BRITISH AIRWAYS PENSIONS

New Airways Pension Scheme

Trustee's Report & Financial Statements

For the Year Ended 31 March 2021

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Welcome to my first annual report since I was reappointed by British Airways (BA) as Chair of the New Airways Pension Scheme (NAPS,or the Scheme) in October 2020. I first served as Chair of NAPS and Airways Pension Scheme (APS) between 2005 and 2009, and after a 24-year career with BA, I was very pleased to be asked to return. The previous Chair, Virginia Holmes, concluded her five-year term of office on 30 September 2020.

This report provides information on your Scheme's funding, investment, governance and administration during the Scheme year, as well as updating you on some important events since the year-end. Throughout the year, we have kept members informed about Scheme developments through our 2020 Summary Funding Statement, In Focus and online bulletins. We also provided regular updates throughout the COVID-19 pandemic to keep our members informed about the availability of our services.

COVID-19

As we reported in our Spring edition of In Focus, the COVID-19 pandemic caused disruption to the efficient running of the Scheme over much of 2020. We received more frequent reporting on the Scheme's funding position during the height of the financial market volatility related to COVID-19. The weekly reporting returned to monthly as financial markets recovered and have now moved back to the more usual quarterly cycle. The speed and severity of the Government's response to the pandemic had an unprecedented impact on the airline and travel industries. With international travel restrictions remaining in force longer than initially anticipated, we reached agreement with BA in February 2021 on the deferral of twelve months of deficit funding contributions to NAPS from October 2020. The deferred contributions, worth £450 million, are due to be paid by BA at the end of the existing deficit recovery plan. The revised deficit recovery plan, which includes these delayed payments, is available on the Scheme Documents page of our website. The arrangement is backed by a range of protections for the Scheme, including security over BA property at Heathrow and restrictions on dividends and other payments out of the company.

Transitioning the BA Pensions team to remote working at the start of the financial year was challenging. During the first UK-wide lockdown, the team needed to prioritise essential services and rapidly adapt to remote working. I am pleased to report that the team was able to return to providing its usual service standards earlier this year. On behalf of all the NAPS Trustee Directors, I want to commend the BA Pensions team for their dedication and commitment to maintaining our critical member services during the COVID-19 crisis.

Funding

The headline results of the 31 March 2018 actuarial valuation showed that the funding level on the Technical Provisions basis improved since the last formal valuation to 88% (2015: 83%). The Scheme's assets increased to £16.93bn (2015: £13.28bn). While the Scheme's liabilities also increased to £19.33bn (2015: £16.07bn), overall, the Scheme's funding deficit had fallen to £2.4bn (2015: £2.8bn).

At the time of the 31 March 2019 interim annual update, the Technical Provisions deficit was £1.88bn, and the funding level was 91%, with the improvement since 31 March 2018 largely due to the investment returns achieved over the year and deficit contributions received from BA.

The interim annual update as of 31 March 2020 showed a Technical Provisions deficit of £2.63bn and a funding level of 87%. The deterioration since 31 March 2019 was largely due to a reduction in interest rates and lower expectations of future investment returns. Additionally, 31 March 2020 was a relatively low point for asset values due to COVID-19 related market volatility. These negative factors were offset to some extent by the contributions received from BA over the year; notably, the additional one-off payment of £250m to the Scheme in December 2019 relating to a contingent payment mechanism agreed between APS and NAPS in 2010. As part of the out-of-court settlement in April 2019 of the discretionary increase litigation between BA and APS, payment of these funds was made to NAPS.

The funding position of NAPS has improved since 31 March 2020 as financial markets have seen a recovery from the lows of March 2020. The 31 March 2020 interim update is summarised in our 2020 Summary Funding Statement, which members received in May 2021. It is published together with the full actuarial valuation report for the 31 March 2018 valuation on the Scheme documents page of the member website.

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. It helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. The 2021 formal valuation is in progress and has a statutory deadline for finalisation by 30 June 2022.

The Trustee's report on page 5 gives further details on the funding position and its evolution.

Investment

A Long-Term Funding Target (LTFT) was established through the 31 March 2018 actuarial valuation, setting a target asset portfolio for 2030.

Progress towards the LTFT was supported by a journey plan in place to reduce investment risk systematically over time and also dynamically consider further de-risking if outperformance saw funding levels improve.

Due to concerns of a perceived weakening in the quality of the sponsor covenant throughout 2020 and early 2021 related to the effects of the global pandemic, it was decided in March 2021 to de-risk the NAPS portfolio. De-risking allows us to make members' benefits more secure by reducing our exposure to investment risk.

This initial step change in risk was agreed with BA, and so the portfolio was moved to a position equivalent to the June 2022 point on the original journey plan in place from the 2018 valuation by a combination of a reduction in equities and an increase to the interest rate hedge in March 2021. As part of this change, the previously agreed journey plan de-risking was suspended. Since the end of the Scheme year, the Trustee decided to undertake further de-risking, moving the portfolio to a position equivalent to the 2025 point on the original journey plan in April 2021.

At 31 March 2021, liability matching assets made up 59.9% of our benchmark portfolio, with 78% of the interest rate risk hedged and 73% of the inflation risk hedged. The further de-risking in April 2021 increased the benchmark allocation to liability matching assets to 66.0%, and the interest rate risk hedging was increased to 80%.

An update on investments is provided on pages 13 to 26.

Appointment of BlackRock as the outsourced chief investment officer (OCIO)

In June 2021, following an in-depth review of our investment management business, we announced the appointment of BlackRock as the OCIO for the assets directly under management for NAPS and APS. The assets were previously managed by our in-house team at British Airways Pension Investment Management Ltd (BAPIML). The agreement encompassed c.£19.4 billion assets directly under management for NAPS.

In recent years, regulation has intensified, operational costs have risen, and investment complexity has increased. Consequently, many UK pension schemes are looking externally for investment management capabilities with the scale and resources to take on the challenges. Alongside these external drivers, the Scheme has continued to mature, and its investment needs have changed considerably, requiring an increased focus on managing investments to provide an income that matches members' pension benefits.

The Trustee also remains committed to ensuring continuity and stability for Scheme members.

For these reasons, we entered into a partnership with an external investment manager to better position the Scheme for the future. Following a rigorous and competitive tender process, BlackRock was selected based on its deep knowledge and commitment to the UK pensions industry, its scale and investment expertise and its market-leading risk management technology. All of these characteristics are set to bring cost benefits, investment excellence and operational efficiencies, maximising value for Scheme members.

The BlackRock-designed investment model has the ability and agility to adapt as the Scheme's investment needs continue to evolve. The Scheme's assets are managed by a team of highly experienced BlackRock and former BA Pensions investment professionals, ensuring the continuity of key institutional knowledge and the Scheme's strong operational and reporting culture. Importantly, the team can also leverage BlackRock's wider expertise and technology resources to provide unique and exclusive insights for the Scheme.

This agreement is the necessary next step in the evolution of the Scheme as it looks to enhance its investment strategy, working toward its funding goal.

Governance matters

During the year, we concluded a detailed review of our risk management framework, and we continue to monitor and develop it. We also revised our Conflicts of Interest Policy.

The Government's consultation on RPI/CPI

During 2020, the Government consulted on its proposal to more closely align the Retail Prices Index (RPI) with the Consumer Prices Index, including housing costs (CPIH). We responded to the consultation independently in our letter to HM Treasury in July 2020, and we also joined with many other UK pension schemes to provide a joint response. In November 2020, the Chancellor of the Exchequer announced that he would not be able to offer his consent to the implementation of such a proposal before February 2030. In practice, this means that the change could be applied in February 2030. Our news article 'The outcome of the Government's RPI reform Consultation' explains the potential impact of this change for NAPS.

Legislation requires pension scheme trustees to ensure that cash equivalent transfer values (CETVs) provide the best estimate of the cash equivalent of members' accrued benefits within the Scheme. The resulting change in the assumptions used to calculate CETVs meant that they might increase, and after receiving advice from the Scheme Actuary, we updated the calculations for pension transfers paid from the Scheme.

Appointment of Vinny Ehzuvan as CEO, British Airways Pension Services Limited (BAPSL)

On 1 June 2021, Fraser Smart stepped down as CEO, British Airways Pensions. Fraser was hired in 2016 with a remit to modernise British Airways Pensions and its support for the Trustees of NAPS and APS. With Fraser's support, the Schemes today operate more efficiently and are supported by a stronger internal team and roster of advisers. On behalf of the NAPS Trustee Directors, I would like to thank Fraser for his significant contribution to BA Pensions. He has been a key part of the team that has delivered several strategic changes for the Schemes, and I wish him success in his future endeavours.

As part of regular succession planning and a robust talent management strategy, Vinny Ehzuvan was identified as the outstanding candidate to takeover following Fraser Smart's departure. Vinny brings a wealth of senior leadership experience spanning strategic, commercial and financial operations and a track record for delivering positive change through successful programmes to improve efficiency and quality. Vinny joined BAPSL in April 2018 as Chief Operating Officer and brings continuity to the CEO role, having already played a significant role in transforming the company.

Welcoming new Trustee Directors

BA appointed Elisabeth Marsden and Ben Gibbs as Employee Nominated Trustee Directors (ENDs) on 1 October 2020. In March 2021, BA also appointed Simon Philcox and Tom Stoddart as ENDs. In June 2021, BA appointed Dalriada Trustees Ltd, represented by Tom Lukic, as an independent END.

Virginia Holmes completed her term of office as Chair of the NAPS Trustee. Caroline Mellor, Sarah Hunt and Tim Richardson left the Board in September 2020. Chris Daw also resigned as a NAPS Member-Nominated Trustee Director in September 2020. Ben Sehovic and Ben Gibbs left the NAPS Board in March 2021. Graham Fowler resigned as a Pensioner Trustee on 31 March 2021, with Neil Cottrell elected to replace Graham from 1 April 2021. Kate Gay was elected as a Pensioner Trustee in June 2021.

On behalf of the NAPS Trustee Board, I would like to welcome Elisabeth, Dalriada Trustees Ltd represented by Tom, Simon, Tom, Neil and Kate and thank Virginia, Caroline, Sarah, Tim, Ben, Chris, Graham and Ben for their valuable contributions to the NAPS Trustee Board.

To close, I would like to thank my fellow Trustee Directors for the work they have undertaken over the past year. I would also like to acknowledge the demands that have been made on the teams at BAPIML and BAPSL and the way in which both organisations rose to the challenges relating to the COVID-19 pandemic and laying the foundation for our OCIO partnership with BlackRock.

Roger Maynard
Chair of the Trustee

29 September 2021

TRUSTEE DIRECTORS AND ADVISERS

Appointed by British Airways Plc (BA)

Roger Maynard (Chair)
Independent Trustee
Appointed 1 October 2020

Melanie Birch
Director of Heathrow
BA Plc

Dalriada Trustees Ltd
Independent Trustee
represented by
Tomislav Lukic
Appointed 21 June 2021

Elisabeth Marsden
Senior Strategy Manager
IAG
Appointed 1 October 2020

Simon Philcox
Head of Finance
BA Plc
Appointed 17 March 2021

Thomas Stoddart
Managing Director BA CityFlyer
BA Plc
Appointed 17 March 2021

Elected by members/pensioners (MNDs)

Neil Blackburn
Cabin Crew Purser

Ian Bretherton
Captain

Neil Cottrell
Pensioner
Appointed 1 April 2021

Kathryn Gay
Pensioner
Appointed 28 June 2021

David Southcott
Senior Customer Service Agent

John Wheale
Pensioner

Left office during the year

Christopher Daw
Ceased 30 September 2020

Graham Fowler
Ceased 1 April 2021

Benjamin Gibbs
Appointed 1 October 2020
Ceased 16 March 2021

Virginia Holmes
Ceased
30 September 2020

Sarah Hunt
Ceased 30 September 2020

Caroline Mellor
Ceased
30 September 2020

Timothy Richardson
Ceased 30 September 2020

Ben Sehovic
Ceased 16 March 2021

Martine Trouard-Riolle
Appointed 7 May 2021
Ceased 17 June 2021

Administration & investment management (BA Pensions)

British Airways Pension Services Ltd (BAPSL) – 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 and Chief Executive Officer, BAPIML (until 1 June 2021)
David Stewart – Chief Investment Officer, BAPIML (until 31 May 2021)
Vinny Ehzuvan - Chief Executive Officer, BAPSL (from 1 July 2021)
Monica Gupta – Scheme Secretary (from 1 July 2021)

Advisers*

Scheme Actuary
Aaron Punwani
Lane Clark & Peacock

Legal Advisers
CMS Cameron McKenna Nabarro Olswang LLP

Bankers
BNY Mellon

External Custodian
State Street Bank and Trust Co

Investment Advisers
Mercer

Auditor
KPMG LLP

Covenant Adviser
PricewaterhouseCoopers LLP

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

The New Airways Pensions Scheme – Pension Scheme Registry Number: 10057029

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

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, governance, changes and pension administration matters.

The financial statements of the Scheme for the year ended 31 March 2021, as set out on pages 30 to 46, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

SCHEME FUNDING POSITION

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. It helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. The last formal actuarial valuation at 31 March 2018 was finalised in October 2019. The 2021 formal valuation is in progress and has a statutory deadline for finalisation by 30 June 2022.

In the years between formal valuations, the Scheme Actuary provides an interim update which is reported to the membership in an annual funding statement to show how the funding position is evolving. Following the completion of the 31 March 2018 valuation, the Scheme Actuary provided interim updates as of 31 March 2019, and 31 March 2020 and the associated Summary Funding Statements were issued to members.

The funding positions are shown below:

	31 March 2020	31 March 2019	31 March 2018
Liabilities*	(20,423)	(19,935)	(19,330)
Assets	17,789	18,055	16,931
(Deficit)	(2,634)	(1,880)	(2,399)
Funding level	87%	91%	88%

*The liabilities as of 31 March 2019 and 2020 are based on the Technical Provisions assumptions agreed between the Trustee and BA at the 31 March 2018 valuation, updated by the Scheme Actuary to reflect the passage of time and changes in market conditions.

The 31 March 2020 interim annual update showed that the Technical Provisions (TPs) funding level had reduced to 87% (2019: 91%) and the deficit had increased to £2.634bn (2019: £1.880bn). The deterioration since 31 March 2019 was largely due to lower interest rates and poor investment performance due to COVID-19 related market volatility, more than offsetting the contributions received over the year.

In the meantime, the Trustee continues to monitor the development of the funding position, which has improved materially since 31 March 2020 as financial markets have recovered.

The Recovery Plan

The Scheme has a Recovery Plan in place under the 2018 valuation to address the funding deficit. As the impact of COVID-19 became apparent in March 2020 BA commenced discussions with the Trustee in relation to deferring some of the deficit funding contributions due to the Scheme.

The Pensions Regulator released new guidance on 27 March 2020 for trustees around deferral, reduction or suspension of deficit contributions. In line with this guidance, the Trustee and BA agreed a deferral of the deficit funding contributions that would otherwise have been paid between 19 October 2020 and 19 September 2021 to assist BA in maintaining sufficient liquidity through a period of financial stress for the aviation industry. An updated Recovery Plan was agreed and signed in February 2021, reflecting that the deferred contributions plus interest would be added to the end of the then current Recovery Plan, due to end in 2023. As part of this separate legal agreement, BA granted the Trustee security for the full amount of the deferral, as well as certain protections over payments from BA to IAG until it is repaid. Due to the deferral of the deficit funding contributions in the year, the auditor's statement about contributions is qualified.

Under the terms of the new Recovery Plan, the Trustee and BA have agreed to repair the deficit such that:

- BA will pay deficit contributions of £37.5m per month from 1 September 2021 until 31 March 2023 in accordance with the existing arrangements and will then pay the deferred deficit contributions of £37.5m per month from 1 April 2023 until 31 March 2024, along with an interest lump sum payment of £36.3m in April 2024. Contributions paid up to 31 August 2020 were in line with the original 2018 valuation agreement, signed in 2019.
- If the assumptions in the Recovery Plan are borne out in practice, the deficit as of 31 March 2018 is expected to be eliminated by April 2024.
- In addition, the Trustee and BA have agreed a package of protections which are documented in separate legal agreements. These include security over the full amount of deferred contributions, dividend protections to protect the Scheme from any leakage in employer covenant value and an over-

funding mechanism that diverts BA's deficit contributions to an Escrow account in the event that the Scheme's TPs funding level reaches 97% and ceases contributions in the event that the Scheme's TPs funding level reaches 100%.

PwC LLP (PwC) is engaged by the Trustee to carry out extensive and ongoing reviews of BA's financial position and future cash flows and thus assess the employer covenant of BA. PwC advised the Trustee, as part of the 2018 valuation, that the contributions that BA had committed to pay to the Scheme (and, as applicable, to APS) were set at a level that BA could reasonably afford. BA's affordability of contributions has deteriorated due to the impact of travel restrictions as a result of the COVID-19 pandemic, as shown through the need for BA to defer its contributions to NAPS. PwC is in the process of performing an updated covenant analysis of BA as part of the 2021 valuation.

SCHEME INVESTMENT

Asset allocation

The broad strategic asset allocations for the Scheme as of 31 March 2021 are shown below:

Investment category	Allocation
Return seeking	40.1%
Liability matching	59.9%

Return seeking assets are those chosen with long-term returns expected to exceed risk-free assets, which compensates for the higher risk exposure. Equities (UK and overseas), private equity, property and alternatives are examples of the return seeking assets used by the Scheme. Liability matching assets are those held to be aligned with the Scheme's future benefit payments and are intended to reduce the amount of investment risk. Government bonds are an example of a liability matching asset used by the Scheme.

Dynamic de-risking framework

The Trustee had put in place a de-risking journey plan following the 2018 valuation alongside a liability hedging programme to better align movements in the Scheme's assets with those of the liabilities. This journey plan ran through to 2030 and included arrangements to dynamically manage risk by moving the weighting from return seeking assets towards liability matching assets gradually over time and as funding levels improved. Such weighting adjustments were made by reference to daily monitoring of the Scheme's funding ratio and market conditions.

In March 2021, the Trustee agreed an exceptional change to the Scheme's asset allocation with BA, moving an additional 1.4% of assets from equities to gilts and increasing the Scheme's interest rate hedging, equivalent to the June 2022 point on the original journey plan in place from the 2018 valuation. The decision to reduce the Scheme's investment risk was taken predominantly in response to a perceived weakening in the Scheme's covenant caused by the global pandemic. As part of the update, the Scheme's dynamic risk management framework has been suspended.

Since the end of the Scheme year, the Trustee decided to undertake further de-risking, moving the portfolio to a position equivalent to the 2025 point on the original journey plan from April 2021. This increased the benchmark allocation to liability matching assets to 66.0%, and the interest rate risk hedging was increased to 80%.

Statement of Investment Principles (SIP)

A SIP has been prepared by the Trustee of the Scheme in compliance with the requirements of Section 35 of the Pensions Act 1995. The SIP is reviewed at least annually, and updated SIPs were adopted in September 2019, April 2020 and June 2021. A copy of the latest version of the SIP is available on the Scheme documents page of the member website. In relation to the SIP:

- The CIO of BAPIML (or other BAPIML representative) will regularly attend IC meetings to discuss BAPIML's performance, portfolio activity and wider issues. The Investment Advisor will be asked to assist the Trustee's Executive, BAPSL, in monitoring BAPIML. The Trustee will monitor BAPIML's performance over different time horizons against their performance objectives but will focus on the long-term.
- The Trustee expects BAPIML 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.
- In exercising the voting and other rights attached to the Scheme's investments, BAPIML is required to consider recommendations on voting from specialist service providers but may follow an alternative course of action based on their informed view of the investee company and knowledge of the issue.

- The Trustee monitors portfolio turnover and turnover costs on an annual basis through reporting from BAPIML. This includes looking at the level of turnover and the associated costs in absolute terms and relative to various comparators.
- BAPIML is owned in equal shares by the Trustee and Airways Pension Scheme Trustee Limited (APSTL). The Chair of the NAPS Trustee sits on the BAPIML Board and participates in remuneration decisions (as does the Chair of the APS Trustee). Remuneration of BAPIML's employees is derived as a result of both quantitative and qualitative factors that reflect the objectives of the Scheme and the Airways Pension Scheme (APS) and is partially deferred to reflect the long-term time horizon of these objectives. The factors include asset performance (including over the medium to long term), contribution to progress towards the LTFT and implementation of the Trustee's Responsible Investment (RI) policy as set out in Section 7. Ultimately the budget of BAPIML has to be approved by both the Trustee and APSTL each year.

Measuring investment performance

The Trustee has adopted a customised strategic benchmark as this ensures that the investment performance objectives are related directly to the circumstances of the Scheme.

The Trustee monitors investment performance by comparing the returns achieved against this benchmark. The performance of each asset category is measured against an index; for example, UK equity is measured relative to the performance of the FTSE All-Share Index.

At the close of the Scheme year, BAPIML was the in-house investment manager to the Scheme. BAPIML's expenses were charged to the Scheme at cost, and day-to-day investment decisions were delegated to them. The Trustee had set BAPIML the target of performance of 0.45% p.a. above the weighted average of the agreed strategic benchmark over a rolling five-year period. The Trustee continues to monitor performance over a range of different time periods.

Details of the investment performance can be found on pages 13 and 14.

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). Last year the Trustee reviewed and revised its approach to training.

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 Trustee 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 Committee(s) on which the Trustee Director serves and the business being undertaken by the relevant Committees and Trustee Board as a whole. The Trustee Board and each of its Committees produce an annual Committee 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 Trustee's advisers provide training to some or all of the Trustee Directors either in routine Main Board or Committee meetings or in specially arranged sessions. BAPSL 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 completed a substantial review of its approach to risk management and reporting. The Trustee identified key risks, which it keeps under review through the new risk reporting framework. The assessment of these risks will be supported by input from risk and control owners at BAPSL. 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 a new version of the policy. The new Conflicts of Interest Policy addresses the appointment by BA in 2018 of separate ENDs to the boards of NAPS and APS and the appointment of separate primary legal advisers to NAPS and APS in 2019. The revised policy also specifically addresses the scenario of dual appointments where a Trustee Director, including the Chair, serves on both NAPS and APS boards.

Monitoring of the employer covenant
The Trustee considers it critical that it understands and monitors the financial strength and covenant of the employer on a continuing basis, and in order to achieve this, PwC acts as advisers to the Trustee on employer covenant issues. There is a reporting framework, which has been agreed with BA to ensure that the Trustee receives regular updates on the business activities and financial position of BA.

Trustee arrangements
The Trustee periodically reviews the Member Nominated Trustee Director (MND) Arrangements to ensure that the provisions in place reflect the composition of the membership and current best practices. Following a recent review after the Scheme year end, the Trustee agreed to change the structure of the MND constituencies to balance the number of employed deferred MNDs and pensioner MNDs. The change is consistent with the trend for the NAPS membership profile, which has an increasing pensioner population.

The Trustee Board consists of twelve Trustee Directors.

- Six of the Trustee Directors, including the independent Chair, are appointed by BA.
- Three of the Trustee Directors are elected by employed deferred members of the Scheme (voting members), and each one comes from a different occupational group. These Trustee Directors must be employed deferred members of NAPS.
- Three of the Trustee Directors are elected by pensioner members* of the Scheme (voting members) and must be pensioner members* of NAPS.
- A Trustee Director may remain in office for a minimum of five years (unless the Trustee has decided prior to the Trustee Director's term starting that a shorter minimum period will apply) 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 employed deferred and pensioner Trustee Directors must be supported by at least ten voting members in the relevant constituency. If there is more than one nomination for a vacancy a ballot of the relevant voting members is held. The result is decided on a simple majority of the votes cast.
- Members taking flexible retirement cannot apply to be a pensioner member* Trustee Director and an employed deferred Trustee Director at the same time, however flexible retirement members are eligible to vote in both employed deferred and pensioner member* Trustee Director elections.
- An elected Trustee Director may be removed from office following a ballot in which two thirds of the votes cast by voting members in the relevant constituency are in favour of removal. A ballot may be held on written request to the Trustee Directors by fifty of the relevant 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.

Committees
Much of the Trustee work is undertaken by committees made up of a sub-set of the Trustee Directors. Committee members review matters in detail before making recommendations to the Main Board. Each committee operates under clear Terms of Reference, which govern its membership, remit and activities. Each committee constructs a forward-looking annual activity calendar plan which is used to allocate budgetary resources and informs the development of the Trustee training programme.

The Trustee Board also reviewed its committee structures alongside a review of the Trustee Board composition. The MND changes introduced (as noted above) are part of broader changes under consideration. To operate more efficiently, a new streamlined committee structure has been adopted with effect from 1 April 2021. The Trustee created two new expanded committees called the Governance & Operations Committee and the Investment Committee.

The new Governance & Operations Committee has within its remit: scheme governance; budgets; audit; risk management; reviewing the performance of the Scheme's advisors; oversight of service levels to members; and member communications. It also makes decisions on payment of discretionary benefits (such as benefits payable on the death of a member) and is the second stage decision-maker for most complaints under the Scheme's Internal Dispute Resolution procedure.

The new Investment Committee, which is supported by independent investment experts and investment advisers, is responsible for detailed consideration of investment initiatives. The Committee also considers Environmental, Social and Governance (ESG) matters, such as the development of the Trustee's Responsible Investment policy, strategy and initiatives, ensuring it is in line with regulatory and industry standards.

In addition to these two standing committees, the Trustee Board may establish sub-committees or ad hoc committees so that a small number of Trustee Directors can give detailed consideration to defined issues.

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 2021.

	Governance Committee	Investment Committee	Operations Committee	ESG Committee	Main Board	Period of Appointment to Main Board
Roger Maynard (Chair)	2/2	2/2	3/4	1/1	2/2	Part Year
Virginia Holmes (Former Chair)	2/2	2/2	-	1/1	2/2	Part Year
Melanie Birch	1/2	-	-	2/2	3/4	Whole Year
Neil Blackburn	-	-	8/8	-	4/4	Whole Year
Ian Bretherton	-	4/4	-	-	3/4	Whole Year
Christopher Daw	2/2	-	-	-	2/2	Part Year
Graham Fowler	4/4	-	-	-	3/4	Whole Year
Ben Gibbs	2/2	-	-	-	1/1	Part Year
Sarah Hunt	-	-	4/4	-	2/2	Part Year
Elisabeth Marsden	-		3/3	-	2/2	Part Year
Caroline Mellor	-		4/4	-	1/2	Part Year
Simon Philcox		-	-	-	1/1	Part Year
Tim Richardson			-	-	2/2	Part Year
Ben Sehovic	-	3/4	-	-	2/3	Part Year
Dave Southcott	2/2	4/4	-	2/2	4/4	Whole Year
Tom Stoddart	-	-	-	-	1/1	Part Year
John Wheale	-	-	8/8	2/2	4/4	Whole Year

Although the Main Board is scheduled to meet quarterly, the number of matters requiring the Trustee Directors' attention necessitated the convening of additional meetings, which were often called at short notice. 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 Ltd, holds 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 (DC) governance statement

Additional Voluntary Contributions (AVCs) in the Scheme are considered in some respects to be 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 amendments during the Scheme year. A consolidated copy of the Trust Deed and Rules can be viewed via the Scheme documents page of the member website.

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. Discretionary benefits are not included in the calculation of transfer values. The provision of transfer out quotations was temporarily delayed from 23 March 2020 to 18 May 2020 to prioritise essential services during the transition of BA Pensions to remote working. Members may request up to two guaranteed transfer values in any twelve-month period.

Following the Government's decision regarding a reform to RPI methodology refer to below, after receiving advice from the Scheme Actuary, the calculation for cash equivalent transfer values paid from the Scheme has been updated.

Reform to RPI methodology

In 2020 the Government ran a consultation on more closely aligning the RPI with CPI and CPIH. The average 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 the proposed change will apply from 2030. This decision is being challenged, and the outcome of that challenge is awaited.

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), subject to a maximum of 5% per year. The Orders currently reflect the rise in the CPI over a twelve-month period measured up to the end of the preceding September. The 2021 Order was 0.5% and in accordance with the Scheme Rules, qualifying pensions were increased by 0.5% on 12 April 2021. Increases apply to indexed pensions payable under the Rules of the Scheme (whether in deferment or currently in payment).

Pensions in deferment and in payment under the Rules of the British Caledonian, Dan Air, Davies and Newman, Arrowsmith and British Airways Associated Companies Scheme, which are paid by the Scheme, have been increased as variously provided for under the Rules of the relevant inherited scheme.

All pension increases are a right under the Scheme and are not discretionary.

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, BAPSL. In the event that the complainant is not satisfied with the outcome, the matter is then referred to the Trustee's Governance & Operations 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 BAPSL.

Tax

The standard lifetime allowance, annual allowance and minimum tapered annual allowance are unchanged from the previous tax year. The allowances for 2021/22 are:

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

Online communications

Improvements have continued to be made to our online communications. The team can now respond to members registered to manage their pension via the website by secure email. Email responses are issued via Mimecast, which is a secure, cloud-based email messaging service. This is a convenient, quicker way for members to receive information securely.

This report was approved by the Trustee Board on 29 September 2021 and was signed on its behalf by:

Monica Gupta
Scheme Secretary

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

(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 have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are 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 they either intend to wind up the Scheme, or have 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.

Review of the year to March 2021

The Scheme year ending in March 2021 was dominated by COVID-19. The pandemic started to impact financial markets in early March 2020, when it became clear that widespread lockdowns were likely and that companies would face forced closures. Equity markets fell sharply, bond markets dislocated, and liquidity contracted. Policy makers were rapidly faced with a real risk that economic and financial markets problems would compound to spiral out of control.

The key was to provide individuals, companies, banks and other market participants with access to money. Governments in major economies announced fiscal policies providing direct support to wage earners and those made unemployed. Corporate guarantee programmes were set up to ensure that companies could borrow cheaply. Central banks, including the Bank of England, started buying government and other debt to lower interest rates. The US Federal Reserve Bank (the Fed) put special measures in place to ensure that banks globally could source the US dollars they needed.

This range of policy measures meant that the start of the Scheme' year in April 2020 coincided almost exactly with the lows in most global financial markets. Although markets have not been easy to predict, the combination of plentiful funding and low interest rates has been highly supportive to most asset classes. As vaccination programmes moved from being hope to reality in late 2020, confidence in a return to normal added further momentum to the move in markets. Indeed, global equity markets closed the year up 50% (in pounds sterling) from their lowest point. Corporate bonds recovered steadily and finished the year at multi-year highs.

The government bond market started to price in a return to normal towards the end of the Scheme year. The UK government bond yield curve rose and steepened. Short term interest rates moved from being negative to being just above zero. The interest rates on longer dated UK government bonds (which are used to value pension liabilities) moved materially upwards, with the yield on the 20-year bond rising 0.60% to end the Scheme year at 1.35% p.a.

Commodities markets were volatile throughout the year, with both demand and supply being erratic. Oil for delivery in some specific locations in the USA traded at negative prices in May 2020. Many companies ended the year facing a shortage of raw materials and high-technology components.

The focus of the market moving forwards will be on central bank policy and inflation. Forecasts of near-term inflation have risen and then stabilised. Central banks to date have been clear that they have no intention of tightening monetary policy until labour markets have fully recovered from the pandemic. It is likely that markets will see some volatility as growth returns and the policies that have supported the global economy for the past year are withdrawn.

Asset allocation

The NAPS strategic benchmark is composed of assets that are broadly categorised as being either return seeking or liability matching. Return seeking assets are those where long-term returns are expected to exceed liability matching assets, which compensates for them being higher risk. Liability matching assets are those which are most aligned with the Scheme's future benefit payments and are held to reduce risk.

The Trustee's Investment Committee (IC) is responsible for oversight and monitoring of the strategic benchmark. The IC may, where possible and from time to time, recommend an update to the benchmark asset allocation with the intention of improving the risk return profile of the Scheme's assets. For most of the period covered by this report, the Scheme also had a framework in place to reduce risk over time and in response to significant market opportunities.

Changes to the Scheme's asset allocation over the Scheme year were implemented by the Scheme's investment manager, BAPIML. BAPIML ceased its role as investment manager after 31 May 2021, with BlackRock taking on the role of investment manager for the Scheme from 1 June 2021.

In the year to 31 March 2021, the Scheme moved 0.75% of its assets from return seeking assets into liability matching assets each quarter, predominantly from equities into government bonds. Some investments were also made into a category within liability matching assets called diversified illiquid income (DII). In March 2021, the Trustee agreed an exceptional change to the Scheme's asset allocation with BA, moving an additional 1.4% of assets from equities into government bonds and increasing the Scheme's interest rate hedging. The decision to reduce the Scheme's investment risk was taken predominantly in response to a perceived weakening in the Scheme's covenant, caused by the global pandemic. As part of the update, the Scheme's dynamic risk management framework has been suspended.

Since the end of the Scheme year, the Trustee decided to undertake further de-risking, moving the portfolio to a position equivalent to the 2025 point on the original journey plan from April 2021. This increased the benchmark allocation to liability matching assets to 66.0%, and the interest rate risk hedging was increased to 80%.

The Trustee and its advisers set bandwidths around the strategic benchmark, which allowed BAPIML, and now BlackRock, to make tactical asset allocation decisions to take advantage of valuation differentials between asset classes that may occur from time to time.

The Scheme's strategic benchmark and the Scheme's actual asset allocation as of 31 March 2021 are shown below. The Scheme's implemented allocation was within the allowed bandwidths.

	Asset category	Actual % 31 March 2021	Benchmark % 31 March 2021	Actual % 31 March 2020	Benchmark % 31 March 2020
Return seeking	**Equities**	**24.1**	**25.9**	**28.1**	**30.3**
	UK	4.1	4.1	8.5	8.5
	Overseas	20.0	21.8	19.6	21.8
	Private equity	**4.9**	**3.0**	**4.9**	**3.0**
	Alternatives	**3.5**	**3.5**	**4.0**	**3.5**
	Property	**7.7**	**7.7**	**8.5**	**7.7**
Liability matching	**Real assets**	**0.0**	**0.0**	**2.4**	**3.0**
	Diversified illiquid income	**5.5**	**5.3**	**1.8**	**0.8**
	Bonds	**52.3**	**52.3**	**49.1**	**48.7**
	UK fixed	29.3	29.2	25.6	25.6
	UK index-linked	22.9	23.1	23.4	23.1
	Overseas index-linked	0.1	-	0.1	-
	Cash	**2.0**	**2.3**	**1.2**	**3.0**
	Total	**100 .0**	**100 .0**	**100.0**	**100.0**

The Trustee continues to work with the Scheme's investment managers and advisers to ensure the Scheme's risk framework is appropriate. The Scheme's strategic asset allocation and investment strategy will be updated further if necessary and will be subject to a full review as part of the 31 March 2021 actuarial valuation process.

Fund performance including strategic hedging
Table 1 shows the performance of the Scheme's assets, including the strategic hedging portfolio, which consists of derivatives held to reduce interest rate and inflation risk. Over the year to 31 March 2021, the Scheme's assets returned 14.49%.

Table 1 – Performance including strategic hedging

Fiscal years to 31 March 2021	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	14.49	6.85	9.28	8.33

Fund performance excluding strategic hedging
Table 2 shows the performance of the Scheme's assets, excluding strategic hedging, which is the measure by which BAPIML as the Scheme's investment manager was judged. BAPIML was set an outperformance target of 0.45% (reduced from 0.50% in June 2020) relative to the strategic benchmark over a five-year rolling period. BAPIML aimed to achieve this outperformance via a combination of tactical asset allocation and stock selection within individual portfolios.

Table 2 – Performance excluding strategic hedging

Fiscal years to 31 March 2021	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	11.75	6.87	9.21	8.66
Benchmark	11.80	5.96	8.36	8.29
Relative performance	(0.05)	0.86	0.79	0.34

In the year under review, 1 April 2020 to 31 March 2021, the Scheme's assets returned a total of 11.75%, excluding strategic hedging, which means that BAPIML underperformed their benchmark by 0.05% for the year. BAPIML did however outperform by 0.86% p.a. averaged over the last three years, 0.79% p.a. averaged over the last five years and by 0.34% p.a. averaged over the last 10 years. This means that BAPIML exceeded the target set by the Trustee of outperforming the benchmark by 0.45% (reduced from 0.50% in June 2020) p.a. over a rolling five-year period.

In the 12 months to 31 March 2021, the majority of individual portfolios outperformed their benchmarks. All the Scheme's actively managed regional equity portfolios contributed positively as did the Scheme's corporate bond, alternatives and property managers. The key driver of the under performance reported for the year was Private Equity, where the Scheme's holdings are revalued more slowly than the benchmarks they are measured against and have lagged the sharp rise in equity markets from April 2020. Over longer time periods, Private Equity still shows material outperformance versus its benchmark.

The Fund's 10 largest quoted holdings as of 31 March 2021 as a percentage of net assets

Stock name	Security	£m	Portfolio
UK Treasury 3.5% Fixed Interest 2045	Government Bond	348.4	1.8
UK Treasury 1.125 % Index-Linked 2027	Government Bond	321.6	1.7
UK Treasury 0.375% Index-Linked 2062	Government Bond	317.6	1.6
UK Treasury 3.25% Fixed Interest 2044	Government Bond	310.2	1.6
ISHARES CORE S&P 500 ETF	Equity	303.7	1.6
UK Treasury 0.750% Index-Linked 2034	Government Bond	282.4	1.5
UK Treasury 0.125% Index-Linked 2065	Government Bond	275.9	1.4
UK Treasury 0.125% Index-Linked 2046	Government Bond	269.1	1.4
UK Treasury 2.5% Fixed Interest 2065	Government Bond	261.7	1.3
UK Treasury 3.5% Fixed Interest 2068	Government Bond	257.1	1.3

Additional Voluntary Contributions ('AVCs')

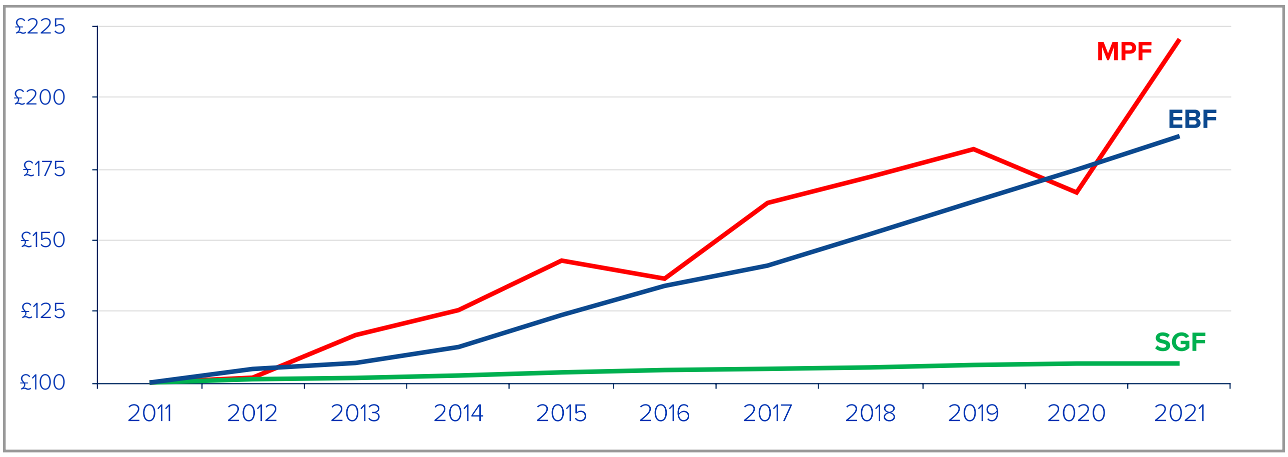
The Mixed Portfolio Fund (MPF) had a positive return of 32.10% for the year ending 31 March 2021. The Trustee sets a benchmark for each type of asset class held within the MPF and uses this to monitor the MPF's performance. The benchmark returned 30.72% over the year, meaning that the MPF outperformed its benchmark by 1.06%.

The MPF's long-run performance target is to beat its benchmark by 0.50% p.a. over a five-year period. Over the last five years, the MPF hasn't achieved its target but has outperformed by 0.18% p.a. on average.

In the year to 31 March 2021, the Short-dated Gilts Fund (SGF) returned 0.02%, and the Equity Biased Fund (EBF) returned 6.75%. 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.

The long-term returns for the AVC funds are shown in the chart and table below. The chart shows how £100 invested in the AVC funds in 2011 would have changed in value over time.

AVC funds total growth over 10 years



Performance returns of the AVC funds

Annualised fiscal year return over period to 31 March 2021

Fiscal years to 31 March 2021	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
MPF (Actual)	32.10	8.54	10.04	8.27
MPF (Benchmark)	30.72	8.21	9.85	8.24
EBF	6 .75	7.02	6.85	6.43
SGF	0.02	0.44	0.44	0.65

Corporate governance

The Trustee's Responsible Investment Policy includes 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 will actively engage and use our voting rights to drive up ESG standards in the organisations in which we invest.

The Scheme is also a signatory to the Financial Reporting Council's updated UK Stewardship Code, which aims to improve and enhance the quality of engagement between companies and institutional investors.

The Scheme's investment manager is required to adhere to the Scheme's Responsible Investment Policy. The investment manager is required to pro-actively monitor investments on an ongoing basis to help identify situations where long-term risk-adjusted returns might be compromised by ESG issues or could place the reputation of the Scheme at risk.

In exercising the voting and other rights attached to the Scheme's investments, the investment manager must consider recommendations on voting from specialist service providers but may follow an alternative course of action based on their informed view of the investee company and knowledge of the issue.

The Scheme's Responsible Investment Policy is made available to members and the public in the Responsible Investment section of the Scheme's website is reviewed regularly, with the most recent updates being in July 2020 and June 2021. The Scheme's most recent Responsible Investment and Stewardship Code Reports are published alongside the Policy and detail how the Scheme's policies have been implemented during the year ending in March 2021. A full voting record for the period is also provided.

Source: All performance shown is calculated independently by either State Street or BAPSL. External Fund comparisons are sourced from Willis Towers Watson.

STATEMENT OF INVESTMENT PRINCIPLES (SIP) - IMPLEMENTATION STATEMENT

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual implementation statement, setting out how the Policies described in the Scheme's Statement of Investment Principles (SIP) have been followed. This is the first such statement prepared by the Trustee. The statement is based on the SIP in force at the year end, and covers the period 1 April 2020 to 31 March 2021, 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 July 2019[1] to include an explicit statement of its approach to stewardship and responsible investing. This approach was further detailed in the Scheme's Responsible Investment (RI) Policy, with implementation being delegated to the Scheme's in-house manager, BAPIML, throughout the Scheme year. BAPIML was replaced as investment manager from 1 June 2021, with BlackRock taking on this responsibility.

The RI sections of the Scheme's SIP and the Scheme's RI Policy were reviewed and updated in July 2020. The Scheme's investment approach in so far as it relates to stewardship and the integration of Environmental, Social and Governance (ESG)-related risks, including climate change, was felt to be fit for purpose and was left substantially unchanged. Changes made were aimed at ensuring updated regulatory requirements were reflected in the specifics of the documents.

Until November 2020, when a decision was taken to simplify NAPS' committee structure, RI policy and implementation were reviewed and monitored by the Scheme's dedicated ESG Committee (ESGC). Since December 2020, that responsibility has moved back to the Scheme's quarterly Investment Committee (IC).

2. Assets held and managed

NAPS is a defined benefit scheme that is closed to future accruals. As of March 2021, NAPS had a total of 62,265 members, of which 49% are deferred, and 51% are pensioners in payment or dependent pensioners.

New Airways Pension Scheme

Following the 31 March 2018 actuarial valuation, NAPS established a Long-Term Funding Target (LTFT) which sets a target asset portfolio for 2030. Progress towards the LTFT is supported by a framework in place to manage investment risk as funding levels improve[2].

NAPS' assets are categorised as being either return seeking or liability matching. Return seeking assets are those where long-term returns are expected to exceed liability matching assets, which compensates for them being higher risk. Liability matching assets are those most aligned with the Scheme's future benefit payments and are held to reduce risk.

As of March 2021, BAPIML managed over £19 billion in assets for the Scheme, with c.60% in liability matching assets and c.40% in return seeking assets. Liability matching assets include government bonds (fixed and inflation-linked), corporate bonds, diversified illiquid income and cash. Return seeking assets include listed equities, private equity, alternatives and property.

NAPS 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.

1 A further update of the Scheme's SIP and RI Policy was carried out in June 2021 following the change in investment manager from BAPIML to BlackRock.

2 As of March 2021, the de-risking framework is suspended following an exceptional de-risking step and awaiting wider review of the LTFT through the 2021 actuarial valuation.

British Airways Pension Investment Management Limited (BAPIML)
Up until 31 May 2021, BAPIML was the Scheme's in-house investment manager, providing services exclusively to NAPS and APS[3]. BAPIML is a limited company that is wholly owned by the Custodian Trustee of the New Airways Pension Scheme (NAPS) and the Airways Pension Scheme (APS) Management Trustees[4].

BAPIML directly managed active mandates for NAPS in global equities, corporate bonds, government bonds and inflation-linked bonds, and direct property. Its fund managers selected and oversaw NAPS' third-party managers in private equity, alternatives, real assets, illiquid income and property. 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.

British Airways Pension Services Limited (BAPSL) and BA Pensions
BAPSL is the Scheme's in-house administrator, providing administrative services to NAPS and APS 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. BAPSL and BAPIML together comprise BA Pensions.

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[1]. 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 June 2021. The latest versions of both the Scheme's SIP and RI Policy can be found on the NAPS website (www.mybapension.com).

The NAPS 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 will actively engage and use our voting rights to drive up ESG standards in the organisations in which we invest.*

The Scheme's SIP further describes BAPIML's responsibilities with respect to voting and engagement activities as follows (NAPS SIP 7.1):

- The Trustee requires BAPIML 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 (NAPS SIP 7.8)

- The Trustee requires BAPIML 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. BAPIML is required to keep records of each engagement and outcome (NAPS SIP 7.9)

3 APS is a defined benefit scheme which is closed to new entrants. APS is a more mature scheme than NAPS with the vast majority of its members being pensioners in payment or their dependents.
4 The Custodian Trustee is known as British Airways Pension Trustees Limited (BAPTL). The NAPS Management Trustee is known as New Airways Pension Scheme Trustee Limited (NAPSTL), the APS Management Trustee is known as Airways Pension Scheme Trustee Limited (APSTL).

- In exercising the voting and other rights attached to the Scheme's investments, BAPIML is required to consider recommendations on voting from specialist service providers but may follow an alternative course of action based on their informed view of the investee company and knowledge of the issue (NAPS SIP 7.11)

- The Scheme's RI activities, annual voting and engagement reports will be made available on a publicly accessible website (NAPS SIP 7.13)

4. Monitoring and communication
In 2018 the NAPS Trustee established the ESGC to review its approach to RI and devise an updated RI policy. The ESGC remained in place until November 2020, charged with ensuring that the Scheme's revised policy was fully aligned in practice with regulatory and industry standards.

In November 2020, NAPS made the decision to simplify its committee structure, with responsibility for the Scheme's RI policy moving back to the Scheme's IC. The IC now monitors RI policy and implementation, the Scheme's independent investment experts and strategic investment advisers also being present.

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. BAPIML's, and subsequently BlackRock's, investment managers were charged with integrating ESG considerations where possible and where appropriate to the Scheme's investment strategy. They were also responsible for conducting voting and engagement activities on behalf of the Scheme.

BAPIML's investment managers were supported by two RI specialists (the ESG team). The ESG team provided subject matter expertise, analytical resource and advice on RI implementation. The team managed and tracked BAPIML's voting activity and helped fund managers coordinate engagement opportunities where appropriate. They were also responsible for producing internal and Trustee facing ESG reporting.

BAPIML, and subsequently BlackRock representatives attend regular Trustee committee meetings to report on integration and stewardship activities. The relevant committees 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.

- Proxy voting report (quarterly)
- Engagement report (quarterly)
- Responsible Investment Policy Implementation Report (annually)
- Annual Responsible Investment Report (annually)
- Stewardship Code Report (annually)

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

5. Voting
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, although its credit managers were from time to time asked to vote on proposals relating to corporate bonds.

NAPS participates in a securities lending programme which is reviewed annually. Practices vary by market, but BAPIML worked with BAPSL and the Scheme's custodian to restrict lending and/or recall securities in advance of shareholder meetings wherever this was possible and practical. In some geographies, BAPIML was able to directly monitor meeting schedules and manually requested the custodian restricted and/or recalled lent securities to ensure the Scheme's holdings were voted.

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 (ISS). The relevant asset class fund manager was, however, 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 may 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[5].

Over the twelve months to the end of March 2021, BAPIML voted on behalf of NAPS and/or the MPF at 954 meetings on a total of 12,655 proposals. There were 20 individual occasions on which BA Pensions failed to recall 100% of the Scheme's stock prior to voting. Ten of these were during the extreme market volatility seen in Q2 2020.

Investment teams saw a higher proportion of Extraordinary General Meetings (EGMs) to Annual General Meetings (AGMs) this year compared to last in certain regions, particularly in the UK, Europe and Asia Pacific. This was driven partially by the need to take exceptional dividend and capital allocation decisions as a result of the pandemic and partially by some one-off governance changes required of UK-cleared Irish companies to accommodate Brexit.

Otherwise, the impact of COVID-19 related lockdowns on voting activity was relatively modest. Most countries updated their rule books to allow decisions to be made at virtual (rather than in-person) shareholder meetings. Not all companies have permitted shareholders to question management effectively in virtual-only forums, but the issue is being addressed in the upcoming AGM season via targeted shareholder proposals.

Number of meetings voted by geography	
United Kingdom	155
North America	76
Developed Europe ex-UK	124
Developed and Emerging Asia Pacific ex-Japan	113
Japan	486

5 BAPIML abstained on 22 proposals in the 12 months to March 2021. 15 of these related to the approval of dividends during Q2 2020. Due to the high levels of uncertainty caused by COVID-19 related lockdowns, many companies withdrew their dividend proposals at short notice, making an abstention the most appropriate response on the part of the fund manager.

BAPIML voted against management's recommendation on at least one proposal at 31% of meetings. In all, BAPIML voted against management's recommendation on just under 6% of proposals.

Number of meetings voted by outcome	
Meetings where BAPIML voted in line with management on all proposals	655
Meetings where BAPIML voted against management on at least one proposal	299

Number of proposals voted by outcome	
Meetings where BAPIML voted in line with management	11,928
Meetings where BAPIML voted against management	727

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. Shareholder proposals were by far the most contentious category with BAPIML voting against management's recommendation on 38% of all shareholder proposals. In contrast, BAPIML voted against management's recommendation with respect to just 4% of directors proposed.

Proposals where BAPIML voted against management by proposal category	Number of proposals	Proportion of category
Director Election	260	4%
Shareholder Proposals	129	38%
Remuneration	118	11%
Capital Structure and Dividends	103	6%
Audit, Report and Accounts	74	6%
Amend Articles	26	5%
Board Structure and Responsibilities	12	4%
Other Business	5	9%

Where BAPIML considered a vote against to be particularly contentious or important, BAPIML escalated matters by writing a letter to either management or the company's board explaining BAPIML's position. BAPIML wrote twelve such letters during the twelve months to March 2021, an example of which is given below.

Vodafone Group
At Vodafone Group's AGM on 28 July 2020, Mr David Thodey was put forward to be re-elected as an independent director of the company's board. BAPIML was typically not supportive of directors who held a lot of directorships, believing it could impact the time and focus they have available. At that time, Mr Thodey held board positions at three other publicly listed companies, including two as chair, which raised significant concerns about over-boarding. On 20 July, BAPIML submitted a vote against Mr Thodey's re-election and wrote a letter to the chair of Vodafone, Mr Gerard Kleisterlee, explaining BAPIML's decision. BAPIML received an immediate response from the chair, who noted that Vodafone's Nominations Committee was comfortable with Mr Thodey's commitment to Vodafone and his capacity to fulfil his role as a NED. However, the day before the AGM, on 27 July 2020, Vodafone announced that Mr Thodey had decided that he would not seek re-election. BAPIML believed Mr Thodey's decision to withdraw his candidacy was most likely due to feedback similar to BAPIML's from multiple institutional shareholders ahead of the meeting.

6. Engagement

BAPIML defined engagement as any two-way conversation between BAPIML as an investor and the management of investee or potential investee companies[6]. The engagement was conducted through calls, emails, letters, virtual or face to face meetings with management or through collaborative initiatives.

Global equities

BAPIML managed active equity mandates for NAPS and for the MPF. Fund managers recognised that industry conditions, management teams and the regulatory environment could change over their typical holding period, which made effective engagement an integral component of their investment process. BAPIML also encouraged timely and open two-way dialogue with companies on capital allocation, governance and culture, environmental and social issues and corporate accountability with a consistent focus on shareholder returns.

Corporate Bonds

BAPIML managed a range of active corporate bond mandates for NAPS and the MPF, analysing the economy, fiscal and monetary policy, sectors and issuers with the aim of outperforming a designated benchmark. Engagement formed a key part of the team's investment process, and offered the fund manager an opportunity to fully understand a company's prospects, challenge a company's strategy, and assess management's competence. Although corporate bondholders do not vote at company meetings, their importance in determining a company's access to capital markets and their cost of capital ensures that bondholders are considered key stakeholders.

6 Stakeholder engagement activities related to BAPIML's development and other directly held property assets are not currently within the scope of this report. The BAPIML property team tracked engagement activity and outcomes as part of its management process, with external consultants Avison Young providing additional support on ESG-related governance and reporting. There is additional information provided on the property team's approach to ESG integration and stakeholder management in the Scheme's Annual RI Report which is available on the NAPS website.

Over the twelve months to the end of March 2021, BAPIML's equity and corporate bond investment managers conducted 202 engagements with company management. While the total number of engagements fell year on year due to restrictions on physical meetings and travel, fund managers remained close to the companies and industries they research through calls, virtual meetings and online conferences.

Meeting type	Number of engagements in the 12 months to the end of March 2021	Number of engagements in the 12 months to the end of March 2020
Small group meeting	81	233
1-on-1 meeting	27	65
Call	71	25
Letter/email	16	20
Investor site visit	0	17
Capital markets day	6	12
Annual meeting	1	5
Total	**202**	**377**

Fund managers engaged across a wide range of topics. Although conversations about corporate strategy drove most meetings, investment managers were increasingly asking questions about environmental and social issues more often.

In the twelve months to March 2021, environmental topics were discussed in 35% of company engagements, up from 28% in the prior year. Broader awareness of environmental (including climate-change related) risks is leading to increased interest in companies' risk management strategies and disclosures. Social issues were also raised more often, being discussed in 34% of meetings, up from 23%. This was driven mainly by fund managers exploring the impact of COVID-19 on companies' customer, employee and supply chain relations.

The table below shows the number of times different issues were raised or addressed in speaking with company management.

Topics	Number of times addressed in the 12 months to the end of March 2021	Number of times addressed in the 12 months to the end of March 2020
Strategy	186	375
Environmental	71	106
Social	68	85
Governance	47	96
ESG process	13	-

External capabilities[7]
BAPIML engaged with the Scheme's external fund managers for monitoring and due diligence purposes. The main purpose of these engagements was to ensure that investee funds were managed in line with the agreed investment process and to monitor portfolio exposures on a more granular basis than otherwise possible.

BAPIML also systematically engaged with its third-party managers to ensure appropriate stewardship and other ESG-related policies and/or procedures were in place. In doing so, BAPIML used a questionnaire based on the Principles for Responsible Investment (PRI) best practice. BAPIML recognised that different managers in different asset classes would reasonably take different approaches. BAPIML aimed however to understand the rationale behind each investment manager's approach to stewardship and any ambitions they might have to strengthen their procedures over time.

[7] BAPIML selected and provided oversight of external managers in private equity, alternatives, real assets, illiquid income and property.

7. Stewardship examples from the year to the end of March 2021

AGL Energy Ltd is an example where what looked to be a straightforward question about remuneration needed to be considered in the broader context of a company's strategic priorities. This case was unusual in that BAPIML voted with management but against the advice of the Scheme's proxy voting advisor [8]. It demonstrates the benefit of a fund manager having an in depth understanding of the long-run drivers of shareholder value.

AGL Energy Ltd
AGL Energy Ltd (AGL) is an energy company that generates and sells electricity to customers in Australia. In recent years, the company has been actively shifting away from coal-fired generation and has made significant investments in renewable energy. At AGL's AGM in October 2020, BAPIML was asked to vote to approve a performance-based bonus scheme (a Long-Term Incentive Plan or LTIP) for the CEO, Brett Redman. Long-term incentive plans are meant to reward employees for reaching specific goals linked to increased shareholder value. AGL wanted to update the CEO's LTIP to make reducing the company's carbon emissions a more important driver of the CEO's compensation. It also wanted to cut the profit target included in the CEO's LTIP given the impact of COVID-19 on the company and in light of the company's plans to move to a low-carbon platform. ISS recommended voting against the LTIP, believing that the weight given to the carbon emissions was too high and that the CEO's bonus potential should be made smaller given the lower profit target. BAPIML's fund manager believed that moving towards owning low-carbon assets was an important strategic priority for AGL. The fund manager also believed that it would cause the company's profits to be lower in the short term, as AGL makes new investments in renewable energy and writes off the value of its coal-fired power stations. In lowering the CEO's profit target, AGL was simply making the LTIP consistent with the company's new goals. BAPIML voted in favour of the LTIP against ISS' recommendations, believing the changes were proportionate and designed to incentivise the CEO to act in shareholders' best interest. In total, 70.7% of AGL's shareholders voted in favour, and the LTIP was approved.

8 BAPIML voted contrary to ISS's recommendation at 27 meetings in this reporting period, on 43 proposals.

In other cases, a fund manager needed to engage with a company directly to understand the specifics of a certain situation. An example from this reporting period is the discussion BAPIML had with The Trade Desk Inc about their dual class share structure ahead of their AGM.

The Trade Desk Inc

The Trade Desk Inc (TDD) is an advertising technology company based in the United States.

In December 2020, TTD called for a special shareholder meeting to change the rules governing the company's share classes. BAPIML's US equity team engaged with TTD ahead of the meeting as the change management wanted to make was not something BAPIML would normally support.

Some companies have a dual share-class structure, meaning that they have two or more types (classes) of shares. Different classes of shares usually have different voting rights and are owned by different types of investors. Often insiders, such as company founders and early investors, own one sort, and ordinary investors own a different one. The intention is usually to give insiders more control over decisions during the company's early years when the long run value of some investments might be unclear to outsiders. Dual share classes are not, however, normally considered best practice as they allow a small group of insiders to control decisions impacting all shareholders.

TTD has two classes of shares outstanding. It has founder shares which have 10 votes per share, and ordinary shares, which have one vote per share. Founder shares were meant to convert to ordinary shares when founder shares fell below 10% of the total number of shares. The company's proposal in December 2020 was to remove the automatic trigger and replace it with a guarantee that the company would convert the founder shares to ordinary shares by 2025.

BAPIML was normally unsupportive of dual share class structures and therefore reached out to the company. TTD explained that when the company went public in 2016, management's plan was that the dual share structure would be in place for ten years. They were now concerned that the 10% trigger would be reached before then and that that early conversion of founder shares would impact management's ability to control the company's future.

BAPIML voted in favour of changing the rules at the December meeting. BAPIML's fund manager had taken the view that the extension was needed to allow the company to make investment decisions based on the long-run, and to reduce the risk of it being bought by another company before its full value is recognised by the market. The proposal received more than 90% of shareholders' support, suggesting that most ordinary shareholders shared BAPIML's view.

Occasionally BAPIML collaborated with other shareholders to resolve a specific issue or achieve desired disclosures where this could have had a material impact on shareholder value. As an example, over the past several years, BAPIML worked with other investors on a number of occasions to influence companies' climate change policies. It particularly focused on lobbying where a company's memberships appeared to conflict with the company's commitment to align with the Paris Climate Agreement and to keep average global warming below 2 degrees Celsius.

Over the last 12 months, BAPIML continued to engage with companies and investor groups over environmental lobbying activities, using its vote to push for increased transparency and alignment whenever it could. Chevron Corporation is an example from this reporting period that shows the momentum collective shareholder action has generated in this area.

Climate change lobbying

Chevron Corporation (Chevron) is an American multinational energy company that produces and transports crude oil and natural gas.

At Chevron's Annual Meeting in May 2020, a shareholder proposal was filed by a large asset manager who owns shares in Chevron. The proposal requested that Chevron reports on how the company's lobbying activities align with the goal of the Paris Climate Agreement.

Chevron currently partners with a number of highly influential groups which lobby contrary to the Paris Agreement's goals, including the American Petroleum Institute (API) and the Chamber of Commerce and National Association of Manufacturing (NAM). The API, for example, has successfully persuaded the US administration to roll back methane regulations and pushed to speed up the approval processes for oil and gas projects without fully considering their environmental impacts.

BAPIML believed that increased transparency was important in keeping companies accountable and voted in favour of similar proposals at other investee companies' AGMs. What was interesting about the Chevron vote, was the change in investor attitudes over the last 12 months.

When BAPIML voted in favour of similar proposals at Exxon Mobil and BHP Plc & Ltd, it was in the minority. The Chevron vote received a majority support of 54%. This will force Chevron to increase the amount it tells shareholders about its lobbying activities going forwards.

BAPIML's investment managers also decided to engage thematically if they believed there were material, financial or non-financial risks present at a portfolio level. As an example, BAPIML, with the permission of the Trustee, worked with CDP (previously the Carbon Disclosure Project) to persuade companies to improve disclosure of their climate-change related financial information.

Working with CDP

BAPIML was an investor signatory to CDP, an organisation formerly known as the Carbon Disclosure Project. CDP is a non-profit organisation that facilitates the disclosure of information about companies' and cities' impact on the climate, on forests and on water security (access to clean, safe water). In 2020 approximately 9,600 companies and 810 cities disclosed environmental information through the CDP platform.

CDP runs an annual campaign aimed at companies that currently do not disclose enough relevant data on climate change, forests or water security. In 2020, CDP targeted 1,025 companies, selected mainly based on their size or their likely environmental impact. 108 institutional investors (including BAPIML) from 24 countries, representing USD 12 trillion in assets, signed up to support.

Access to environmental data can be important in understanding the risks investee companies face. Based on the Scheme's holdings, 116 of the 1,025 companies on CDP's list were judged by BAPIML to be directly relevant to NAPS. BAPIML allowed CDP to put its name in letters sent to these 116 companies, asking them to improve their disclosure. By the end of the 2020 campaign, 27 of the 116 companies selected by BAPIML on behalf of the Scheme had sent improved information to CDP.

8. Conclusion

The Trustee monitored BAPIML's 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 the Scheme's Executive, 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 and supplementary information from asset-class fund managers as required.

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 2021.

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

Opinion

We have audited the financial statements of New Airways Pension Scheme (the Scheme) for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the financial statements, including the accounting policies as set out 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 2021 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 3 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. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 to the financial statements which indicates the effects of COVID-19 on the Principal Employer and the aviation and airline industry. Due to COVID-19, the global demand for flights have seen a steep decline due to both the fears of COVID-19 and the travel restrictions as part of the efforts to stop the spread of the virus. This has had severe impact on the cashflow of the Principal Employer. In its half year results (six months to 30 June 2021), International Airlines Group (IAG) (parent of British Airways Plc) highlighted the existence of a material uncertainty related to going concern caused by COVID 19. Were the Principal Employer to cease trading there is a risk that the Scheme will enter the Pensions Protection Fund (PPF) and cease to operate. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Scheme's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern

The Trustee has prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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, including the conflicts of interest register, 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.

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 including the scheme administrator) may be in a position to make inappropriate accounting entries. 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.

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 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. The Trustee's report explains the implications of underpaid contributions in the year on compliance with the requirements of the Pensions Act 1995.

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.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, implementation statement and the summary of contributions), the Chair's Statement, 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 12, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; 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; 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 they either intend to wind up the Scheme, or have 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, as a body, 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 them 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, as a body for our audit work, for this report, or for the opinions we have formed.

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

Date: 29 September 2021

FUND ACCOUNT

	Note	31 March 2021 £'m	31 March 2020 £'m
Contributions and Benefits			
Employer contributions	3	187.9	706.2
Employee contributions	3	-	-
Total contributions		187.9	706.2
Transfers in	4	13.2	3.8
		201.1	710.0
Benefits paid or payable	5	(530.5)	(428.7)
Payments to and on account of leavers	6	(684.5)	(218.2)
Administrative expenses	7	(12.6)	(8.5)
		(1,227.6)	(655.4)
Net (withdrawals)/additions from dealings with members		(1,026.5)	54.6
Returns on Investments			
Investment income	8	353.9	312.9
Investment management expenses	9	(15.3)	(16.3)
Change in market value of investments	10	2,416.1	(617.3)
Net return on investments		2,754.7	(320.7)
Net increase/(decrease) in the fund during the year		1,728.2	(266.1)
Net assets of the Scheme at 1 April		17,788.7	18,054.8
Net assets of the Scheme at 31 March		**19,516.9**	**17,788.7**

The notes on pages 32 to 46 form part of these financial statements.

STATEMENT OF NET ASSETS

(available for benefits)

	Note	31 March 2021 £'m	31 March 2020 £'m
Investment assets:			
Equities	**10**	4,609.1	4,716.5
Fixed interest bonds	**10**	5,612.0	4,957.1
Index-linked bonds	**10**	4,446.4	4,268.6
Property	**10**	1,716.8	1,558.4
Pooled arrangements			
Property	**11**	20.9	100.3
Alternative investments	**11**	1,535.4	1,318.3
Private equity	**11**	1,122.2	898.8
Derivatives	**13**	147.2	891.8
AVC mixed portfolio fund	**15**	160.7	137.7
Cash		411.9	206.0
Other investment balances		88.7	351.8
		19,871.3	19,405.3
Investment liabilities:			
Derivatives	**13**	(322.7)	(1,555.1)
Other investment balances		(16.9)	(80.4)
Total net investments		19,531.7	17,769.8
External AVC investments	**16**	0.4	0.4
Total investments		19,532.1	17,770.2
Current assets	**21**	7.1	35.1
Current liabilities	**21**	(22.3)	(16.6)
Net assets of the Scheme at 31 March		**19,516.9**	**17,788.7**

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 47 and 48 and these financial statements should be read in conjunction with this report.

The notes on pages 32 to 46 form part of the financial statements.

These financial statements were approved by the Trustee Board on 29 September 2021 and were signed on their behalf by:

Roger Maynard **Trustee Director**

John Wheale **Trustee Director**

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 believes to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments for at least the next twelve months.

In order to do so, the Scheme relies on income and capital growth from its assets and on such contributions as may be necessary from the Principal Employer, British Airways PLC, and its participating subsidiaries. If the Employer were unable to fund the deficit and other future contributions, then the Scheme would be at risk of being wound up and its assets transferred to the Pension Protection Fund.

At 31 March 2020, the Scheme was in a deficit position on the Technical Provisions basis, with its assets amounting to approximately 87% of its liabilities. This was primarily driven by a reduction in interest rates and lower expectation of future investment returns, as well as a fall in the value of the Scheme's assets. This potentially increased the need for support from the Principal Employer. Since the start of the year investment markets have rallied, however, and the deficit is expected to have reduced as of the current year end.

COVID-19 created significant challenges and high levels of uncertainties for all companies, especially those operating in the airline and aviation industry. Due to COVID-19, the global demand for flights saw a steep decline due to both fears of COVID-19 and travel restrictions, and government efforts to stop the spread of the virus by limiting international travel, thus severely impacting the cashflow of the Principal Employer. Despite the success of the vaccination program, it is currently unknown when operations will return to the same level of activity seen prior to the COVID-19 pandemic. The Trustee recognises that an extended period of low activity would potentially affect the ability of the Principal Employer to continue its operations and may therefore impact the Principal Employer's ability to support the Scheme. However, the Trustee is aware that the Principal Employer continues to identify various mitigation strategies, some of which are not wholly within the control of the Principal Employer and is pursuing these.

On this basis, whilst the future impact of the COVID-19 outbreak cannot be accurately predicted, the Trustee considers that the Scheme will nevertheless continue to operate, and therefore the Trustee believes that it remains appropriate to prepare the financial statements on a going concern basis. However, the circumstances of the COVID-19 pandemic constitute a material uncertainty on the Principle Employer that may cast significant doubt on the Scheme's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

i. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.
ii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.
iii. Income from cash and short-term deposits is accounted for on an accruals basis.

2. Accounting policies - continued

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 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. Dividends from equities are accounted for on the ex-dividend date.
ii. Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
iii. Rental income is accounted for on an accruals basis.
iv. Income from pooled arrangements is accounted for when declared by the fund manager, net of any associated management fees.
v. Receipts from annuity policies are accounted for as investment income on an accruals basis.

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.

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. Exchange traded derivatives are stated at market value determined using market quoted prices.
iv. Over the counter ('OTC') derivatives are stated at fair value using pricing models and relevant market data as of the year-end date.
v. 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.
vi. Annuity policies are deemed to be immaterial and so have not been included in the financial statements.

g. Pooled arrangements

The private equity, alternative and indirect property are invested in externally pooled funds. A proportion of the private equity, alternatives and all 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.

2. Accounting policies - continued

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

	2021	2020
	£'m	£'m
Employer contributions		
Deficit funding-regular	187.5	300.0
Deficit funding-cash sweep	-	150.0
Deficit funding-contingent contribution	-	251.5
Administration	-	4.4
Augmentation	0.4	0.3
	187.9	**706.2**

Deficit funding contributions as set out in the Schedule of Contributions on pages 49 to 52 are due until 31 March 2024 in order to improve the Scheme's funding position. Please refer to the explanation of the deferral of these contributions during the year on pages 5 and 6. Further details regarding contributions are included in the summary of contributions on page 48.

4. Transfers in

	2021	2020
	£'m	£'m
Individual transfers in from other schemes	13.2	3.8
	13.2	**3.8**

5. Benefits paid or payable

	2021	2020
	£'m	£'m
Pensions	351.4	327.7
Commutations of pensions and lump sum retirement benefits	161.8	83.3
Lump sum death benefits	1.3	1.3
Taxation where Lifetime or Annual Allowance exceeded	16.0	16.4
	530.5	**428.7**

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.

6. Payments to and on account leavers

	2021 £'m	2020 £'m
Individual transfers out to other schemes	684.5	218.2
	684.5	**218.2**

7. Administrative expenses

The Scheme bears the cost of administration. However, the levies required by the Pension Protection Fund are payable by BA. The New 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, covenant advisers, legal advisers and compliance costs. The split of costs at the year-end are as follows:

	2021 £'m	2020 £'m
BAPSL in-house administration and processing	4.9	4.4
External professional fees	7.7	4.1
	12.6	**8.5**

8. Investment income

	2021 £'m	2020 £'m
Dividends from equities	116.6	168.5
Income from fixed interest bonds	116.5	111.9
Income from index-linked bonds	15.8	15.9
Net rents from properties	41.0	-
Swap income	58.2	9.2
Annuity income	4.1	4.7
Interest on cash deposits	0.4	3.2
Other income	1.3	(0.5)
	353.9	**312.9**

9. Investment management expenses

The Scheme bears the cost of investment management expenses. The Scheme bears an allocation of the overall costs of BAPIML, based on the use of resources, except where a cost relates specifically to the Scheme, in which case the cost is met by the Scheme in full.

10. Reconciliation of investments

	Value at 31 March 2020	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 31 March 2021
	£'m	£'m	£'m	£'m	£'m
Equities	4,716.5	1,517.7	(3,117.6)	1,492.5	4,609.1
Fixed interest bonds	4,957.1	2,346.4	(1,397.0)	(294.5)	5,612.0
Index-linked bonds	4,268.6	1,092.4	(999.2)	84.6	4,446.4
Property	1,558.4	401.5	(260.3)	17.2	1,716.8
Pooled arrangements					
- Property	100.3	6.3	(84.3)	(1.4)	20.9
- Alternative Investments	1,318.3	263.3	(110.1)	63.9	1,535.4
- Private equity	898.8	95.3	(175.0)	303.1	1,122.2
Derivatives					
- Inflation-linked swaps	(1,192.9)	-	-	870.6	(322.3)
- Interest rate swaps	432.4	-	-	(388.5)	43.9
Total return swaps	194.4	-	-	(116.3)	78.1
- Futures	0.8	15.0	(85.0)	68.8	(0.4)
-Forward foreign exchange	(98.0)	214.1	(372.9)	282.0	25.2
AVC mixed portfolio fund	137.7	14.3	(34.3)	43.0	160.7
External AVC investments	0.4	-	(0.1)	0.1	0.4
	17,292.8	5,966.3	(6,635.8)	2,425.1	19,048.4
Cash	206.0	213.8	-	(7.9)	411.9
Other investments	271.4		(198.5)	(1.1)	71.8
	17,770.2	**6,180.1**	**(6,834.3)**	**2,416.1**	**19,532.1**

There were no individual investments that comprised greater than 5% of the net assets of the Scheme (2020: none).

Transaction costs are included in the cost of purchases and deducted from sale proceeds, however due to MiFID II, research costs have been unbundled and are now included within investment management expenses. Direct transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Taxes	2021 Total	2020
	£'m	£'m	£'m	£'m	£'m
Equities	0.2	1.7	2.7	4.6	5.2
Other	-	0.1	-	0.1	0.2
2021	0.2	1.8	2.7	4.7	5.4
2020	0.6	2.3	2.5	5.4	7.1

In addition to the transaction costs disclosed above, 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.

11. Pooled arrangements

Property/Alternatives/Private equity
The indirect property, alternatives and private equity investments are invested in externally pooled funds. A proportion of the private equity and alternatives, and all 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 2021, the value of these funds are as follows:

Property	**% held**	**2021**	**2020**
		£'m	**£'m**
Externally pooled indirect funds		9.6	84.7
Direct UK property fund		11.3	15.6
Total property unitised	82.20%	**20.9**	**100.3**

Alternatives

	% held	**2021**	**2020**
		£'m	**£'m**
Alternative unitised fund	49.39%	0.5	0.3
Direct investment funds		1,534.9	1,318.0
Total		**1,535.4**	**1,318.3**

Private equity

	% held	**2021**	**2020**
		£'m	**£'m**
Private equity unitised fund	49.39%	10.1	9.8
Direct investment funds		1,112.1	889.0
Total		**1,122.2**	**898.8**

12. 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.

13. 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	<10 years	1,017.0	25.5	(6.1)
Inflation-linked swaps	10-20 years	622.7	6.0	(48.6)
Inflation-linked swaps	20-30 years	840.8	26.3	(142.7)
Inflation-linked swaps	30-40 years	970.0	29.8	(186.3)
Inflation-linked swaps	>40 years	70.0	-	(26.2)
Interest rate swaps	<10 years	78.0	2.9	(1.2)
Interest rate swaps	10-20 years	383.5	13.8	(11.9)
Interest rate swaps	20-30 years	1,441.8	3.2	(99.0)
Interest rate swaps	30-40 years	355.9	58.3	(5.8)
Interest rate swaps	>40 years	566.9	139.2	(21.4)
Total return swaps	<10 years	2,840.6	80.4	(36.5)
Total 2021		**9,187.2**	**385.4**	**(585.7)**
Total 2020		**6,901.0**	**851.9**	**(1,418.0)**

Futures

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

Nature		Notional Amount / Contract Size	Duration	Fair Value £'m
FTSE 100 stock futures	Buy	900	June 2021	(0.2)
Total UK futures				
Tokyo stock futures	Buy	21	June 2021	0.1
EMINI S&P stock futures	Sell	398	June 2021	(0.3)
Total overseas futures				
			Total 2021	**(0.4)**
			Total 2020	**0.8**

Included within index-linked bond balances as disclosed in note 10 are £11.0m (2020: £14.7m) in respect of initial margins arising on open futures contracts at the year end.

13. Derivatives - continued

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 buy EUR	Apr 21-Jun 21	-	-	-
Forward to sell EUR	Apr 21-Jun 21	€624.8	12.8	-
JPY				
Forward to buy JPY	Apr 21-Jun 21	-	-	-
Forward to sell JPY	Apr 21-Jun 21	¥53,366.3	9.9	-
USD				
Forward to buy USD	Apr 21-Jun 21	-	-	-
Forward to sell USD	Apr 21-Jun 21	$2,857.5	9.8	-
Total 2021			**32.5**	**(7.3)**
Total 2020			**34.9**	**(132.9)**

14. 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
Goldman Sachs	UK Gilt	(197.1)	Swaps & FX Forwards
JP Morgan	UK Gilt	(41.7)	Swaps & FX Forwards
RBS	UK Gilt	16.1	Swaps & FX Forwards
Barclays	UK Gilt	(39.2)	Swaps
Lloyds	UK Gilt	3.6	FX Forwards
Morgan Stanley	UK Gilt	(0.4)	Swaps
Nomura	UK Gilt	25.4	Swaps & FX Forwards
HSBC	UK Gilt	0.1	Swaps
UBS	UK Gilt	47.6	Swaps & FX Forwards
UBS	Cash	21.7	Swaps
		(163.9)	

Collateral pledged with a counterparty is reflected as a negative value. However, they are included in the statement of net assets as part of the Scheme assets. The collateral balances at the 2020 year end amounted to £(565.9)m.

15. 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 unitised fund, the short-dated gilts fund and the equity biased fund, which are held within the investments. The aggregate amounts of AVC investments are as follows:

	% held	2021	2020
		£'m	£'m
Mixed Portfolio Fund			
Equities		128.0	109.4
Bonds		28.5	24.5
Cash		4.2	3.8
Total Mixed Portfolio Fund	91.05%	160.7	137.7
Short-Dated Gilts Fund		16.7	21.1
Equity Biased Fund		163.3	201.8
		340.7	**360.6**

16. External AVC investments

In addition to the AVCs shown in note 15 above, there are four external AVC schemes. They are run for members who transferred from the British Caledonian Group Pension & Life Assurance Scheme (British Caledonian), the Davies & Newman Holdings Plc Pension and Life Assurance Scheme (Davies & Newman) and the Dan Air Services Ltd Pension and Life Assurance Scheme (Dan Air). These funds have been separately invested for the benefit of the individuals. The values of these funds are as follows:

	2021	2020
	£'m	£'m
British Caledonian		
Prudential	0.3	0.3
Davies & Newman and Dan Air		
Equitable Life Assurance	0.1	0.1
	0.4	**0.4**

17. Defined contribution scheme

Within NAPS is the British Airways Money Purchase Section (BAMPS). This section was closed to further benefit accrual on 30 September 2012. Some of the members transferred out, and any remaining members are deferred. These assets are not held separately, but members receive an annual statement informing them of the value of their entitlement. The total figures are shown below:

	2021	2020
	£'m	£'m
Balance of BAMPS at 1 April	5.6	5.3
Interest	0.3	0.3
Retirements	(0.1)	-
Balance of BAMPS at 31 March	**5.8**	**5.6**

18. 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 fair valued using the above hierarchy levels as follows:

	As of 31 March 2021			
	Level (1)	Level (2)	Level (3)	Total
	£'m	£'m	£'m	£'m
Equities	4,609.0	0.1	-	4,609.1
Bonds	10,028.5	29.9	-	10,058.4
Property	-	-	1,716.8	1,716.8
Pooled arrangements	-	-	2,678.5	2,678.5
Derivatives	(0.5)	(175.0)	-	(175.5)
AVC mixed portfolio fund	160.7	-	-	160.7
External AVCs	0.4	-	-	0.4
Cash	5.2	406.7	-	411.9
Other investment balances	71.8	-	-	71.8
	14,875.1	**261.7**	**4,395.3**	**19,532.1**

18. Fair value determination - continued

	As of 31 March 2020			
	Level (1)	Level (2)	Level (3)	Total
	£'m	£'m	£'m	£'m
Equities	4,716.4	0.1	-	4,716.5
Bonds	7,693.2	1,532.5	-	9,225.7
Property	-	-	1,558.4	1,558.4
Pooled arrangements	-	-	2,317.4	2,317.4
Derivatives	0.8	(664.1)	-	(663.3)
AVC mixed portfolio fund	129.8	7.9	-	137.7
External AVCs	0.4	-	-	0.4
Cash	180.5	25.5	-	206.0
Other investment balances	271.4	-	-	271.4
	12,992.5	**901.9**	**3,875.8**	**17,770.2**

Interest, inflation and discount rate assumptions were based on the prevailing market rates at the year end.

19. Investment risk disclosures

Investment risks

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.

Longevity risk: this is the risk that reflects the possibility that the value of the Scheme's liabilities will increase due to improving life expectancy.

Counterparty (or credit) risk: this is the risk that reflects the possibility that payments due or expected from a third party are not made.

Currency risk: this is the risk that can arise through investment in non-Sterling assets, given that the Scheme's liabilities are denominated in Sterling.

Liquidity risk: this concerns the risk arising from holding assets that are not readily realisable and may be compounded by Volatility Risk where the price achievable is not certain until the point of sale.

Regulatory risk: this is the risk that can arise from investing in a market environment where the regulatory regime may change.

Concentration risk: this is the risk that can arise when a high proportion of the Scheme's assets are invested in instruments of the same or related issuers.

ESG risk: this is the risk that can arise from investing in assets exposed to ESG-related matters, including climate change, which could have a material negative impact on the asset's value.

Active risk: this is the risk where the combination of assets held will differ from the benchmark and may give rise to underperformance relative to passive management.

19. Investment risk disclosures - continued

Tracking error risk: this is the risk in that a passive approach may not track the benchmark index within an appropriate degree of accuracy.

Manager selection risk: this is the risk that due to the potential for selecting (or failing to de-select in a timely manner) an active manager that fails to generate sufficient return in excess of the benchmark to justify the active risk taken and the higher fees charged than for passive management.

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, including credit risk and market risk, 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 credit and market risks is 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 strength of the employer covenant, the long-term liabilities and the funding agreed with the employer. The investment strategy is set out in its Statement of Investment Principles, which can be viewed on the member website www.mybapension.com

The current strategy is to hold:
- Liability matching assets – 59.9% in investments that move in line with the long-term liabilities of the Scheme. This is referred to as liability matching investments and comprises UK and overseas Government and corporate bonds and inflation and interest rate swaps, the purpose of which is to hedge against the impact of interest rate and inflation movements on long-term liabilities.

- Return seeking assets – 40.1% in return seeking investments comprising UK and overseas equities, equities futures, investment property, alternatives and private equity.

(ii) Longevity risk
The Trustee monitors this longevity risk and periodically considers reducing this risk through hedging subject to attractive pricing.

(iii) Counterparty risk
The Scheme is subject to counterparty risk because the Scheme invests in bonds, OTC derivatives, holds cash balances and undertakes stock lending activities.

Counterparty risk arising on bonds is mitigated by investing predominantly in 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. Counterparty risk arising on other investments is mitigated by investment mandates requiring counterparties to have predominantly investment grade credit quality.

Counterparty risk arising on derivatives depends on whether the derivative is exchange traded or OTC. Exchange traded derivatives are guaranteed by a regulated exchange where 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 14).

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

19. Investment risk disclosures - continued

The Scheme lends certain fixed interest and equity securities under a Trustee-approved stock lending program which is managed at the discretion of and is fully indemnified by the custodian State Street Bank and Trust Company. The Trustee manages the counterparty risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers, limiting the amount that can be lent to anyone borrower and putting in place collateral arrangements. At the year end, the Scheme had lent £207.1 million (2020: £320.5 million) of Government bonds and £nil (2020: £251.7 million) of corporate bonds and held collateral in the form of cash and fixed interest securities with a value of 103.3% (2020: 109.1%) of stock lent.

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

The Trustee carries out due diligence checks on the appointment of a new fund and on an ongoing basis, 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.

(iv) 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 Trustee limits overseas currency exposure through a currency hedging policy.

29.2% of the above investments are in overseas currencies. To minimise the currency risk, the Trustee has put in place a currency hedging strategy using forward foreign exchange contracts.

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

	2021	2020
	£'m	£'m
US Dollar	1,002.8	927.5
Euro	342.7	272.0
Other	1,286.4	1,207.6
	2,631.9	**2,407.1**

(v) Liquidity risk
The Trustee's policy is to ensure that an adequate proportion of sufficiently realisable investments is held to meet additional cashflow requirements in most foreseeable circumstances and to achieve this it delegates the management of cashflow requirements to BAPSL.

(vi) Regulatory risk
The Trustee receives regulatory updates from its various advisors and considers how to address any significant changes as and when they arise.

(vii) Concentration risk
The Trustee seeks to diversify instruments appropriately to mitigate this risk and specific concentration limits are set out in the Investment Guidelines.

(viii) ESG risk
The management of ESG-related risks is delegated to the investment manager. The Trustee has produced a responsible investment (RI) policy, as well as a mission statement which set out the Scheme's plans to address RI issues.

20. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year-end:

	2021 £'m	2020 £'m
Property	146.0	199.2
Alternative investments	243.4	506.5
Private equity	269.1	349.7
	658.5	1,055.4

21. 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.

22. Current assets and current liabilities

	2021 £'m	2020 £'m
Current assets		
Cash balances	0.1	0.1
Sundry debtors and prepayments	7.0	35.0
	7.1	**35.1**

	2021 £'m	2020 £'m
Current liabilities		
Unpaid benefits	7.3	7.1
Accrued expenses	15.0	9.5
	22.3	**16.6**

23. Related party transactions

The Corporate Trustee of NAPS is New Airways Pension Scheme Trustee Limited (NAPSTL). This company is dormant, and its set up cost was paid by the Scheme.

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 Airways Pension Scheme Trustee Limited (APSTL) or NAPSTL. The companies described below are all wholly owned by BAPTL.

BAPSL provides administration services, and BAPIML provides investment management services to the Scheme. The Scheme is recharged for these services, as shown in the fund account, and in notes 7 and 9. BA provide occasional services to the Scheme (e.g. recruitment, advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

23. Related party transactions – continued

The Trustee Directors of the Scheme are considered to be key management personnel. Roger Maynard and Virginia Holmes were remunerated by BA in respect of their services as Chair of the Trustee Companies. Pensioner elected Trustee Directors were also paid by the Employer.

In addition to the member nominated Trustee Directors, four (2020: five) of the Trustee Directors of NAPSTL appointed by BA Plc that served during the year were deferred members or pensioners of NAPS. If a Trustee Director is a member or a pensioner, then their pension rights are on terms normally granted to members.

24. 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.

25. Post Balance Sheet Events

On 15 April 2021 the Trustees of the Schemes made the decision to transfer the investment management to BlackRock Investment Management (UK) Limited. This was completed on 1 June 2021.

Independent Auditor's Statement about Contributions to the Trustee of the New Airways Pension Scheme

Qualified statement about contributions
We have examined the summary of contributions payable under the Schedules of Contributions to the New Airways Pension Scheme in respect of the Scheme year ended 31 March 2021 which is set out on page 49.

In our opinion contributions for the Scheme year ended 31 March 2021 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects:

- except for the departure described in the basis for qualified statement about contributions section of our report, been paid from 1 April 2020 to 18 February 2021 at least in accordance with the Schedules of Contributions certified by the actuary on 25 October 2019; and
- been paid from 19 February 2021 to 31 March 2021 at least in accordance with the Schedule of Contributions certified by the actuary on 19 February 2021.

Basis for qualified statement about contributions
As explained in the Trustee's Report on page 5 ,deficit funding contributions for four months, from September 2020 to December 2020, totalling £150 million, as required under the Schedule of Contributions certified by the actuary on 25 October 2019, were underpaid.

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 Schedules 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 Schedules 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 Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules 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 them 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, as a body, 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 2021

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 procuring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's summary of contributions payable under the Schedules in respect of the Scheme year ended 31 March 2021

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 Schedules of Contributions certified by the actuary on 25 October 2019 and 19 February 2021 in respect of the Scheme year ended 31 March 2021. The Scheme auditor reports on contributions payable under the Schedules in the auditor's statement about contributions.

Contributions payable under the schedule in respect of the Scheme year	**£'m**
Employer deficit funding contributions – regular	187.5
Contributions payable under the Schedule (as reported on by the Scheme auditor)	**187.5**

Reconciliation of contributions

Reconciliation of contributions payable under the Schedules to contributions reported in the financial statements in respect of the Scheme year:

	£'m
Contributions payable under the Schedules (as above)	187.5
Contributions payable in addition to those due under the Schedules:	
Employer augmentation	0.4
Total contributions reported in the financial statements	**187.9**

This report was approved by the Trustee Board on 29 September 2021 and was signed on their behalf by:

Monica Gupta
Scheme Secretary

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New Airways Pension Scheme

Schedule of Contributions

Name of Employer: British Airways plc ("BA") as the Principal Employer for and on behalf of the Participating Employers of the Scheme

This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations (SI 2005/3377). It sets out the contributions payable to the New Airways Pension Scheme ("the Scheme") over the period of 5 years from the date that the Actuary certifies the Schedule.

It also shows the contributions that are payable to the Scheme between the effective date of the valuation (31 March 2018) and the date that the Actuary certifies the Schedule.

New Airways Pension Scheme Trustee Limited, the Trustee of the Scheme, and BA have agreed this Schedule, as indicated below by authorised signatories (all other Participating Employers of the Scheme have nominated the Principal Employer to agree the Schedule of Contributions on their behalf).

Deficit reduction contributions payable by BA

The table below sets out the deficit reduction contributions payable by BA. In a separate legal agreement, the Trustee has agreed that some of the deficit reduction contributions payable under the previous Schedule of Contributions dated 25 October 2019 can be deferred and each of the contributions should be labelled as either Non-Deferred DRCs, Deferred DRCs or Interest payments for the purpose of this Schedule of Contributions. As part of this separate legal agreement, BA has granted the Trustee security for the deferral and in certain circumstances, the Deferred DRCs set out in this Schedule of Contributions can be accelerated.

Timing	Amount	Frequency		Type
1 April 2018 to 31 March 2019	£450m	Payable in equal monthly instalments of £25m in arrears, plus a lump sum payment of £150m payable in June 2018.	(Paid)	Non-Deferred DRCs
1 April 2019 to 30 September 2019	£300m	Payable in equal monthly instalments of £25m in arrears, plus a lump sum payment of £150m payable in June 2019.	(Paid)	Non-Deferred DRCs
31 December 2019	£250m	Lump sum payment of £250m (defined as the Special Contribution in and subject to the terms of the separate legal agreement referred to below)	(Paid)	Non-Deferred DRCs

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Timing	Amount	Frequency		Type
1 October 2019 to 31 March 2020	£150m	Payable in equal monthly instalments of £25m in arrears.	(Paid)	Non-Deferred DRCs
1 April 2020 to 31 August 2020	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.	(Paid)	Non-Deferred DRCs
1 September 2021 to 31 March 2023	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.		Non-Deferred DRCs
1 April 2023 to 31 March 2024	£450m pa	Payable in equal monthly instalments of £37.5m in arrears.		Deferred DRCs
April 2024	£36.3m	Lump sum payment of £36.3m.		Interest

In relation to the above Non-Deferred DRCs, the Trustee and BA have agreed a mechanism whereby:

- If the Technical Provisions funding level equals or exceeds 97%, some of the above contributions may be paid into an escrow account rather than the Scheme.
- The funds in escrow would subsequently be paid to the Scheme or returned to BA depending on whether the Scheme is fully funded against its Technical Provisions at future assessment points.
- Payments may cease if the Scheme is funded above 100% of Technical Provisions over the recovery plan period and would restart if a funding deficit re-emerges.

This mechanism is documented in separate legal agreements.

Other payments

In addition to the deficit recovery payments, BA will pay:

- any additional contributions as decided by the Trustee, on the advice of the Actuary, and in accordance with the Scheme Rules, to meet benefit augmentations;
- between 1 April 2018 and 30 September 2019, £600,000 each calendar month as an allowance for recurring administrative and non-investment expenses. Invoices for expenses incurred over this period in excess of this allowance shall be submitted for reimbursement by BA Pensions no less frequently than quarterly and, subject to being properly incurred by the Trustee, will be settled by BA within one calendar month; and
- all Pension Protection Fund levies, either directly or by reimbursing the Scheme.

The separate legal agreement that provided for the deferral of certain deficit reduction contributions as referred to above, also contains provisions that may require BA to make additional payments to the Scheme on the happening of specific events. For example, costs related to the security provided in favour of the Trustee or where some dividends are paid by BA. The legal agreement documents how those additional payments should be treated for the purposes of this schedule, for example, as pre-payment of Deferred DRCs or pre-payment of other fixed deficit contributions which are still due for payment and payable under the Recovery Plan.

The Trustee and BA have separately agreed a package of additional security and other measures aimed at further improving the funding position and members' benefit security over time, which are documented in a separate legal agreement. Under these arrangements, additional payments may be made to the Scheme from time to time, on dates determined pursuant to that agreement, including as mitigation of special distributions. In some circumstances, as documented in the legal agreement, these additional payments shall be treated as pre-payments of the fixed deficit contributions which are furthest in the future and are still due for payment and payable under the Recovery Plan.

This Schedule incorporates all sums payable to the Scheme from time to time under both legal agreements, and BA and the Trustee will amend this Schedule of Contributions document to reflect any such presentational difference as soon as reasonably practicable after it has been identified.

Due date for payment of contributions deficit recovery contributions payable by BA

Deficit recovery payments labelled as being payable in equal month instalments are payable monthly and are due by the 19th day of the month following that to which the contributions relate. This includes any contributions payable to the escrow account rather than the Scheme.

The April 2024 lump sum payment is due by 19 May 2024.

Any other contributions to the Scheme will be paid within 19 days of the due date notified by the Trustee.

This Schedule of Contributions replaces the Schedule of Contributions dated 25 October 2019 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Trustee of the Scheme

Signature: .... authorised signatory

Name: ....

Position: .... Date: ....

SCHEDULE OF CONTRIBUTIONS

3309225 for and on behalf of the Participating Employers of the Scheme

Page 4 of 4 Signature: .... authorised signatory

Name: ....

Position: .... Date: ....

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Actuary's certification of Schedule of Contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme New Airways Pension Scheme ("the Scheme")

Adequacy of rates of contributions

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 2018 to be met by the end of the period specified in the Recovery Plan dated 19 February 2021.

I also certify that the rates of contributions shown in this Schedule are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule of Contributions, the Statement of Funding Principles and any Recovery Plan.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 25 October 2019.

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.

Signature: .... **Date:** 19 February 2021

Name: Aaron Punwani **Qualification:** FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by Trustee's funding assumptions as set out in the Statement of Funding Principles dated 25 October 2019, and the Recovery Plan dated 19 February 2021 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, in giving my opinion that "the Statutory Funding Objective could have been expected to be met" I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

In giving my opinion that "the rates of contributions shown in this Schedule are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule of Contributions, the Statement of Funding Principles and any Recovery Plan" I have had regard to covenant advice received by the Trustee of the Scheme.

(Forming part of the Trustee's Report)

New 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 which are set out in the Statement of Funding Principles, which is available to Scheme members as an appendix to the 2018 valuation via the member website.

The most recent full actuarial valuation of the Scheme was carried out as of 31 March 2018. This showed that on that date:
The value of the technical provisions was: £19,330 million
The value of the assets at that date was: £16,931 million

The upcoming actuarial valuation of the Scheme as of 31 March 2021 is in progress and due for completion by the statutory deadline of 30 June 2022.

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	A term-dependent margin equivalent to a single equivalent margin of approximately 0.65% p.a. over the full nominal gilt yield curve as of 31 March 2018.
Retail Prices Index (RPI) inflation	Term-dependent rates derived from the difference between the full index-linked and nominal gilt yield curves.
Deferred pension revaluation Pension increases in payment: - PIRO - GMP (as specified)	RPI-0.9% p.a.* Fixed rate or Escalation of S148 rates assumed to be in line with RPI + 1.5% p.a.*
Pension increases in payment: - PIRO (capped at 5% p.a.) - Dan Air (floored at 3% p.a. and capped at 5% p.a.) - Post 88 GMP (capped at 3% p.a.)	 RPI-0.9% p.a.* RPI-0.9% p.a.* RPI-0.9% p.a.*

*With relevant annual caps and floors applied to the forward rates.

Mortality: the base table of mortality assumed at 31 March 2018 is summarised below. This is based on standardised tables of mortality rates which are determined by reference to historic experience of occupational pension schemes. These tables are then calibrated based on the results of 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*	93%% of S2NMA 71% of S2NMA
Female non-pensioners	85% of S2NFA
Male pensioners with: - Low pensions* - High pensions*	108% of S2NMA 83% of S2NMA
Female pensioners	88% of S2NFA
Male dependants	114% of S2NMA
Female dependants	102% of S2NFA

*Low pensions are classed as being lower than £25,100 p.a. at 31 March 2018. High pensions are higher than the specified limit.

The tables above were adjusted to incorporate improvement factors from 2007 based on the latest consistent CMI core projection model. As of 31 March 2018, this was the CMI 2018 core projection model. As of the 31 March 2020 interim update, the improvement factors were updated to reflect the latest CMI projections model, namely CMI 2019.

To address future improvements in mortality from 2007, an explicit allowance for long-term trend reductions in mortality rates of 1.5% p.a. has been applied to the CMI's core projection model. The core smoothing parameter (S) of 7 at 31 March 2018 and an initial additional improvements parameter (A) of 0.5% p.a. were applied from 2007.

Members who left the Scheme on the closure date (31 March 2018) are classified in accordance with the size of their Additional Voluntary Contribution (AVC) / British Airways Pension Plan (BAPP) fund value. Members assessed to have high, medium and low AVC / BAPP fund values are assumed to commute 10%, 13% and 18% of their pension upon retirement, respectively, i.e. exchange the relevant proportion of their pension for a lump sum at retirement. Other deferred members are assumed to commute 20% of their pension on retirement.

Commutation is assumed to take place on the following terms:

- for known retirements and exits up to 31 March 2019 and non-pensioners assumed to retire between 1 April and 30 September 2019, on the terms in force at 31 March 2018; and
- for other non-pensioners, on factors which are 22.5% above those in force for NAPS members as of 31 March 2018, broadly representing agreed updated terms effective from October 2019.

MEMBERSHIP INFORMATION

(Forming part of the Trustee's Report)

	2021	2020
Pensioners in payment	27,480	25,655
Dependant pensioners	4,591	4,471
Deferred pensioners	30,194	33,216
	62,265	**63,342**

The Scheme

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

The Scheme was established under a Trust Deed dated 16 March 1984 and was the Scheme offered to eligible new employees of BA between 1 April 1984 and 31 March 2003. On 1 April 1993, the British Airways Money Purchase Section (BAMPS), a section within the Scheme, was established. The original section of the Scheme is referred to as the Final Salary Section (FSS).

On 15 May 1996, the Trustees of the Scheme resolved to amend the Rules of the Scheme to introduce a new sub-section of the FSS, to be known as NAPS2. The original FSS is now called NAPS1.

The Scheme ceased to be offered to employees joining after 31 March 2003.

The Scheme's benefits structure for benefits earned from 1 April 2007 was amended to provide a choice of two arrangements: Scheme 60 and Scheme 65.

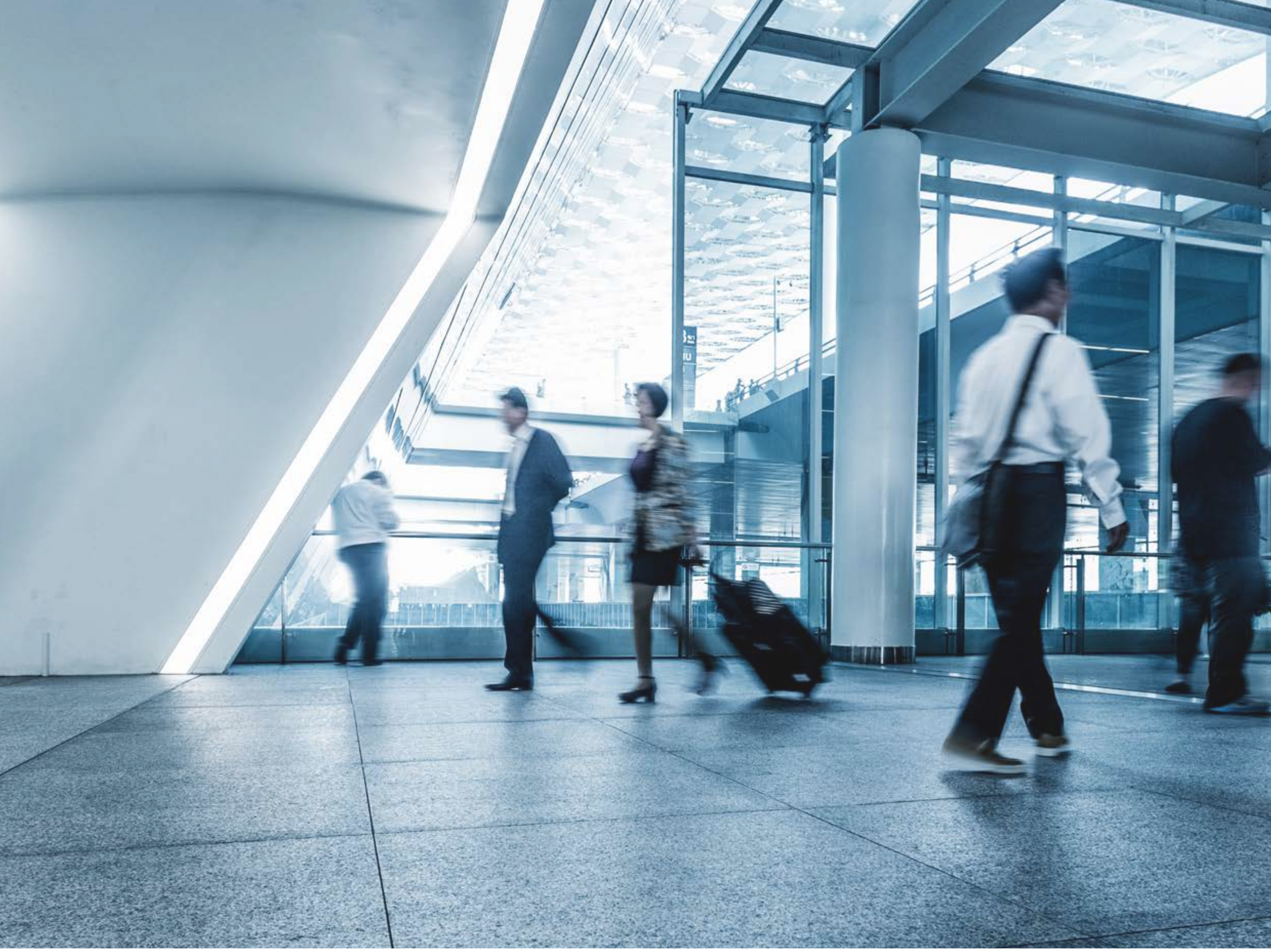
From 1 October 2010, the standard accrual within the Scheme was reduced from 1/60th to 1/75th, and maximum contributions were increased to 50%.

BAMPS contributions and BAMPS Contributory Service ceased from 1 October 2012.

The Scheme was exempt approved by the Inland Revenue and is now a registered scheme under the Finance Act 2004. NAPS FSS was 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. NAPS BAMPS was not contracted-out of the State Second Pension.

The Scheme closed to future accrual on 1 April 2018, and no further benefits will accrue. Some eligible employed deferred members opted for transitional options allowing a promotional/incremental pay link to continue for a limited period. The promotional/incremental pay link arrangements ended on 31 March 2021. Special conditions will continue to apply in respect of Senior First Officer pilots who gain Command on or before 31 December 2023.

Following the closure of NAPS to future accrual, employed deferred members of NAPS may be automatically enrolled into the British Airways Pension Plan, a defined contribution pension scheme offered by BA.



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