy. They are also responsible for conducting voting and engagement activities on behalf of the Scheme.

BlackRock's portfolio managers are supported by the BlackRock Investment Stewardship (BIS) team. The BIS team provide subject matter expertise, analytical resource and advice on RI implementation. The strategic client team (a team within BlackRock who are focused on the APS and NAPS accounts) manage and track the voting activity and are responsible for producing internal and Trustee-facing ESG reporting.

The Investment Managers' representatives attend regular Trustee meetings to report on integration and stewardship activities. The Trustee will, from time to time, also call on individual asset-class fund managers to present their views and activities for review by the Trustee Directors and their advisors.

In addition, the Trustee also receives written reports detailing stewardship activities and outcomes. These include the following:

- Vote Summary Report (annually)
- Investment Stewardship and Engagement Report (annually)
- ESG Integration Evidence (ad-hoc)
- SIP Implementation Statement (annually)
- BlackRock's Stewardship Code Report (annually)

BAPSL receives quarterly updates on voting, stewardship and engagement from BlackRock on behalf of the Trustee and will raise any areas of concern to the Trustee. The content of the previous annual RI Report has been integrated within this document.

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

The Scheme's SIP, RI Policy, and BlackRock's Stewardship Code Report are made available on the Scheme's website alongside a complete record of the most recent year's voting activities.

Implementation Statement (forming part of the Trustee's Report)

5. MPF Voting (1 April 2021 – 31 May 2021)

BAPIML's policy was to exercise its clients' voting rights in all geographies, for all relevant asset classes, wherever possible. BAPIML's voting was predominantly associated with the Scheme's listed equity holdings (held in the MPF), although its credit managers were from time to time asked to vote on proposals relating to corporate bonds.

In exercising voting rights associated with the Scheme's holdings, BAPIML's overriding priority was, to the extent possible, to ensure that the value of the Scheme's assets was enhanced over the long run. BAPIML also used the voting rights associated with the Scheme's holdings to drive up ESG standards in the organisations in which the Scheme was invested, where BAPIML believed this was consistent with the Scheme's fiduciary duties and applicable to the investment strategy.

BAPIML was required to consider recommendations on voting from a specialist service provider, Institutional Shareholder Services. The relevant asset class fund manager was ultimately responsible for deciding how to vote. Managers were encouraged to vote for each corporate event on a case by case basis, with reference to a common but non-binding set of priorities and their specific knowledge of the company.

BAPIML would abstain on a specific proposal only if it believed withholding support was more appropriate than voting for or against. This might have been the case if BAPIML was in the process of engaging with management on the matter or because a "FOR" or "AGAINST" vote would have specific negative consequences. There are also individual markets where an abstention may be required or justified for technical reasons.

Over the two months to the end of May 2021, BAPIML voted on behalf of the MPF at 264 meetings on a total of 4,512 proposals.

Number of meetings voted by geography	
United Kingdom	99
North America	45
Developed Europe ex-UK	72
Developed and Emerging Asia Pacific ex-Japan	29
Japan	19
Total	**264**

BAPIML voted against management's recommendation on at least one proposal at 39% of meetings. In all, BAPIML voted against management's recommendation on 6% of proposals.

Number of meetings voted by outcome	
Meetings where BAPIML voted in-line with management on all proposals	161
Meetings where BAPIML voted against management on at least one proposal	103
Total	**264**

Number of proposals voted by outcome	
Proposals where BAPIML voted in-line with management	4,244
Proposals where BAPIML voted against management	268
Total	**4,512**

Implementation Statement (forming part of the Trustee's Report)

Where BAPIML voted against management's recommendation, the decision was informed by research from the Scheme's proxy voting advisor, the ESG team's subject matter expertise, and the fund manager's understanding of the company's specific situation.

Votes against management were most typically related to director elections, shareholder proposals or remuneration.

Proposals where BAPIML voted against management by proposal category	Number of proposals	Proportion of category
Director Election	72	27%
Shareholder Proposals	51	19%
Remuneration	78	29%
Capital Structure and Dividends	46	17%
Audit, Report and Accounts	5	2%
Other Business	16	6%
Total	**268**	**100%**

6. MPF Voting (1 June 2021 – 31 March 2022)

Over the period from 1 June 2021 – 31 March 2022, BlackRock voted at 1,660 shareholder meetings on 13,789 individual proposals and voted against management's recommendation on 967 occasions, equivalent to 7% of all proposals.

BlackRock had votes rejected for administrative reasons at seven shareholder meetings on 64 proposals over the period. There were 126 US company meetings where voting rights were not exercised for the MPF holdings between 24 June 2021 and 31 March 2022. This was due to an administrative error on the part of Northern Trust, who failed to pass ballot notifications for some US companies held by the MPF to the Institutional Shareholder Services platform, which is used by BlackRock to monitor proxy voting activity. The problem was corrected as soon as it was identified by BlackRock.

The table below shows the 1,660 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	20
North America	16
Developed Europe ex-UK	49
Developed and Emerging Asia Pacific ex-Japan	1,073
Japan	363
Emerging Markets	139
Total	**1,660**

The table below shows the 13,789 proposals, split between votes in-line with management and against management:

Number of proposals voted on by outcome	
Proposals where BAPIML voted in-line with management	12,822
Proposals where BAPIML voted against management	967
Total	**13,789**

Implementation Statement (forming part of the Trustee's Report)

The table below shows proposals where BlackRock voted against management's recommendation, broken down by category:

Proposals where BAPIML voted against management by proposal category	Proportion of category
Director Election	34%
Shareholder Proposals	1%
Remuneration	17%
Capital Structure and Dividends	25%
Audit, Report and Accounts	7%
Amend Articles	8%
Board Structure and Responsibilities	6%
Other Business	2%
Total	**100%**

BlackRock proxy voting guidelines
BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. They inform their vote decisions through research and engage as necessary. They review their voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's market-specific voting guidelines are available on their website at: **https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf**

Implementation Statement (forming part of the Trustee's Report)

Most significant votes
The table below sets out two of the most significant votes for the Scheme over the year to 31 March 2022:

Company name	ExxonMobil Corporation	China Tower Corporation Ltd
Date of the vote	AGM of 26 May 2021	EGM of 14 January 2022
Approx. Scheme holdings at date of vote	MPF: c.£0.5m (as at 31 March 2021, the nearest available)	MPF: c.£0.01m
Significance	There is concern that the ExxonMobil energy transition strategy falls short of what is necessary to ensure the company's resilience in a low carbon economy.	There is concern over the lack of diversity on the Board, particularly gender, where the company has no female Board members.
Summary of the vote	Engine No. 1 LLC is an impact-focused investment firm. As a shareholder, Engine No. 1 proposed replacing existing Board members with up to four new Directors with experience relevant to the energy transition. BAPIML supported the election of three of the four Directors proposed, voting against the recommendation of the Board without prior communication to ExxonMobil. BAPIML's view was that the Board would benefit from the addition of diverse energy experience to augment existing skillsets. The three Directors that BAPIML voted in favour of were elected.	The proposals were to re-elect two incumbent Directors, none of whom were female, with BlackRock voting against both Directors and communicating this intention to the company in advance. BlackRock believed both Directors should be held accountable for the lack of gender diversity among the proposed candidates. Both proposed Directors were elected. BlackRock's view centered on concerns about the lack of gender diversity on the Board, with the company on track to be non-compliant with the Hong Kong Exchange Corporate Governance Code, which has recently been updated to require all listed companies to appoint at least one Director of a different gender no later than 31 December 2024.
Next steps	BlackRock continues to engage with ExxonMobil given the urgency with which BlackRock expects the company to deliver on its climate-related commitments.	BlackRock continues to engage with China Tower on board diversity and other issues around board effectiveness.

7. APS and MPF Engagement (1 April 2021 – 31 May 2021)

Under the APS RI Policy, the purpose of BAPIML's engagement activities was to:

> *"protect or enhance the value of the Scheme's assets by aiming to bring about a change to the investment's ESG practices and performance."*
>
> *"build long-term relationships with management as part of asset managers' ongoing monitoring and scrutiny of the Scheme's assets."*

To ensure engagement data was recorded consistently across BAPIML, engagement was defined as: *"Any two-way communication between BAPIML as investor, and current or potential investee companies."* Therefore, any interaction that met this definition was recorded.

Over the two month period to 31 May 2021, BAPIML had 19 engagements in total across the listed equity and corporate bonds portfolios. Engagements are typically focused on understanding the opportunities and risks faced by the investee company. On 14 occasions (74%), BAPIML also raised matters relating to at least one ESG topic with current or potential investee companies.

Implementation Statement (forming part of the Trustee's Report)

8. APS Engagement (1 June 2021 – 31 March 2022)

During this period, BlackRock had 95 engagements in total across the credit portfolio. Engagements were typically focused on understanding the opportunities and risks faced by the investee company. On every occasion, BlackRock also raised matters relating to at least one ESG topic with current or potential investee companies, leading to 155 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 95 engagements.

Total company engagements	95
Engagements by region	
Americas	25
EMEA	69
APAC	1
Engagement themes	
Governance	74
Social	25
Environmental	56
Engagement topics	
E- Climate Risk Management	45
E- Environmental Impact Management	9
E- Operational Sustainability	26
S- Human Capital Management	20
S- Social Risks and Opportunities	13
G- Board Composition & Effectiveness	34
G- Business Oversight/Risk Management	19
G- Corporate Strategy	30
G- Executive Management	20
G- Governance Structure	11
G- Remuneration	37

External capabilities[3]

The Investment Managers engaged with the Scheme's external fund managers for monitoring and due diligence purposes, with the aim of ensuring that investee funds were managed in-line with the agreed investment process. Recognising that different managers in different asset classes would reasonably take different approaches to Responsible Investment, the Investment Managers were also responsible for escalating any major ESG-related issues to BAPSL.

[3] The Investment Managers provided oversight of external managers in private equity and alternatives.

Implementation Statement (forming part of the Trustee's Report)

9. MPF Engagement (1 June 2021 – 31 March 2022)

During this period, BlackRock had 827 engagements in total across the portfolio. Engagements were typically focused on understanding the opportunities and risks faced by the investee company. On every occasion, BlackRock also raised matters relating to at least one ESG topic with current or potential investee companies, leading to 1,620 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 827 engagements.

Total company engagements	827
Engagements by region	
Americas	320
EMEA	236
APAC	271
Engagement themes	
Governance	717
Social	337
Environmental	566
Engagement topics	
E- Climate Risk Management	456
E- Environmental Impact Management	198
E- Operational Sustainability	288
S- Human Capital Management	263
S- Social Risks and Opportunities	179
G- Board Composition & Effectiveness	388
G- Business Oversight/Risk Management	232
G- Corporate Strategy	338
G- Executive Management	127
G- Governance Structure	196
G- Remuneration	306

BlackRock's Engagement Priorities

Each year, BlackRock set engagement priorities to calibrate their work around the governance and sustainability issues they consider to be top of mind for companies and their clients, building on themes from the past several years. BlackRock note that their priorities provide clients with insight into how they are conducting engagement and voting activities on their behalf.

BlackRock's Investment Stewardship 2021 and 2022 engagement priorities were:

- **Board quality and effectiveness** – Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remained a top priority.
- **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.
- **Strategy, purpose and financial resilience** – A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience.
- **Incentives aligned with 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

Implementation Statement (forming part of the Trustee's Report)

10. Stewardship examples from the year to the end of March 2022

The Trustee has reviewed BlackRock's stewardship activities carried out on its behalf and has identified the following examples which demonstrate the Trustee's policies being implemented.

Equinor

Equinor ASA (Equinor) is a Norway-based energy company engaged in oil and gas exploration and production activities. The company is controlled by the government of Norway (with a shareholding of 67%).

In order to assess companies' strategies to navigate the energy transition, BIS engages with companies, looking for them to demonstrate they have plans that are resilient under likely decarbonisation pathways to limit temperature rise to well below 2°C. Where BIS has authority to do so, they will also use proxy voting to encourage company management to progress their climate-related plans.

At Equinor's AGM in 2021, Blackrock supported a shareholder proposal requesting that the company "set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."

Since then, Equinor has made notable improvements to its climate-related disclosure and strategy. In March 2022, Equinor published an Energy Transition Plan that focuses on cashflow generation from highly "focused, carbon efficient oil and gas production." The plan calls for accelerating investments in renewables (particularly offshore wind), the development of blue and green hydrogen and building carbon capture and storage (CCS) value chains. It also includes an ambition to reach a 40% reduction in scope 1, 2 and 3 net carbon intensity by 2035.

In recognition of the disclosure of the company's plan, and the progress made against it to date BlackRock voted against a number of shareholder proposals at the company's 2022 AGM. The resolutions which were not supported were predominantly those which BlackRock believed were overly prescriptive in nature, unduly constraining on management, or redundant given the company's existing practices and disclosure.

Barclays

Barclays Plc (Barclays) operates as a bank holding company that provides retail banking, credit cards, corporate and investment banking and wealth management services.

BIS has engaged regularly with Barclays over the last several years to discuss a range of corporate governance and sustainable business matters that they believe contribute to a company's ability to deliver durable, long-term shareholder returns. This has included conversations about climate risk and opportunities, as well as the company's climate-related disclosures.

BlackRock believes that Barclays has made notable progress in developing its net zero roadmap. In the past year, the bank has added medium-term targets to 2030 for financed emissions which reference the International Energy Agency's Net Zero 2050 scenario. In addition, the company has broadened the scope of its targets to include reducing financed emissions from steel and cement, in addition to power and energy. Finally, Barclays enhanced its coal policies to include a commitment to phase out financing for thermal coal mining and for thermal coal power by 2035.

At Barclays' 2022 AGM, management proposed an advisory, non-binding shareholder vote on the company's Climate Strategy, Targets and Progress 2022. Although BlackRock believes there is still room for the bank's disclosures and underlying strategy to be improved, BlackRock voted in favour of approving the plan in recognition of the progress that has been made.

Implementation Statement (forming part of the Trustee's Report)

11. Affiliations and initiatives

The Investment Managers engaged with the global investment and corporate community through a range of industry affiliations.

Coalitions and shareholder groups provide BlackRock with the opportunity to promote a sustainable financial system globally, to advocate on a variety of corporate governance topics and to learn from its peers in the investment industry. BlackRock also works informally with other shareholders (where such activities are permitted by law) to engage companies on specific issues or to promote market-wide enhancements to current practice.

12. Member Enquiries

In the year to March 2022, BAPSL received no queries from Scheme members about responsible investment.

The Trustee does not take members' views into account when setting the Scheme's investment strategies, but the Trustee does receive a summary of all member enquiries relating to responsible investment matters. Please visit the '**Scheme Documents**' page of the member website for more details of the Scheme's responsible investment activities. If you would like more information on the Scheme's responsible investment policies or its approach to stewardship and can't find the information on the website, you can email us at **esg@bapensions.com**

13. Conclusion

The Trustee monitored the Investment Managers' implementation of their investment principles so far as they related to stewardship by means of written quarterly and annual reports, which are interrogated systematically by BAPSL, the Trustee and advisors.

The Trustee and advisors also had regular access to BAPIML's CIO, Head of Asset Allocation and Investment Risk, and ESG specialists, as well as BlackRock's OCIO and stewardship team.

On the basis of the information provided to them and their advisors, the Trustee is of the opinion that the stewardship components of the Scheme's SIP have been implemented as envisaged in the 12 months to 31 March 2022.

Statement of Trustee's Responsibilites (forming part of the Trustee's Report)

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee's Responsibilities accompanying the Trustee's Summary of Contributions.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

Independent auditor's report to the Trustee of the Airways Pension Scheme

Opinion
We have audited the financial statements of the Airways Pension Scheme ("the Scheme") for the year ended 31 March 2022 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading meeting minutes and the Scheme's breach log.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's Report

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or their delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the valuation of the Asset and Longevity Swap, Insurance contracts and other Level 3 Investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence and discussed with the Trustee the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of Contributions in our Statement about Contributions on page 47 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report

Other information
The Trustee is responsible for the other information, which comprises the Chair's Review and Trustee's Report (including the Report on Actuarial Liabilities, Implementation Statement and the Summary of Contributions), and the Actuarial Certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities
As explained more fully in their statement set out on page 25, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
For and on behalf of KPMG LLP, Senior Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date:

Fund Account

	Note	31 March 2022 £m	31 March 2021 £m
Contributions and Benefits			
Employer contributions	**3**	1.0	1.8
Employee contributions	**3**	0.4	0.7
Total contributions		1.4	2.5
Benefits paid or payable	**4**	(357.7)	(373.7)
Payments to and on account of leavers	**5**	(18.9)	(26.9)
Administrative expenses	**6**	(4.0)	(4.6)
		(380.6)	(405.2)
Net (withdrawals) from dealings with members		(379.2)	(402.7)

	Note	31 March 2022 £m	31 March 2021 £m
Returns on Investments			
Investment income	**7**	24.3	28.9
Investment management expenses	**8**	(0.8)	(2.9)
Change in market value of investments	**9**	278.3	143.4
Net return on investments		301.8	169.4
Net (decrease) in the fund during the year		(77.4)	(233.3)
Net assets of the Scheme at 1 April		7,374.4	7,607.7
Net assets of the Scheme at 31 March		**7,297.0**	**7,374.4**

The notes on pages 31 to 46 form part of the financial statements.

Statement of Net Assets (available for benefits)

	Note	31 March 2022 £m	31 March 2021 £m
Investment assets:			
Fixed interest bonds	9	601.8	694.7
Index-linked bonds	9	5,645.8	5,569.7
Pooled arrangements			
Property	10	2.2	4.5
Alternative investments	10	40.0	59.6
Private equity	10	37.9	37.8
Cash	10	81.8	-
Insurance contracts	12	4,213.0	4,285.0
Derivatives	14	58.4	3.9
AVC mixed portfolio fund	16	12.0	15.8
Cash	9	173.6	61.7
Reverse repurchase agreements	9	78.4	-
Other investment balances	9	44.2	42.8
		10,989.1	10,775.5
Investment liabilities:			
Fixed interest bonds	9	(33.4)	-
Asset and longevity swaps	13	(3,535.4)	(3,296.3)
Derivatives	14	(22.8)	(16.4)
Other investment balances	9	(85.7)	(69.7)
Total net investments		7,311.8	7,393.1
Current assets		0.1	0.2
Current liabilities		(14.9)	(18.9)
Net assets of the Scheme at 31 March		**7,297.0**	**7,374.4**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities on pages 52 and 53, and these financial statements should be read in conjunction with this report.

The notes on pages 31 to 46 form part of these financial statements.

These financial statements were approved by the Trustee Board on 27 September 2022 and were signed on their behalf by:

Roger Maynard **Trustee Director** **Paul Douglas** **Trustee Director**

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (revised July 2018).

The financial statements are prepared on a going concern basis, which the Trustee considers to be appropriate as it believes that the Scheme has adequate resources to meet its obligations as they fall due for at least the next twelve months from the approval of these financial statements. In reaching this conclusion, the Trustee has considered the half year results (six months to 30 June 2022) for International Airlines Group (IAG) (parent of British Airways Plc) which were prepared without inclusion of a material uncertainty over the group's going concern, the employer covenant and the most recent funding position as at 30 June 2022. Based on its assessment the Trustee considers the Scheme to have sufficient resources to continue operating. This assessment supports the Trustee's decision to prepare the financial statements on a going concern basis.

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

i. Employees' contributions, including AVCs, are accounted for when they are deducted from pay by the Employer and in accordance with the Schedules of Contributions in force during the year.

ii. Employer normal contributions are accounted for on the same basis as the employees' contributions, in accordance with the Schedules of Contributions in force during the year. Employer normal contributions include contributions payable to the Scheme under salary sacrifice arrangements.

iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

iv. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedules of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.

b. Payments to members

i. Pensions in payment are accounted for in the period to which they relate.

ii. Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, the date of retiring or leaving.

iii. Individual transfers out of the Scheme are accounted for when the member liability is discharged, which is normally when the transfer amount is paid.

c. Administrative and investment management expenses

Expenses are accounted for on an accruals basis.

d. Investment income

i. Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

ii. Income from cash and short-term deposits is accounted for on an accruals basis.

iii. Income from pooled arrangements is accounted for when declared by the fund manager, net of any associated management fees.

iv. Annuity income from the Legal & General buy-in and income arising from the longevity swap are recognised as sales in the investment reconciliation in note 9.

e. Investment change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

Notes to the Financial Statements

2. Accounting policies - continued

f. Investments

Investments are included at fair value as described below:

i. Quoted securities in active markets are usually valued at either the current bid price or the last traded price as of year-end, depending on the convention of the stock exchange on which they are quoted, at the reporting date.

ii. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

iii. Insurance contracts are valued at fair value. The Legal & General bulk annuity buy-in is valued by the Scheme Actuary by projecting the benefits covered, expected to be paid in each year. The key underlying assumptions are shown on page 52, with the only difference being an update in longevity assumptions to 2022. The resulting projected cash flows are then discounted to obtain a present value.

iv. Rothesay Life asset and longevity swaps are valued at fair value based on the expected future cash flows taking into account market interest rates, market data at the year-end and the risk premium inherent in the contract. The longevity swap is based on realistic assumptions agreed by Rothesay Life and the Scheme based on the experience of the Scheme.

v. Exchange traded derivatives are stated at market value determined using market quoted prices.

vi. Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as of the year-end date.

vii. Swaps are valued by taking the current value of future cash flows arising from the swap determined using discounted cash flow models and relevant market data at the reporting date.

viii. Repurchase agreements are accounted for as follows:

- For repurchase agreements, the Scheme recognises and values the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
- For reverse repurchase agreements, the Scheme does not recognise the securities received as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.

Notes to the Financial Statements

2. Accounting policies - continued

g. Pooled arrangements
The indirect property, alternative, private equity and some cash investments are invested in externally pooled funds. A proportion of the private equity and alternatives, and all of the property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme.

Direct and indirect investment properties have been valued at the year-end in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards, taking into consideration the current estimate of the rental values and market yields. The valuations for the direct properties have been carried out by Cushman & Wakefield, chartered surveyors, who have the appropriate knowledge and experience to value such assets. Indirect properties are valued by the manager of the pooled funds.

Private equity and alternative investments are valued at the best estimate of fair value taking the latest available valuations issued by the managers and adjusting for any cash movements occurring between the date of the valuation and the Scheme year-end.

h. Foreign currencies
Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

3. Contributions

	2022 £m	2021 £m
Employer contributions		
Normal	1.0	1.8
Employee contributions		
Normal	0.1	0.1
Additional voluntary contributions	0.3	0.6
	1.4	**2.5**

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Further details regarding contributions are included in the Summary of Contributions on page 48.

Notes to the Financial Statements

4. Benefits paid or payable

	2022 £m	2021 £m
Pensions	350.7	356.3
Commutations of pensions and lump sum retirement benefits	6.2	16.7
Lump sum death benefits	0.3	-
Taxation where lifetime or annual allowance exceeded	0.5	0.7
	357.7	**373.7**

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

5. Payments to and on account of leavers

	2022 £m	2021 £m
Individual transfers out to other schemes	**18.9**	**26.9**

6. Administrative expenses

The Scheme bears the cost of administration. However, the levies required by the Pension Protection Fund are payable by BA Plc. The Airways Pension Scheme bears an allocation of the overall costs of BAPSL except where a cost relates specifically to the Scheme, in which case the cost is met by the Scheme in full. The administrative expenses include the in-house costs of running the BAPSL team that provide member services, finance operations and Trustee support. They also include the costs of external advisers engaged by the Trustee, including the auditor, actuary, investment consultants, legal advisers and compliance costs. The split of costs at the year-end is as follows:

	2022 £m	2021 £m
BAPSL in-house administration and processing	2.5	2.1
External professional fees	1.5	2.5
	4.0	**4.6**

Notes to the Financial Statements

7. Investment income

	2022 £m	2021 £m
Income from fixed interest bonds	19.7	13.0
Income from index-linked bonds	3.0	14.2
Interest on cash deposits	0.1	0.1
Other income	1.5	1.6
	24.3	**28.9**

8. Investment management expenses

The Scheme bears the cost of investment management expenses. The investment management was in-house until the transition to BlackRock Investment Management (UK) Limited on 1 June 2021.

	2022 £m	2021 £m
BAPIML in-house investment management expenses	0.2	2.9
External investment management expenses	0.6	-
	0.8	**2.9**

Notes to the Financial Statements

9. Reconciliation of investments

	Value at 31 March 2021 £m	Purchases at cost & derivative payments £m	Sales proceeds & derivative receipts £m	Change in market value £m	Value at 31 March 2022 £m
Fixed interest bonds	694.7	1,870.7	(1,964.5)	(32.5)	568.4
Index-linked bonds					
- Rothesay Life assets	4,340.6	-	-	228.4	4,569.0
- Index-linked bonds	1,229.1	357.7	(546.3)	36.3	1,076.8
Pooled arrangements					
- Property	4.5	0.1	(2.3)	(0.1)	2.2
- Alternative investments	59.6	4.4	(29.2)	5.2	40.0
- Private equity	37.8	7.0	(22.3)	15.4	37.9
- Cash	-	81.8	-	-	81.8
Insurance contracts					
- Legal & General buy-in	4,285.0	-	(198.6)	126.6	4,213.0
Asset and longevity swaps					
- Rothesay Life swaps	(3,296.3)	2.6	(78.5)	(163.2)	(3,535.4)
Derivatives					
- Swaps	(12.9)	3,812.2	(3,824.0)	64.8	40.1
- Futures	-	0.4	(2.5)	2.7	0.6
- Forward foreign exchange	0.4	6.2	(8.5)	(3.2)	(5.1)
AVC mixed portfolio fund	15.8	0.3	(5.1)	1.0	12.0
	7,358.3	6,143.4	(6,681.8)	281.4	7,101.3
Cash	61.7			(3.1)	173.6
Reverse repurchase agreements	-			-	78.4
Other investments	(26.9)			-	(41.5)
	7,393.1			278.3	**7,311.8**

There were four (2021: four) individual investments which comprised greater than 5% of the net assets of the Scheme (in absolute terms); the Legal & General buy-in 57.7% (2021: 58.1%), the 2050 0.5% Treasury index-linked gilt 44.7% (2021: 42.0%), the Artemis asset swap 48.5% (2021: 41.8%) and the 2046 0.125% Treasury index-linked gilt 7.0% (2021: 5.6%).

The investment management of the Scheme's assets was transferred to BlackRock Investment Management (UK) Limited on 1 June 2021.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Due to MiFID II, research costs have been unbundled and are now included within investment management expenses. There were no such reportable transaction costs in the year.

Indirect costs in relation to bonds are incurred through the bid-offer spread. Indirect costs are also incurred in relation to external pooled arrangements through charges made to those vehicles.

Notes to the Financial Statements

10. Pooled arrangements

The indirect property, alternative, private equity and some cash investments are invested in externally pooled funds. A proportion of the private equity and alternatives, and all of the property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme. The remainder is held directly on behalf of the Scheme. As of 31 March 2022, the value of these funds are as follows:

Property	% held	2022 £m	2021 £m
Externally pooled indirect funds		1.0	2.1
Direct UK property fund		1.2	2.4
Total property unitised	17.80%	**2.2**	**4.5**

Alternatives	% held	2022 £m	2021 £m
Alternative unitised fund	50.61%	-	0.5
Direct investment funds		40.0	59.1
Total		**40.0**	**59.6**

Private equity	% held	2022 £m	2021 £m
Private equity unitised fund	50.61%	-	10.3
Direct investment funds		37.9	27.5
Total		**37.9**	**37.8**

Cash	2022 £m	2021 £m
Direct investment funds	**81.8**	**-**

Notes to the Financial Statements

11. Taxation

The Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

12. Insurance contracts

On 13 September 2018, the Scheme entered into a Framework Buy-in Agreement with Legal & General Assurance Society Limited to insure the cost of approximately £4.4 billion of pension benefit liabilities payable by the Scheme. The premium for the buy-in took the form of a transfer of investment assets by the Scheme to Legal & General Assurance Society Limited. The buy-in helps to protect the Scheme against risk, including inflation, interest rate, and longevity risk. During the prior year, an approach for the true-up of actual and insured liabilities under this contract was agreed upon and settled after the year-end. This led to a payment of £69.6m being made by the Scheme to Legal & General in July 2021 which was accrued for in the 2021 financial statements. The most material item within this true-up payment was an allowance for the impact of the Settlement Agreement, meaning that the insurance cover was increased to reflect the catch-up Discretionary Increases granted in 2019.

Notes to the Financial Statements

13. Asset swap and longevity swaps

The Scheme uses these instruments to manage exposures to longevity risk arising in the normal course of business.

The Scheme holds an asset swap and two longevity swaps with Rothesay Life. The Artemis contract covers 24% of the Scheme's liabilities for pensions already in payment by June 2010 and provides protection against the pensioners living longer, and interest and inflation rates movements. The Concerto contract covers 20% of the Scheme's longevity risk for pensions already in payment by June 2010 and provides protection against the pensioners living longer. For each contract, the Scheme pays a fixed stream of cash flows based on an underlying portfolio of assets in exchange for a floating stream of cash flows.

The total net investment of £3,535.4m shown on the net assets statement includes the Artemis and Concerto swap contract assets that comprise:

Rothesay Life assets and liabilities	**2022 £m**	**2021 £m**
United Kingdom public sector quoted		
2050 index-linked gilt 0.5%	3,258.6	3,095.3
2052 index-linked gilt 0.25%	296.4	282.6
2044 index-linked gilt 0.125%	315.0	298.4
2046 index-linked gilt 0.125%	435.0	412.1
2047 index-linked gilt 0.75%	264.0	252.2
	4,569.0	**4,340.6**
Artemis asset swap	(3,293.6)	(3,081.5)
Artemis longevity swap	(137.8)	(123.6)
Concerto longevity swap	(104.0)	(91.2)
	(3,535.4)	**(3,296.3)**

For collateral purposes, there is a fixed charge agreed at the outset of the Artemis contract, which represents the collateral Rothesay Life, as the insurer, could expect to receive if the Scheme defaulted. This reduces over the life of the contract.

A proportion of the Scheme's UK Treasury index-linked, 0.25% 2052 and 0.5% 2050 positions are held in fixed charge accounts to the order of Rothesay Life to cover their longevity risk exposure and the fixed charge. The value of this proportion for the Concerto contract was £53.9m as of 31 March 2022 (2021: £54.8m). The value of the proportion for the Artemis contract was £67.8m as of 31 March 2022 (2021: £69.2m). The gilts are also used to cover the collateral requirements of the asset swap. See note 15 for the collateral values.

Notes to the Financial Statements

14. Derivatives

The Scheme uses derivative instruments for both investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange and liquidity risks arising in the normal course of business.

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics were as follows:

Over the counter swaps

Nature	Duration	Nominal amount £m	Asset value £m	Liability value £m
Inflation-linked swaps	<1 to 15 years	405.3	46.1	(0.1)
Interest rate swaps	2 to 29 years	518.8	11.3	(17.1)
Swaptions	1 year	144.0	0.3	(0.4)
Total 2022		**1,068.1**	**57.7**	**(17.6)**
Total 2021		**1,537.3**	**7.9**	**(21.0)**

Futures

The Scheme had exchange traded stock index futures outstanding at the year-end relating to its equity portfolio as follows:

Nature	Economic Exposure £'m	Expires	Asset value £m	Liability value £m
Fixed income future assets	22.4	Less than 1 year	-	(0.1)
Fixed income futures liabilities	(77.5)	Less than 1 year	0.7	-
Total 2022	**(55.1)**		**0.7**	**(0.1)**
Total 2021			**-**	**(0.2)**

Included within index linked bond balances are £1.7m (2021: cash balances of £nil) in respect of initial and variation margins arising on open futures contracts at the year-end.

Forward foreign exchange contracts

The Scheme holds investments in a number of currencies, and their policy is to hedge within agreed limits.

The Scheme enters into over the counter foreign exchange forward contracts to offset the impact of currency fluctuations in foreign currency. The open FX contracts at the year-end were as follows:

Contract	Maturity date	Nominal value m	Asset value £m	Liability value £m
EUR				
Forward to sell EUR	Apr 22-Sep 22	€107.4	-	(0.9)
USD				
Forward to sell USD	Apr 22-Sep 22	$193.2	-	(4.2)
Total 2022			**-**	**(5.1)**
Total 2021			**0.7**	**(0.3)**

Notes to the Financial Statements

15. Collateral

Collateral is used by the Scheme to manage counterparty risk. The collateral balances at the year-end are as follows:

Counterparty	Collateral type	Pledge £m	Derivative position
Rothesay Life	UK Gilt	(3,506.9)	Asset swap/longevity swap
Barclays	Cash	7.2	FX forwards & swaps
Citigroup	UK Gilt & Cash	6.5	FX forwards & reverse repurchase agreements
Goldman Sachs	Cash	1.6	Swaps
JP Morgan	Cash	4.6	Swaps
Lloyds Banking Group	UK Gilt	0.2	FX forwards & reverse repurchase agreements
Merrill Lynch	UK Gilt & Cash	5.3	Swaps & reverse repurchase agreements
Morgan Stanley	UK Gilt	(3.9)	FX forwards & swaps
National Australia	UK Gilt	0.6	Reverse repurchase agreements
NatWest	Cash	5.2	FX forwards & swaps
UBS	Cash	7.4	FX forwards & swaps
BNP Paribas	UK Gilt	(0.6)	Swaps
		(3,472.8)	

Collateral pledged with a counterparty is reflected as a negative value. However, these amounts are included in the statement of net assets as part of the Scheme assets.

The collateral balances at the 2021 year-end amounted to £(3,250.7)m.

Notes to the Financial Statements

16. Additional Voluntary Contributions (AVCs)

The Trustee holds assets to secure additional benefits on a defined contribution basis for those defined benefit section members electing to pay AVCs. Members participating in this arrangement each year receive an annual statement confirming the amounts held in their account and the movements in the year.

There are three AVC funds. The Mixed Portfolio Fund, which is a separately managed internally pooled arrangement, the Short-Dated Gilts fund and the Equity Biased Fund, which are held within the investments. The values of these funds are as follows:

	% held	2022 £m	2021 £m
Mixed portfolio fund			
Pooled investment vehicles – equities		9.5	-
Pooled investment vehicles – fixed interest		2.1	-
Pooled investment vehicles – cash		0.4	-
Equities		-	12.6
Fixed interest		-	2.8
Cash		-	0.4
Total Mixed Portfolio Fund	8.15%	12.0	15.8
Short-Dated Gilts Fund		0.4	1.6
Equity Biased Fund		15.0	25.2
		27.4	**42.6**

Notes to the Financial Statements

17. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level (1)	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level (2)	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level (3)	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fairly valued using the above hierarchy levels:

	As of 31 March 2022			
	Level (1) £m	Level (2) £m	Level (3) £m	Total £m
Bonds	6,212.8	1.4	-	6,214.2
Pooled arrangements	-	81.8	80.1	161.9
Insurance contracts	-	-	4,213.0	4,213.0
Asset and longevity swaps	-	-	(3,535.4)	(3,535.4)
Derivatives	0.6	35.0	-	35.6
AVC mixed portfolio fund	-	12.0	-	12.0
Cash	5.3	168.3	-	173.6
Reverse repurchase agreements	-	78.4	-	78.4
Other investment balances	(6.2)	(35.3)	-	(41.5)
	6,212.5	**341.6**	**757.7**	**7,311.8**

	As of 31 March 2021			
	Level (1) £m	Level (2) £m	Level (3) £m	Total £m
Bonds	6,264.4	-	-	6,264.4
Pooled arrangements	-	-	101.9	101.9
Insurance contracts	-	-	4,285.0	4,285.0
Asset and longevity swaps	-	-	(3,296.3)	(3,296.3)
Derivatives	-	(12.5)	-	(12.5)
AVC mixed portfolio fund	15.8	-	-	15.8
Cash	8.2	53.5	-	61.7
Reverse repurchase agreements	-	-	-	-
Other investment balances	(26.9)	-	-	(26.9)
	6,261.5	**41.0**	**1,090.6**	**7,393.1**

Interest, inflation and discount rate assumptions were based on the prevailing market rates at the year-end, and longevity assumptions were based on the 2018 actuarial valuation, updated for changes in demographic assumptions, namely the annual revision to the CMI model for improvements in mortality.

Notes to the Financial Statements

18. Investment risk disclosures

The disclosure of information in relation to certain investment risks are as follows:

Liability risk: this is the risk that exists if the projected cashflow profile of the assets held differs from that of the projected liabilities.

Credit (or counterparty) risk: the risk that one party to a financial instrument (including insurance) will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk: the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to investment risks as a result of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's Investment Manager and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to certain risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(i) Liability risk

The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.

The Trustee sets the investment strategy for the Scheme taking into account considerations such as the mature liability profile of the Scheme, the well-funded position of the Scheme, and the assessed strength of covenant provided by the company relative to the size of the agreed contingent payment from the company. The investment strategy is set out in its Statement of Investment Principles (SIP), which can be viewed on the member website **www.mybapension.com**

(ii) Credit (or counterparty) risk

The Scheme is subject to credit (or counterparty) risk because the Scheme invests in bonds, insurance contracts, OTC derivatives, reverse repurchase agreements, holds cash balances, and undertakes stock lending activities.

Credit risk arising on bonds is mitigated by investing predominantly in UK government bonds where the credit risk is minimal or investment grade corporate bonds which are predominantly rated BBB or above. The Trustee manages the associated counterparty risk by requesting that the Investment Manager diversifies the portfolio to minimise the impact of a default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have predominantly investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. Exchange traded derivatives are guaranteed by a regulated exchange whereas OTC is not; therefore, the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements (see note 15). In March 2022 the Trustee initiated a move to Central Clearing for certain OTC derivatives, bringing the Scheme in-line with industry standards and offering potential advantages in terms of the spread of counterparties and associated transaction costs.

Cash is held with financial institutions which are at least investment grade credit rated. This was the position at the year-end.

Notes to the Financial Statements

18. Investment risk disclosures continued

The Scheme lends certain fixed interest securities under a Trustee-approved lending program which is managed at the discretion of and is fully indemnified by the Investment Manager, BlackRock. The Trustee manages the credit risk arising from lending activities by restricting the amount of overall bonds that may be lent, the term of the loan, only lending to approved borrowers, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. At the year-end, the Scheme had lent £452m of bonds (2021: £nil) and held an equivalent amount of collateral in the form of equities (2021: £nil).

The Scheme invests in private equity, alternatives, cash and indirect property funds through pooled arrangements and some of these investments are exposed to credit risk and leverage. This risk is mitigated through active management of the funds, the regulatory environments in which the pooled arrangements operate, and diversification of investments amongst a number of funds.

The Trustee carries out due diligence checks on an ongoing basis and monitors any changes to the management, regulatory, and operating environment of the funds. The Scheme's holdings in pooled investment vehicles are unrated and predominantly held through shares of limited liability partnerships and unit linked insurance policies.

(iii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled arrangements. The overseas currency exposure is minimised by the fund manager through a discretionary currency hedging policy.

The Scheme's net unhedged exposure by major currency at the year-end was as follows:

	2022 £m	2021 £m
US Dollar	5.7	7.6
Euro	10.9	10.8
	16.6	**18.4**

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in instruments where the price is sensitive to movement in interest rates, such as bonds and interest rate swaps. The Scheme's liabilities are also sensitive to movements in interest rates, specifically government bond yields as these form the basis of the discount rate assumption. The Trustee has set an interest rate target hedge ratio of 100% to mitigate the impact of interest rate movements on the overall Scheme funding level as part of its liability matching investment strategy. Under this strategy, if interest rates fall, the value of liability matching investments will rise to broadly offset the corresponding increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability matching investments will fall in value, as will the actuarial liabilities due to an increase in the discount rate.

Whilst the Scheme has reduced its direct interest rate risk via the Legal & General insurance contract, the underlying assets held by Legal & General are subject to indirect interest rate risk.

(v) Other price risk

Other price risk arises principally in relation to the Scheme's liquidation portfolio which includes investments held in pooled arrangements including private equity, alternatives, real assets and property. The Scheme has asked the Investment Manager to run off these assets and convert all the investments to liability matching assets.

Notes to the Financial Statements

19. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year-end:

	2022 £m	2021 £m
Pooled arrangements		
Property	0.1	0.1
Alternatives	18.5	17.0
Private equity	8.8	11.8
	27.4	**28.9**

20. Self-investment

The Scheme holds no direct investment in BA Plc or in International Consolidated Airline Group SA, or any shares or other securities as defined by section 40 of the Pensions Act 1995.

21. Related party transactions

The Corporate Trustee of APS is Airways Pension Scheme Trustee Limited (APSTL). This company is dormant.

BAPTL, a company limited by guarantee, holds the assets on behalf of the Scheme as Custodian Trustee, including the assets of the pooled arrangements. The directors of BAPTL are all Directors of either APSTL or New Airways Pension Scheme Trustee Limited (NAPSTL). The two companies described in the paragraph below are wholly owned by BAPTL.

BAPSL provided administration services to the Scheme during the year. BAPIML, up until 1 June 2021, provided investment management services to the Scheme during the Scheme year[4]. The Scheme was recharged for these services, as shown in the fund account and in notes 6 and 8. BA Plc provides occasional services to the Scheme (e.g. recruitment, procurement advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

The Trustee Directors of the Scheme are considered to be key management personnel. Roger Maynard was remunerated by BA Plc in respect of his services as Chair of APSTL. Pensioner-elected Trustee Directors were also paid by the Employer.

The Chair is a pensioner of NAPS. Two of the ENDs are deferred members of NAPS. The MNDs are pensioners of APS, and their pension rights are on terms normally granted to members.

22. Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should equalise pension benefits for the effect of unequal GMP so that equal benefits are provided for men and women in respect of GMP earned between 17 May 1990 and 5 April 1997. In November 2020, the Court confirmed that transfers out of pension schemes which had been calculated without equalising for the effect of unequal GMP should in certain cases be adjusted to reflect equalised benefits. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and has already received advice from its Scheme Actuary to understand the impact on the Scheme. Under the rulings, schemes are required to backdate benefit adjustments in relation to GMP equalisation and may need to provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

[4] BAPIML's role as Investment Manager ceased after 31 May 2021, with BlackRock taking over as Investment Manager from 1 June 2021.

Independent Auditor's Statement About Contributions

Independent auditor's statement about contributions to the Trustee of the Airways Pension Scheme

Statement about contributions
We have examined the Summary of Contributions payable under the Schedule of Contributions to the Airways Pension Scheme in respect of the Scheme year ended 31 March 2022 which is set out on page 48.

In our opinion contributions for the Scheme year ended 31 March 2022 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 28 November 2019.

Scope of work
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the auditor
As explained more fully in the Statement of Trustee's Responsibilities set out on page 48, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities
This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

Date: 29 September 2022

Summary of Contributions

Statement of Trustee's responsibilities in respect of contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's Summary of Contributions payable under the Schedule in respect of the Scheme year ended 31 March 2022

This Summary of Contributions has been prepared on behalf of and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedule of Contributions certified by the actuary on 28 November 2019 in respect of the Scheme year ended 31 March 2022. The Scheme auditor reports on contributions payable under the Schedule in the auditor's statement about contributions.

Contributions payable under the Schedule in respect of the Scheme year	£m
Employer normal contributions	1.0
Employee normal contributions	0.1
Contributions payable under the Schedule (as reported on by the Scheme auditor)	**1.1**

Reconciliation of contributions

Reconciliation of contributions payable under the Schedule of Contributions reported in the financial statements in respect of the Scheme year:

	£m
Contributions payable under the Schedule (as above)	1.1
Contributions payable in addition to those due under the Schedule:	
Employee additional voluntary contributions	0.3
Total contributions reported in the financial statements	**1.4**

This report was approved by the Trustee Board on 27 September 2022 and was signed on their behalf by:

Monica Gupta
Scheme Secretary

Schedule of Contributions

Airways Pension Scheme

Schedule of Contributions (31 March 2021 actuarial valuation)

Period covered by this Schedule: **Five years from the date of certification of this Schedule by the Actuary**

Previous Schedule being replaced by this Schedule:

For the avoidance of doubt, this Schedule of Contributions replaces the Schedule of Contributions pursuant to the 31 March 2018 actuarial valuation that had a reference date of 28 November 2019.

Level of contributions payable:

By members:

- Salary sacrifice members: Nil
- Members who are not salary sacrifice members:

	% Pay for Contribution Purposes
General Staff	7.25%
Air Cabin Crew	8.50%
Pilots and Officers	8.50%

  - In addition, for members under State Pension Age and who are not 2016 Lower Accrual Members, additional contributions of 3.1% of Band Earnings.

All rates subject to detailed variation as specified in the Scheme Rules.

By the Employers:

- From 1 April 2021 until 30 June 2022, contributions at the following rate to cover the cost of accrual as determined by the 2018 valuation:

	% Pay for Contribution Purposes
All categories of staff	53.4%

- From 1 July 2022 contributions at the following rate to cover the cost of accrual as determined by the 2021 valuation (for the avoidance of doubt, as this Schedule of Contributions has come into force after 1 April 2021, arrears will also be due reflecting the difference between the higher rate specified below and the lower rate of 53.4% paid from 1 April 2021, such arrears falling due for payment by at latest the 19th of September 2022):

	% Pay for Contribution Purposes
All categories of staff	69.7%

Schedule of Contributions

- In addition, for salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members.
- In addition, for those members who elect to link increases in their “Pay for Pension Purposes” to increases in their Pay, contributions will be paid at 4.5% of “Pay for Contribution Purposes” from the date the election is effective.
- BA has agreed to pay a contingent payment of up to £40 million to the Scheme in July 2028 under Clauses 5.9.2 and 5.9.3 of an agreement between British Airways Plc and Airways Pension Scheme Trustee Limited dated 8 April 2019 (the “**Settlement Agreement**”) only if the various conditions described in the Settlement Agreement for the relevant amount to become payable have previously been satisfied (including the resolution of any dispute as to whether they have been satisfied in accordance with the terms of the Settlement Agreement).

As a result of the Settlement Agreement, the Trustee and BA have agreed a package of additional measures, which are documented in separate legal agreements.

Due date for payment of contributions:

All contributions (from both members and the Employers except for the Contingent Payment and where noted otherwise above) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.

Note: This Schedule of Contributions relates to the payment of normal contributions to the Scheme payable under Rule 5 of Parts IV-VI and Rule 6 of Parts I-III; it does not relate to payment of any amounts under any separate legal agreement, nor to the payments of additional voluntary contributions (AVCs) under Rule 29 of Part I, Rule 32 of Parts IV and VI and Rule 33 of Part V, nor to contributions payable under Clause 24. Pension Protection Levies are to be paid directly by BA Plc in addition to the amounts specified in this Schedule.

Date of Schedule (for reference purposes): 28 June 2022

Signed on behalf of the Trustee of the Scheme

Signature:

Print name:

Position:

Signed for and on behalf of the participating employer of the Scheme

Signature:

Print name:

Position:

Actuarial Certificate

Actuarial Certificate

Schedule of Contributions

Name of Scheme: Airways Pension Scheme

Adequacy of rates of contributions

1 I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2021 to continue to be met for the period for which the Schedule is to be in force.

2 I also certify that any rates of contributions forming part of this Schedule which the Scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule, the Statement of Funding Principles and any Recovery Plan.

Adherence to Statement of Funding Principles

3 I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 28 June 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Michael J Pardoe
Fellow of the Institute and Faculty of Actuaries

Date: 28 June 2022

Towers Watson Limited
a Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Report on Actuarial Liabilities (forming part of the Trustee's Report)

Airways Pension Scheme Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on their pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as of 31 March 2021. This showed that on that date:

- The value of the technical provisions was: £7,079 million
- The value of the assets at that date was: £7,374 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Assumption	Value
Discount rate (past and future service)	Term-dependent rates equivalent to the full nominal gilt yield curve
Retail Prices Index (RPI) inflation	Term-dependent rates derived from the difference between the full index-linked and nominal gilt yield curves
Salary increases (in addition to promotional scale) for members who have elected to link their Pay for Pension Purposes to increases in their Pay[5]	RPI
Deferred pension revaluation[6]	RPI-0.8% p.a. to 2030 and RPI from 2030
Pension increases in payment[6] - PIRO[7] - APS I-V (cap of 2.5% p.a.)[7] - Post 88 GMP (cap of 3.0% p.a.)[7]	 RPI-0.8% p.a. to 2030 and RPI from 2030 RPI-0.8% p.a. to 2030 and RPI from 2030 RPI-0.8% p.a. to 2030 and RPI from 2030
GMP increases before GMP Payment Age	RPI+1.5% p.a.

[5] Pay increases for members who have not elected to link their Pay for Pension Purposes to increases in their Pay are assumed to be in-line with PIRO

[6] With relevant annual caps and floors applied to the forward rates.

[7] The income streams in respect of pensions covered by the Artemis buy-in contract and Concerto longevity swap contracts are assumed to increase in-line with RPI with no adjustment, subject (where relevant) to the annual floor applied to the forward rates.

Report on Actuarial Liabilities (forming part of the Trustee's Report)

Mortality: the base tables of mortality assumed at 31 March 2021 are summarised below. These are based on standardised tables of mortality rates which are determined by reference to historic experience of occupational pension schemes. The tables have been calibrated, based on the results of a Generalised Linear Model mortality analysis, to reflect the demographic profile of the Scheme (by reference to age, gender, category of membership, category of occupation, pension amount and postcode).

Group	
Male non-pensioners with: - Low pensions* - High pensions*	 102% of S2PMA 64% of S2PMA_L
Female non-pensioners	101% of S2PFA_L
Male dependants of non-pensioners	82% of S2PMA_H
Female dependants of non-pensioners	99% of S2DFA
Male pensioners with: - Low pensions* - High pensions*	 105% of S2PMA 69% of S2PMA_L
Female pensioners	106% of S2PFA_L
Male dependants of pensioners	84% of S2PMA_H
Female dependants of pensioners	98% of S2DFA

*Low pensions are classed as being lower than £28,300 p.a. at 31 March 2021. High pensions are higher than the specified limit.

At 31 March 2021 an allowance for future reductions in mortality rates has been included based on the 2017 CMI core projections model subject to a long-term improvement rate of 1.5% p.a. up to 2018, followed by the 2020 CMI core projections model subject to a long-term improvement rate of 1.5% p.a.[8].

For those benefits covered by the longevity swap contract, the demographic assumptions are based on the assumptions used for the valuation of this contract within the Scheme's Revised Financial Statements dated 29 October 2021.

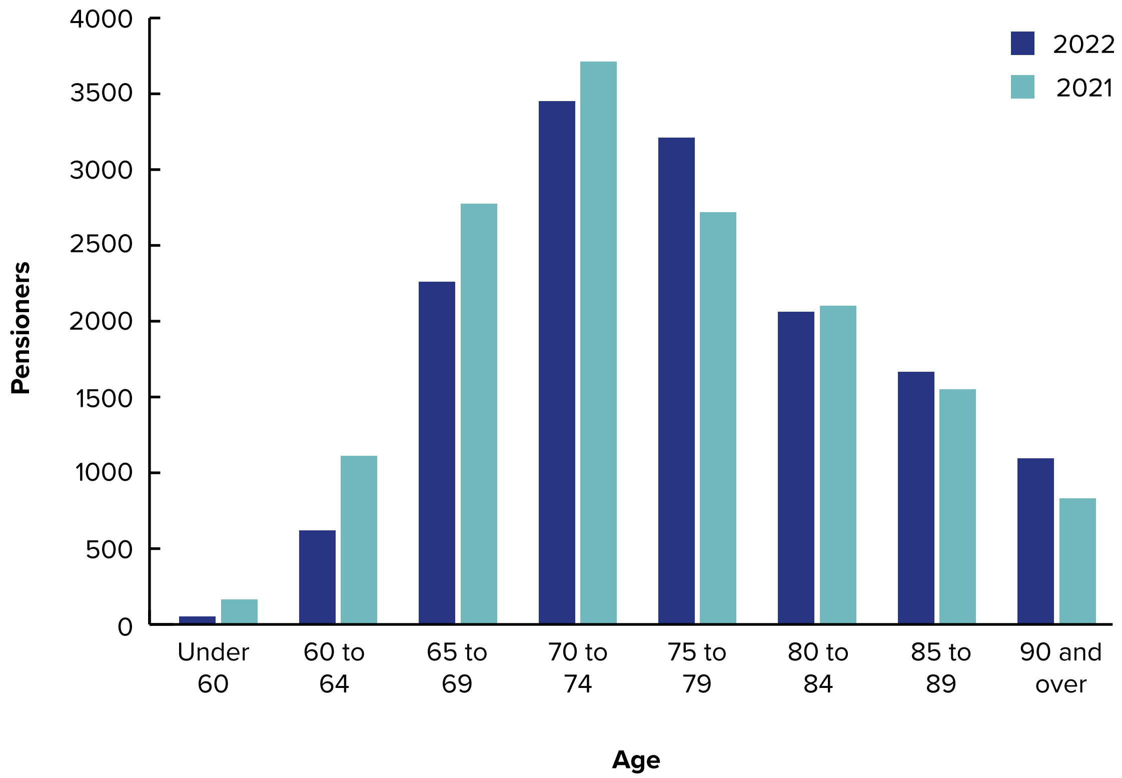
Members are assumed to exchange 15% of their pension at retirement for a lump sum on terms 5% higher than rates based on a 2.5% per annum real (relative to RPI) discount rate.

[8] Each CMI core projections model used is applied with its associated default parameters, including zero weighting on mortality data for 2020 under the 2020 CMI core projections model.

Membership Information (forming part of the Trustee's Report)

	2022	2021
Active members	59	73
Pensioners in payment	14,435	14,986
Dependant pensioners	5,599	5,713
Deferred pensioners	439	547
	20,532	21,319

Pensioner Age Analysis 2021/22



In addition to the above, there are approximately 18,100 (2021: 19,400) deferred pensioners with Equivalent Pension Benefits.

Compliance Statement

The Scheme
The Scheme provides retirement benefits for employees of BA and some of its subsidiary and associated companies and benefits for dependants of members and pensioners who die.

The Scheme was established under a Trust Deed dated 8 October 1948 in accordance with Regulations made under Section 20 of the Civil Aviation Act 1946 and was closed to new members at 31 March 1984.

The Scheme was exempt approved by HM Revenue & Customs and is now a registered pension scheme under the Finance Act 2004. Parts V and VI of the Scheme were contracted-out of the State Second Pension (formerly known as the State Earnings-Related Pension Scheme) until contracting-out ceased with effect from 6 April 2016. Part IV of the Scheme was contracted-in to the State Second Pension.

Membership
Membership of the Scheme is voluntary, and members can opt-out by giving one calendar months' notice in writing to the Trustee. Members of the Scheme who opt-out cannot re-join APS and may be auto-enrolled into the British Airways Pension Plan, a defined contribution pension scheme offered by BA Plc.

Scheme registered address
Waterside HAA1, Harmondsworth, UB7 0GB, England.