New Airways Pension Scheme (NAPS)

Trustee's Report & Financial Statements

For the Year Ended 31 March 2022

Contents

Chair's Review

Since my last report, the NAPS Trustee Directors have continued to consider a wide range of challenging issues. In particular, the Trustee Directors have worked tirelessly to reach agreement on the latest formal valuation for the Scheme covering the three years to 31 March 2021.

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 required by the Scheme and other actions the Trustee and BA should take. Although work on the 2021 formal actuarial valuation has extended beyond the statutory deadline, we have kept The Pensions Regulator (TPR) informed of developments throughout the funding valuation process, and TPR is fully aware of the latest position. We are working very hard with BA to conclude the 2021 valuation. As soon as the 2021 valuation has been completed, we will update our members on the latest funding position of the Scheme.

Funding

The Trustee's report on pages 5 and 6 provides important details on the Scheme's funding position and its evolution.

Our **2018 valuation report** and **2021 NAPS recovery plan** provided details of a package of protections agreed between the NAPS Trustee and BA. These included dividend protections to protect the Scheme from any leakage in employer covenant value and protection for BA in the form of an overfunding mechanism that allows for any deficit reduction contributions (DRCs) not to be paid if the Scheme is overfunded on the basis agreed for the 2018 valuation. Our regular funding level checks since September 2021 have shown that the NAPS funding level has remained above the 100% funding level. Consequently, BA has not been required to make any DRCs to the Scheme from September 2021.

Our outsourced chief investment officer (OCIO)

In June 2021, we appointed BlackRock as our OCIO for the assets directly under management for NAPS. The agreement encompassed the management of c.£20 billion in assets for NAPS.

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

Chair's Review

Investments
The Trustee's report on page 5 shows how the funding position has evolved since the last formal actuarial valuation as of 31 March 2018 by reference to the annual interim valuation updates. We have continued to see positive investment returns. The returns achieved on the Scheme's assets measured over three, five and ten years were above the benchmark, with the return over the year to 31 March 2022 being significantly higher (8.86%) than the benchmark (5.43%). These positive investment returns have helped the Scheme's assets to grow from £16.93bn on 31 March 2018 to £20.13bn by 31 March 2022.

The NAPS assets are allocated to different investments classified as return-seeking (which aim to increase the value of a pension scheme's investments) or liability-matching (which provides income that matches the Scheme's expected benefit payments).

Following the sustained, positive returns achieved by the Scheme's investments to 31 March 2022, the NAPS return-seeking assets allocation exceeded the strategic investment benchmark set by the Trustee. Further market movements since the end of the reporting year increased this overweight position further. In August 2022, we were in a position to rebalance the Scheme's investments, moving the active public equity mandates into liability matching assets.

You can read more about this in the Asset Allocation section within the Trustee's Report on pages 6 to 8.

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

Welcoming new Trustee Directors
BA appointed Natasha Franklin on 11 October 2021 and Oliver Sleath on 8 March 2022 as Employer Nominated Trustee Directors (ENDs).

Elisabeth Marsden left the Board in October 2021, and Melanie Birch left the Board in March 2022. Kathryn Gay resigned as a NAPS Member-Nominated Trustee Director (MND) on 1 April 2022. Peter Lynam was selected to replace Kate on 1 June 2022. MNDs Neil Blackburn and Dave Southcott were re-appointed uncontested. Their new terms of office took effect from 1 October 2021 and 1 October 2022, respectively. MND John Wheale was re-elected for a further term of office, which commenced on 1 October 2021.

On behalf of the NAPS Trustee Board, I would like to welcome Natasha, Oliver, and Peter and thank Elisabeth, Melanie, and Kate for their valuable contributions to the NAPS Trustee Board.

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

Roger Maynard
Chair of the Trustee

27 September 2022

Trustee Directors & Advisers

Trustee Directors & Advisers

Administration & Investment Management

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

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

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

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

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

Monica Gupta – Scheme Secretary (from 1 July 2021)

Advisers*

Scheme Actuary
Aaron Punwani
Lane Clark & Peacock LLP

Legal Advisers
CMS Cameron McKenna
Nabarro Olswang LLP

Bankers
BNY Mellon

External custodian
State Street Bank
and Trust Co

Investment Advisers
Mercer Limited

Auditor
KPMG LLP

Covenant Adviser
PricewaterhouseCoopers LLP (PwC)

* 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, all members can write to British Airways Pensions, PO Box 2074, Liverpool L69 2YL.

Trustee's Report

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

The financial statements of the Scheme for the year ended 31 March 2022, as set out on pages 30 to 50, 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 Trustee obtains an actuarial valuation from the Scheme Actuary 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 the future and other actions that the Trustee and BA should take. The last formal actuarial valuation at 31 March 2018 was finalised in October 2019. The 2021 formal valuation is in progress.

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 (£m)	31 March 2019 (£m)	31 March 2018 (£m)
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 and there has been significant investment outperformance from the Scheme's assets.

The Recovery Plan

The Scheme had a Recovery Plan in place under the 2018 valuation to address the funding deficit, under which BA agreed to pay deficit contributions of £37.5m per month from the date the 2018 valuation was agreed until 31 March 2023. Contributions paid up to September 2020 were in-line with the original 2018 valuation agreement, signed in 2019.

Following the impact of COVID-19, the Trustee and BA agreed a deferral of the deficit contributions that would otherwise have been paid between October 2020 and 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, under which BA agreed to pay deficit contributions of £37.5m per month from 1 September 2021 until 31 March 2023 in accordance with the existing arrangements and then pay the twelve months of 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. The Trustee also took steps to reduce the investment risk within the Scheme. In addition, the Trustee and BA agreed to a package of protections documented in separate legal agreements. These include security over the full amount of deferred deficit contributions and dividend protections to protect the Scheme from leakage in employer covenant value.

As part of the 2018 valuation, an over-funding mechanism was agreed that diverts BA's deficit contributions to an escrow account in the event that the Scheme's funding level on the 2018 TPs basis reaches 97% and ceases BA's deficit contributions in the event that the Scheme's funding level reaches 100%. This could, for example, happen as a result of a reduction in the liabilities of the Scheme before the end of the Recovery Plan or favourable investment returns.

Trustee's Report

The funding level is calculated each month for the purposes of the over-funding mechanism. If it were to fall back below 100% subsequently, for example, due to market movements, the contributions held in escrow would immediately be paid to the Scheme, and BA would be required to start paying deficit contributions to the Scheme once again.

If the 2018 TPs assumptions in the Recovery Plan were borne out in practice, the TPs deficit as of 31 March 2018 was expected to be eliminated by April 2024. However, the funding position improved significantly ahead of plan, and since September 2021, when deficit contributions were due to recommence following the deferral as agreed, the Scheme's funding level (under the 2018 TPs basis) has been over 100%, therefore the over-funding mechanism has been triggered, and deficit contributions from BA have ceased. The Trustee continues to monitor the funding level at the end of each month to assess whether the over-funding mechanism should continue to apply.

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 were set at a level that BA could reasonably afford. BA's affordability of contributions deteriorated following the impact of travel restrictions during the COVID-19 pandemic, as shown through the need for BA to temporarily defer its contributions to NAPS. PwC have since performed an updated covenant analysis of BA as part of the ongoing 2021 valuation and continue to advise the Trustee on covenant matters as the aviation industry recovers post-pandemic.

SCHEME INVESTMENT

Review of the year to March 2022

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

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

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

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

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. Equities (UK and overseas), private equity, property and alternatives are examples of return seeking assets used by the Scheme. Government bonds are an example of a liability matching asset used by the Scheme.

Trustee's Report

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

In March 2021, prior to the start of this Scheme year, the Trustee agreed with BA an exceptional change to the Scheme's asset allocation, moving an additional 1.4% of assets from equities into government bonds and increasing the Scheme's interest rate hedging.

In April 2021, the Trustee decided to undertake further de-risking, moving the portfolio to a position equivalent to the 2025 point on the original journey plan. This increased the benchmark allocation to liability matching assets to 66%, and the interest rate hedge was increased to 80%. 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 was suspended.

Following the appointment of BlackRock as Investment Manager from 1 June 2021, a number of refinements were made to the investment mandates.

The Trustee and its advisers set bandwidths around the strategic benchmark, which allow BlackRock to efficiently manage the Scheme's assets and to make tactical asset allocation decisions. The Scheme's strategic benchmark and the Scheme's actual asset allocation as of 31 March 2022 are shown below.

	Asset category	Actual % 31 March 2022	Benchmark % 31 March 2022	Actual % 31 March 2021	Benchmark % 31 March 2021
Return seeking	**Total Return Seeking**	**35.2**	**32.3**	**40.2**	**40.1**
	Equities	**14.9**	**17.9**	**24.1**	**25.9**
	UK[1]	n/a	n/a	4.1	4.1
	Overseas[1]	n/a	n/a	20.0	21.8
	Active[1,2]	6.4	n/a	n/a	n/a
	Passive[1]	8.5	n/a	n/a	n/a
	Private equity	**7.3**	**4.2**	**4.9**	**3.0**
	Alternatives	**3.4**	**3.1**	**3.5**	**3.5**
	Property	**9.6**	**7.1**	**7.7**	**7.7**
Liability matching	**Total Liability Matching**	**64.8**	**67.7**	**59.8**	**59.9**
	Diversified Illiquid Income	**6.3**	**6.8**	**5.5**	**5.3**
	Bonds	**57.2**	**59.4**	**52.3**	**52.3**
	UK fixed[3]	n/a	n/a	29.3	29.2
	UK index-linked[3]	n/a	n/a	22.9	23.1
	Overseas index-linked[3]	n/a	n/a	0.1	-
	Corporate bonds[3]	10.1	10.9	n/a	n/a
	Liability hedging portfolio[3]	47.1	48.5	n/a	n/a
	Cash	**1.3**	**1.5**	**2.0**	**2.3**
	Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Following the appointment of BlackRock as Investment Manager from 1 June 2021, the equity mandate was restructured to be a global mandate, rather than separate regional allocations, with an active/passive split.

[2] The active allocation shown includes a currency hedge and 0.7% allocation to equity futures which is part of BlackRock's Tactical Asset Allocation overlay.

[3] Following the appointment of BlackRock as Investment Manager from 1 June 2021, the bond mandate was restructured to have sub-allocations to corporate bonds and a liability hedging portfolio. Previously UK credit formed part of the UK Fixed allocation.

Trustee's Report

As can be seen in the table above, the return seeking assets allocation was higher than the benchmark allocation at 31 March 2022 and since the Scheme year-end, further market movements increased this overweight position. Consequently, the Trustee worked with its Investment Manager and advisors to review the portfolio and benchmark and instructed BlackRock in August 2022 to rebalance the portfolio. The active public equity mandates were sold, with the proceeds being invested into liability matching assets.

The Trustee continues to work with the Scheme's Investment Manager 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.

Measuring investment performance

The Trustee has adopted a customised strategic benchmark at the total portfolio level which 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, generally, measured against an index; for example, Property is measured relative to the performance of the MSCI UK Quarterly Property Index. As part of the transition of investment management services to BlackRock the benchmark for the corporate bond mandate was removed, with a benchmark that now equals the actual holdings due to the 'buy and maintain' style of mandate. Further benchmark changes were made in June 2022, with the private equity and alternatives mandates now being benchmarked to actual holdings due to being in run-off.

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

Fund performance

The table below shows the performance of the Scheme's assets. Over the year to 31 March 2022, the Scheme's assets returned 8.86%.

Performance

Fiscal years to 31 March 2022	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	8.86	7.19	6.96	8.54
Benchmark	5.43	6.05	6.28	8.19

Additional Voluntary Contributions (AVCs)

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

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

Trustee's Report

Performance returns of the AVC funds

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

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

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

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, during the Scheme year, updated SIPs were adopted in June 2021 and December 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:

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

The Trustee's Implementation Statement in relation to the SIP can be found starting on page 15 of this report.

Trustee's Report

SCHEME GOVERNANCE

Trustee knowledge and understanding (TKU)

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

An induction programme is provided for new Trustee Directors on appointment. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the law on TKU, which allows six months for a new Trustee Director to be trained before they are expected to have achieved the required level of knowledge and understanding.

Trustee Directors are required to undertake either TPR's 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. BA Pensions also provides bespoke training, and Trustee Directors are actively encouraged to supplement this formal training plan by accessing other resources, including pensions related publications and, where appropriate, industry conferences, seminars and webinars. Records of all training undertaken are maintained in respect of each Trustee Director.

Risk management and reporting

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

Conflicts of interest

The Trustee understands that it is in a position of trust and needs to have policies and arrangements in place to identify, monitor and manage conflicts. The Trustee conducted a review of the Conflicts of Interest policy during the Scheme year and adopted an updated version of the policy in March 2022. The policy requires Trustee Directors to complete a Declaration of Interest Form on appointment and notify any changes as they occur; a consolidated register of interests is shared with all board members and consideration of conflicts of interest is a standing agenda item at Trustee meetings. Trustee Directors receive training on managing conflicts of interest and the circumstances in which they may arise.

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. PwC performed an updated covenant analysis of BA as part of the 2021 valuation process.

Trustee's Report

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 the Trustee agreed to adjust the constituencies by introducing flexibility for employed pensioners (those drawing their pension who are also currently employed with BA) to be included in the Employed Deferred categories at the Trustee's discretion. In-line with common pensions industry practice, the Trustee agreed to convert one of the three Elected Pensioner MND roles into a Selected Pensioner MND role and created a Selection Committee to undertake the selection process which took place for the first time in May 2022.

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 and at the Trustee's discretion, employed pensioner members of the Scheme (voting members), and each one comes from a different occupational group. These Trustee Directors must be employed deferred (or employed pensioner where applicable) members of NAPS.
- Two of the Trustee Directors are elected by pensioner members* of the Scheme (voting members) and must be pensioner members* of NAPS.
- One of the Trustee Directors is selected by a Selection Committee and must be a pensioner member* 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.
- Nominations for the selected pensioner Trustee Director must be supported by at least five voting members in the relevant constituency. Appointments will be made at the discretion of a Selection Committee.
- Where employed pensioners who remain employed with BA are included in the Employed Deferred category they are not eligible to apply for any of the three pensioner Trustee Director positions until their employment with BA has ceased.
- 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 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.

Trustee's Report

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. There are two standing Committees: the Governance & Operations Committee and the Investment Committee.

The 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 Investment Committee, which is supported by independent investment experts and investment advisers, is responsible for detailed consideration of investment initiatives. The Committee also considers 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 2022.

Trustee	Governance & Operations Committee	Investment Committee	Main Board	Period of Appointment to Main Board
Roger Maynard (Chair)	4/4	4/4	2/2	Whole Year
Melanie Birch	2/2	-	3/3	Part Year
Neil Blackburn	-	-	4/4	Whole Year
Ian Bretherton	-	4/4	4/4	Whole Year
Neil Cottrell	2/2	2/2	4/4	Whole Year
Natasha Franklin	2/2	-	2/2	Part Year
Kate Gay	-	-	2/4	Part Year
Tom Lukic	-	3/3	4/4	Part Year
Elisabeth Marsden	-	-	3/3	Part Year
Simon Philcox	-	3/4	4/4	Whole Year
Oliver Sleath	-	-	1/1	Part Year
Dave Southcott	2/2	2/2	3/4	Whole Year
Tom Stoddart	-	-	4/4	Whole Year
Martine Trouard-Riolle	-	1/1	-	Part Year
John Wheale	3/4	-	4/4	Whole Year

Trustee's Report

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

The following amendments were made during the year:

- MND Arrangements: introduction of flexibility for employed pensioners (those drawing their pension who are also currently employed with BA) to be included in the Employed Deferred MND categories at the Trustee's discretion. One of the three Elected Pensioner MND roles has been converted into a Selected Pensioner MND role and a Selection Committee created to undertake the selection process.

A copy of the Deed implementing these changes and a copy of the consolidated Trust Deed and Rules can be viewed via the 'Scheme documents' page of the member website.

Trustee's Report

PENSION ADMINISTRATION MATTERS

Cash equivalent transfer values

Transfer values paid during the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993. Discretionary benefits are not included in the calculation of transfer values. Members may request up to two guaranteed transfer values in any twelve-month period.

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 Consumer Prices Index over a twelve-month period measured up to the end of the preceding September. The 2022 Order was 3.1% and in accordance with the Scheme Rules, qualifying pensions were increased by 3.1% on 11 April 2022. 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, BA Pensions. 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 BA Pensions.

Tax

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

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

Online communications

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

This report was approved by the Trustee Board on 28 September 2022 and was signed on its behalf by:

Monica Gupta
Scheme Secretary

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

STATEMENT OF INVESTMENT PRINCIPLES (SIP) - IMPLEMENTATION STATEMENT

1. Introduction

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

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

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

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

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

The responsibility for the implementation, review and monitoring of the Scheme's RI Policy sits with the Scheme's Investment Committee (IC).

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

2. Assets held and managed

The New Airways Pension Scheme (NAPS) is a defined benefit scheme that is closed to new members and future accruals. As of 31 March 2022, NAPS had a total of 61,225 members, of which 46% are deferred, and 54% are pensioners in payment or dependent pensioners.

Following the 31 March 2018 actuarial valuation, the Trustee 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.

NAPS's assets are categorised as being either return seeking or liability matching. Return seeking assets are those which are expected to generate long-term returns in excess of the Scheme's liabilities, which compensates for the higher risk. Liability matching assets are held for risk management purposes and are designed to match the movements in the Scheme's liabilities to protect against deterioration in the Scheme's funding position.

As of 31 March 2022, BlackRock managed around £20 billion in assets for the Scheme, with a strategic asset allocation set out in the SIP of 66% in liability matching assets and 34% 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.

Investment Managers

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

[4] 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 dependants.

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

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's 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. Alongside the change of Investment Manager, various restructuring of the assets occurred. This included a change in the equity portfolio from a regional approach to a global basis, with appropriate benchmarks, and also the introduction of a passive equity mandate. Within the corporate bond asset class, the mandate was moved to a buy-and-maintain approach.

British Airways Pension Services Limited (BAPSL)
BAPSL is the Scheme's in-house administrator, providing administrative services to the 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.

3. Policies and practices

The Scheme's RI Policy and SIP were most recently reviewed and updated in November and December 2021 respectively. Both of these documents 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 require our Investment Managers to actively engage and utilise their voting rights/engagement to drive up ESG standards in the organisations in which we invest."*

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

- The Trustee expects BlackRock to, where 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. (NAPS SIP 7.6)
- The Trustee requires BlackRock to engage with investee companies and other relevant stakeholders, using a variety of means including collaboration with other investors, to protect or enhance the value of the Scheme's assets including over the medium to long term. Engagement can be in relation to a number of matters including, but not limited to, performance, strategy, risks, capital structure and management of actual or potential conflicts of interests. Engagement also aims to bring about change to the investee company's ESG practices and performance. BlackRock is required to keep records of each engagement and outcome. (NAPS SIP 7.8)
- In exercising the voting and other rights attached to the Scheme's investments, BlackRock will act according to its policy on proxy voting and shareholder engagement. (NAPS SIP 7.10)
- The Scheme's RI activities, annual voting and engagement reports will be made available on a publicly accessible website. (NAPS SIP 7.12)

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

4. Monitoring and communication

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BAPIML would abstain on a specific proposal only if it believed withholding support was more appropriate than voting for or against. This 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.

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

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

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

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

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

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

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

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

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

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

Over the period from 1 June 2021 – 31 March 2022, BlackRock voted at 3,039 shareholder meetings on 28,298 individual proposals and voted against management's recommendation on 1,850 occasions, equivalent to 6.5% of all proposals.

BlackRock had votes rejected for administrative reasons at 16 shareholder meetings on 124 proposals over the period. There were 126 US company meetings where voting rights were not exercised for the MPF holdings between 24 June 2021 and 31 March 2022. This was due to an administrative error on the part of Northern Trust, who failed to pass ballot notifications for some US companies held by the MPF to the Institutional Shareholder Services platform, which is used by BlackRock to monitor proxy voting activity. The problem was corrected as soon as it was identified by BlackRock.

The table below shows the 3,039 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	65
North America	137
Developed Europe ex-UK	207
Developed and Emerging Asia Pacific ex-Japan	1,585
Japan	769
Emerging Markets	276
Total	**3,039**

The table below shows the 28,298 proposals, split between votes in-line with management and against management:

Number of proposals voted on by outcome	
Proposals where BlackRock voted in-line with management	26,448
Proposals where BlackRock voted against management	1,850
Total	**28,298**

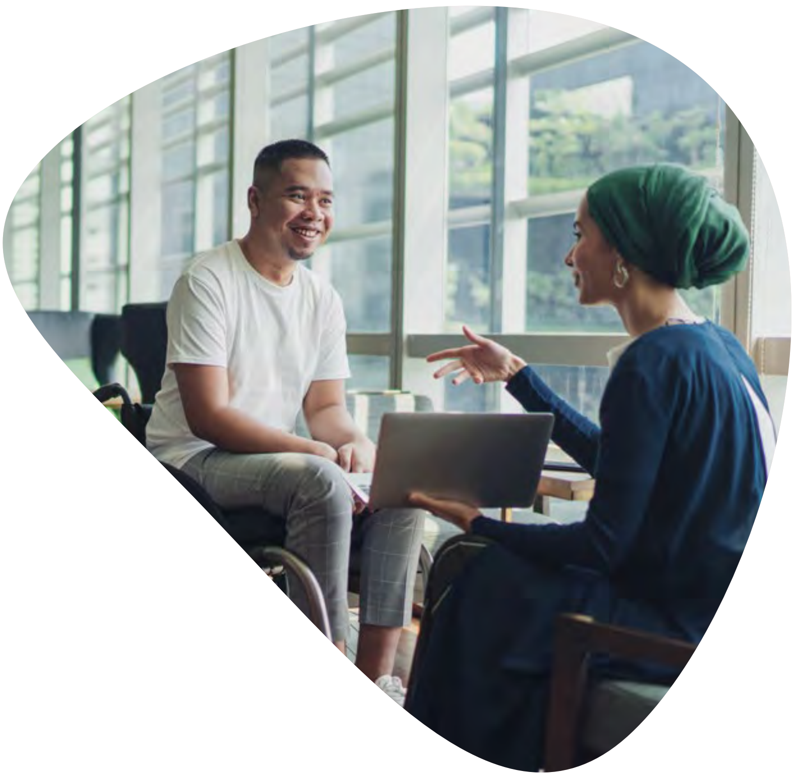
Implementation Statement (forming part of the Trustee's Report)

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

Proposals where BlackRock voted against management by proposal category	Proportion of category
Director Election	39%
Shareholder Proposals	2%
Remuneration	17%
Capital Structure and Dividends	20%
Audit, Report and Accounts	7%
Amend Articles	6%
Board Structure and Responsibilities	7%
Other Business	2%
Total	**100%**

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

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



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

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

Company name	ExxonMobil Corporation	China Tower Corporation Ltd
Date of the vote	AGM of 26 May 2021	EGM of 14 January 2022
Approx. Scheme holdings at date of vote	NAPS: c.£7.7m MPF: c.£0.5m (as at 31 March 2021, the nearest available)	NAPS: c.£0.10m MPF: c.£0.01m
Significance	There is concern that the ExxonMobil energy transition strategy falls short of what is necessary to ensure the company's resilience in a low carbon economy.	There is concern over the lack of diversity on the Board, particularly gender, where the company has no female Board members.
Summary of the vote	Engine No. 1 LLC is an impact-focused investment firm. As a shareholder, Engine No. 1 proposed replacing existing Board members with up to four new Directors with experience relevant to the energy transition. BAPIML supported the election of three of the four Directors proposed, voting against the recommendation of the Board without prior communication to ExxonMobil. BAPIML's view was that the Board would benefit from the addition of diverse energy experience to augment existing skillsets. The three Directors that BAPIML voted in favour of were elected.	The proposals were to re-elect two incumbent Directors, none of whom were female, with BlackRock voting against both Directors and communicating this intention to the company in advance. BlackRock believed both Directors should be held accountable for the lack of gender diversity among the proposed candidates. Both proposed Directors were elected. BlackRock's view centered on concerns about the lack of gender diversity on the Board, with the company on track to be non-compliant with the Hong Kong Exchange Corporate Governance Code, which has recently been updated to require all listed companies to appoint at least one Director of a different gender no later than 31 December 2024.
Next steps	BlackRock continues to engage with ExxonMobil given the urgency with which BlackRock expects the company to deliver on its climate-related commitments.	BlackRock continues to engage with China Tower on board diversity and other issues around board effectiveness.

7. NAPS and MPF Engagement (1 April 2021 – 31 May 2021)
Under the NAPS RI Policy, the purpose of BAPIML's engagement activities was to:

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

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

Engaging with current or potential investee companies was an invaluable part of BAPIML's investment practices. Direct company contact helps portfolio managers to build a better understanding of industry dynamics as well as a company's strategy and prospects. Engagement was also useful in ensuring BAPIML understood any material ESG risks a company faces and where BAPIML thought there is value in intervening to encourage change.

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

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

8. NAPS Engagement (1 June 2021 - 31 March 2022)

During this period, BlackRock had 1,380 engagements in total across the listed equity and credit portfolios. Engagements were typically focused on understanding the opportunities and risks faced by the investee company. On every occasion, Blackrock also raised matters relating to at least one ESG topic with current or potential investee companies, leading to 2,300 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 1,380 engagements.

Total company engagements	1,380
Engagements by region	
Americas	517
EMEA	491
APAC	372
Engagement themes	
Governance	1,201
Social	559
Environmental	540
Engagement topics	
E- Climate Risk Management	731
E- Environmental Impact Management	300
E- Operational Sustainability	485
S- Human Capital Management	456
S- Social Risks and Opportunities	259
G- Board Composition & Effectiveness	681
G- Business Oversight/Risk Management	361
G- Corporate Strategy	587
G- Executive Management	210
G- Governance Structure	339
G- Remuneration	521

External capabilities[5]

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

[5] The Investment Managers provided oversight of external managers in private equity, alternatives, real assets and illiquid income.

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

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

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

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

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

BlackRock's Engagement Priorities

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

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

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

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

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

10. Stewardship examples

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

Ambev – Climate and Natural Capital[6]

Ambev is a Brazilian beverage company operating in 18 countries in the Americas and with a beverage portfolio that includes more than 30 alcoholic and non-alcoholic brands. Ambev's processes use renewable and non-renewable natural capital, with water being the main raw material.

BIS views how companies manage natural capital as an investment issue. As described in wider BlackRock commentary[7], the ability of many resource-intensive companies to operate is dependent on sustaining the ecosystems that provide them with these underlying resources. Inadequate oversight of the use of natural resources may result in negative consequences arising from regulatory, reputational, and/or operational risks, among others, that may impact a company's social license to operate and its ability to create long-term value.

Over the course of 2021, BIS has held multiple engagements with Ambev, focused on how the company might improve natural capital-related disclosures. BlackRock believes investors will benefit from more information on the actions the company is taking to mitigate water-related risks, as well as the initiatives it is implementing to recycle glass, aluminium, and plastics across the beverage bottling process. BlackRock also made it clear that BIS supports companies reporting in-line with sector-specific international standards. As a result of Ambev's engagement with shareholders and other key stakeholders, the company has committed to enhancing its natural capital-related disclosures. The company has also shared that it is working towards updating its net zero commitments and harnessing recycling opportunities, where circular packaging plays a critical role.

Samsung Electronics – Climate Risk[8]

Samsung Electronics Co., Ltd. (Samsung) is South Korea's largest company by market capitalisation and one of the world's biggest manufacturers of electronics and computer peripherals. BIS engages with the company regularly on a range of topics.

In October 2020, the South Korean government announced its commitment to achieve carbon neutrality by 2050. A year later, the country enhanced its 2030 Nationally Determined Contribution target. Many South Korean companies then publicly released carbon neutrality targets and climate-related strategies to align with the government's ambitions. Samsung was however slow to formally update and disclose its plans.

BlackRock believes that carbon-intensive companies that act early to anticipate and mitigate climate and sustainability risks can be better positioned to capture growth opportunities through a period of significant industry transition. In this case, BlackRock pushed to better understand the company's plans to publish an update to its climate strategy, including its progress in defining greenhouse gas emissions reduction targets.

BlackRock did not however feel it necessary to vote against the company's directors at Samsung's AGM in 2022. The company has recently established a board-level Sustainability Committee that provides direct oversight of material ESG issues, and added sustainability indicators to the performance evaluation and compensation of senior executives. The company has also indicated that it is in the final review stage of a revised climate strategy, that will be announced in the months to come.

[6] Position held on ACWI ESG focus Low Carbon Screened (NAPS-FLCEQ) as of 31 December 2021.

[7] "Our approach to engagement on natural capital", **BlackRock commentary engagement on Natural Capital.pdf**

[8] Position held on ACWI ESG focus Low Carbon Screened (NAPS-FLCEQ) and MPF pooled fund iShares Emerging Market Screened Equity Index Fund (IEMSAGG) as of 31 March 2022.

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

11. Affiliations and initiatives

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

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

12. Member Enquiries

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

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

13. Conclusion

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

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

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

Task Force on Climate-Related Financial Disclosures (TCFD)

This year the Scheme is also required, for the first time, to produce a climate-related risk report, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) for the Scheme year 1 April 2021 – 31 March 2022. This report breaks down climate-related risk into the four key elements of TCFD reporting, namely Governance, Strategy, Risk Management and Metrics and Targets. This report will be published by the statutory deadline of 31 October 2022 in the **Responsible Investment section** of the Scheme's website.

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

Opinion
We have audited the financial statements of the New Airways Pension Scheme ("the Scheme") for the year ended 31 March 2022 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies 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 2022 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

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

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

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

Our conclusions based on this work:

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

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

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

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

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

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

Independent Auditor’s Report

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

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

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

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

We have reported separately on contributions payable under the Schedule of Contributions in our statement about contributions on page 52 of the annual report.

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

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

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

Independent Auditor's Report

Other information
The Trustee is responsible for the other information, which comprises the Chair's Review and Trustee's report (including the report on actuarial liabilities, TCFD report and the Summary of Contributions), investment report including the implementation 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 26, 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 it either intends to wind up the Scheme, or has no realistic alternative but to do so.

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

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

The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to 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, 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:

Fund Account

	Note	31 March 2022 £m	31 March 2021 £m
Contributions and Benefits			
Employer contributions	3	0.4	187.9
Employee contributions	3	-	-
Total contributions		0.4	187.9
Transfers in	4	7.7	13.2
		8.1	201.1
Benefits paid or payable	5	(468.6)	(530.5)
Payments to and on account of leavers	6	(552.9)	(684.5)
Administrative expenses	7	(11.0)	(12.6)
		(1,032.5)	(1,227.6)
Net (withdrawals) from dealings with members		(1,024.4)	(1,026.5)

	Note	31 March 2022 £m	31 March 2021 £m
Returns on Investments			
Investment income	8	327.8	353.9
Investment management expenses	9	(10.4)	(15.3)
Change in market value of investments	10	1,329.3	2,416.1
Net return on investments		1,646.7	2,754.7
Net increase in the fund during the year		622.3	1,728.2
Net assets of the Scheme at 1 April		19,516.9	17,788.7
Net assets of the Scheme at 31 March		**20,139.2**	**19,516.9**

The notes on pages 32 to 50 form part of these financial statements.

Statement of Net Assets (available for benefits)

	Note	31 March 2022 £m	31 March 2021 £m
Investment assets:			
Equities	**10**	2,832.6	4,609.1
Fixed interest bonds	**10**	6,958.9	5,612.0
Index-linked bonds	**10**	6,832.3	4,446.4
Property	**10**	1,167.7	1,716.8
Pooled arrangements			
Property	**11**	988.2	20.9
Alternative investments	**11**	1,599.5	1,535.4
Private equity	**11**	1,418.7	1,122.2
Cash	**11**	201.8	-
Derivatives	**13**	542.9	147.2
AVC mixed portfolio fund	**15**	135.7	160.7
Cash	**10**	432.3	411.9
Reverse repurchase agreements	**10**	422.9	-
Other investment balances	**10**	1,590.5	88.7
		25,124.0	19,871.3
Investment liabilities:			
Fixed interest bonds	**10**	(68.6)	-
Derivatives	**13**	(335.9)	(322.7)
Repurchase agreements	**10**	(3,252.0)	-
Other investment balances	**10**	(1,320.3)	(16.9)
Total net investments		20,147.2	19,531.7
External AVC investments	**16**	0.3	0.4
Total investments		20,147.5	19,532.1
Current assets	**22**	1.7	7.1
Current liabilities	**22**	(10.0)	(22.3)
Net assets of the Scheme at 31 March		**20,139.2**	**19,516.9**

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 59 and 60 and these financial statements should be read in conjunction with this report.

The notes on pages 32 to 50 form part of the financial statements.

These financial statements were approved by the Trustee Board on 28 September 2022 and were signed on their behalf by:

Roger Maynard **Trustee Director** **John Wheale** **Trustee Director**

Notes to the Financial Statements

1. Basis of preparation

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

The financial statements are prepared on a going concern basis, which the Trustee 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 reaching this conclusion the Trustee considered the latest 30 June 2022 IAG results published in July 2022 which were prepared without the inclusion of a material uncertainty over the groups going concern, alongside that no contributions are currently due to the Scheme under the Schedule of Contributions certified on 19 February 2021. This assessment supports the Trustee's decision to prepare the financial statements on a going concern basis.

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

i. 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.

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.

iii. Swap income is accounted for on an accruals basis.

iv. Receipts from annuity policies are accounted for as investment income on an accruals basis.

v. Income from cash and short-term deposits is accounted for 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.

Notes to the Financial Statements

2. Accounting policies - continued

f. Investments

Investments are included at fair value as described below:

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

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

iii. Directly and indirectly owned 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.

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

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

vi. 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.

vii. Annuity policies are deemed to be immaterial and so have not been included in the financial statements.

viii. Repurchase agreements are accounted for as follows:

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

Notes to the Financial Statements

2. Accounting policies - continued

g. Pooled arrangements
The private equity, alternative, indirectly owned property and some cash assets are invested in externally pooled funds. A proportion of the private equity, alternatives and 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.

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.

Pooled investment properties have been valued in accordance with accounting policy note (f)(iii). Pooled properties are valued by the manager of those funds taking the latest valuation available on a net assets basis.

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

3. Contributions

	2022 £m	2021 £m
Employer contributions		
Deficit funding – regular	-	187.5
Augmentation	0.4	0.4
	0.4	**187.9**

Deficit funding contributions as set out in the Schedule of Contributions on pages 53 to 56 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 52.

4. Transfers in

	2022 £m	2021 £m
Individual transfers in from other schemes	**7.7**	**13.2**

Notes to the Financial Statements

5. Benefits paid or payable

	2022 £m	2021 £m
Pensions	372.2	351.4
Commutations of pensions and lump sum retirement benefits	88.8	161.8
Lump sum death benefits	0.6	1.3
Taxation where lifetime or annual allowance exceeded	7.0	16.0
	468.6	**530.5**

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 of leavers

	2022 £m	2021 £m
Individual transfers out to other schemes	**552.9**	**684.5**

Notes to the Financial Statements

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:

	2022 £m	2021 £m
BAPSL in-house administration and processing	5.9	4.9
External professional fees	5.1	7.7
	11.0	**12.6**

8. Investment income

	2022 £m	2021 £m
Dividends from equities	48.7	116.6
Income from fixed interest bonds	161.1	116.5
Income from index-linked bonds	16.8	15.8
Net rents from properties	39.5	41.0
Swap income	40.1	58.2
Annuity income	4.4	4.1
Interest on cash deposits	16.7	0.4
Other income	0.5	1.3
	327.8	**353.9**

9. Investment management expenses

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

	2022 £m	2021 £m
BAPIML in-house investment management expenses	1.3	15.3
External investment management expenses	9.1	-
	10.4	**15.3**

Notes to the Financial Statements

10. Reconciliation of investments

	Value at 31 March 2021 £m	Purchases at cost & derivative payments £m	Sales proceeds & derivative receipts £m	Change in market value £m	Value at 31 March 2022 £m
Equities	4,609.1	3,399.5	(5,530.7)	354.7	2,832.6
Fixed interest bonds	5,612.0	9,459.7	(7,497.9)	(683.5)	6,890.3
Index-linked bonds	4,446.4	3,086.4	(741.2)	40.7	6,832.3
Property	906.0	119.0	(34.5)	177.2	1,167.7
Pooled arrangements					
- Property	831.7	110.7	(101.1)	146.9	988.2
- Alternative investments	1,535.4	72.7	(208.9)	200.3	1,599.5
- Private equity	1,122.2	87.5	(264.1)	473.1	1,418.7
- Cash	-	201.8	-	-	201.8
Derivatives					
- Swaps	(200.3)	24,855.2	(25,043.3)	633.1	244.7
- Futures	(0.4)	58.8	(62.6)	36.8	32.6
- Forward foreign exchange	25.2	308.3	(284.7)	(119.1)	(70.3)
AVC mixed portfolio fund	160.7	5.4	(41.4)	11.0	135.7
External AVC investments	0.4	-	(0.2)	0.1	0.3
	19,048.4	41,765.0	(39,810.6)	1,271.3	22,274.1
Cash	411.9			59.9	432.3
Repurchase agreements	-			-	(2,829.1)
Other investments	71.8			(1.9)	270.2
	19,532.1			**1,329.3**	**20,147.5**

At the start of the year £977.8m of property was reclassified from directly owned property to pooled property, which more accurately represents their investment type.

There were no individual investments that comprised greater than 5% of the net assets of the Scheme (2021: none).

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

Notes to the Financial Statements

10. Reconciliation of investments - continued

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 £m	Commission £m	Taxes £m	2022 Total £m	2021 £m
Equities	1.0	1.0	1.9	3.9	4.6
Other	-	0.2	-	0.2	0.1
2022	1.0	1.2	1.9	4.1	4.7
2021	0.2	1.8	2.7	4.7	

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.

Notes to the Financial Statements

11. Pooled arrangements

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

Property	% held	2022 £m	2021 £m
Externally pooled indirect funds		982.5	9.6
Direct UK property fund		5.7	11.3
Total property unitised		**988.2**	**20.9**

Alternatives	% held	2022 £m	2021 £m
Alternative unitised fund	49.39%	-	0.5
Direct investment funds		1,599.5	1,534.9
Total		**1,599.5**	**1,535.4**

Private equity	% held	2022 £m	2021 £m
Private equity unitised fund	49.39%	-	10.1
Direct investment funds		1,418.7	1,112.1
Total		**1,418.7**	**1,122.2**

Cash	2022 £m	2021 £m
Direct investment funds	**201.8**	**-**

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.

Notes to the Financial Statements

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	<1 to 48 years	2,922.5	418.5	(109.6)
Interest rate swaps	2 to 44 years	5,190.6	66.0	(124.8)
Total return swaps	<1 year	38.9	-	(5.1)
Swaptions	1 year	1,098.0	2.5	(2.8)
Total 2022		**9,250.0**	**487.0**	**(242.3)**
Total 2021		**9,187.2**	**385.4**	**(585.7)**

Futures

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

Nature	Economic Exposure £m	Expires	Asset value £m	Liability value £m
Equity future assets	217.7	Less than 1 year	15.8	-
Equity futures liabilities	(42.7)	Less than 1 year	-	(3.2)
Fixed income future assets	482.8	Less than 1 year	-	(3.6)
Fixed income futures liabilities	(995.5)	Less than 1 year	23.6	-
Total 2022	(337.7)		**39.4**	**(6.8)**
Total 2021			**0.1**	**(0.5)**

Included within index-linked bond balances as disclosed in note 10 are £40.1m (2021: £11.0m) in respect of initial margins arising on open futures contracts at the year-end.

Notes to the Financial Statements

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
AUD				
Forward to buy AUD	Apr 22-Sep 22	$77.3	1.2	-
Forward to sell AUD	Apr 22-Sep 22	$77.3	-	(2.7)
EUR				
Forward to buy EUR	Apr 22-Sep 22	€174.6	1.5	-
Forward to sell EUR	Apr 22-Sep 22	€894.2	-	(8.8)
CAD				
Forward to buy CAD	Apr 22-Sep 22	$71.5	1.1	-
Forward to sell CAD	Apr 22-Sep 22	$71.5	-	(2.0)
JPY				
Forward to buy JPY	Apr 22-Sep 22	¥5,991.6	-	(2.1)
Forward to sell JPY	Apr 22-Sep 22	¥30,302.9	4.6	-
USD				
Forward to buy USD	Apr 22-Sep 22	$1,210.0	5.7	(2.6)
Forward to sell USD	Apr 22-Sep 22	$4,102.1	2.4	(68.6)
Total 2022			**16.5**	**(86.8)**
Total 2021			**32.5**	**(7.3)**

Notes to the Financial Statements

14. Collateral

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

Counterparty	Collateral type	Pledge £m	Derivative position
Santander	UK Gilt	(78.1)	Repurchase agreements
Barclays	UK Gilt	(41.0)	FX forwards, swaps & repurchase agreements
Credit Agricole	UK Gilt	(13.1)	Repurchase agreements
Citigroup	UK Gilt & Cash	(3.1)	FX forwards, swaps & repurchase agreements
Goldman Sachs	UK Gilt	15.8	FX forwards & swaps
HSBC	UK Gilt	(5.3)	FX forwards
JP Morgan	Cash	61.3	Swaps
Lloyds	UK Gilt	(54.6)	FX forwards, swaps & repurchase agreements
Merrill Lynch	UK Gilt	(24.5)	Swaps & repurchase agreements
Morgan Stanley	UK Gilt	(28.8)	FX forwards & swaps
National Australia	UK Gilt	(50.1)	Repurchase agreements
Nomura	UK Gilt	41.4	Swaps
NatWest	Cash	99.4	FX forwards & swaps
Toronto Dominion	UK Gilt	(57.5)	Repurchase agreements
UBS	Cash	22.5	FX forwards & swaps
BNP Paribas	UK Gilt	(9.5)	Swaps
		(125.2)	

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 2021 year-end amounted to £(163.9)m.

Notes to the Financial Statements

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	2022 £m	2021 £m
Mixed portfolio fund			
Pooled investment vehicles – equities		106.8	-
Pooled investment vehicles – fixed interest		24.3	-
Pooled investment vehicles – cash		4.6	-
Equities		-	128.0
Fixed interest		-	28.5
Cash		-	4.2
Total Mixed Portfolio Fund	91.85%	135.7	160.7
Short-dated gilts fund		11.7	16.7
Equity biased fund		138.3	163.3
		285.7	**340.7**

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:

	2022 £m	2021 £m
British Caledonian		
Prudential	0.2	0.3
Davies & Newman and Dan Air		
Equitable Life Assurance	0.1	0.1
	0.3	**0.4**

Notes to the Financial Statements

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:

	2022 £m	2021 £m
Balance of BAMPS at 1 April	5.8	5.6
Interest	0.6	0.3
Retirements	(0.1)	(0.1)
Balance of BAMPS at 31 March	**6.3**	**5.8**

Notes to the Financial Statements

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 2022			
	Level (1) £m	Level (2) £m	Level (3) £m	Total £m
Equities	2,832.6	-	-	2,832.6
Bonds	13,580.4	142.2	-	13,722.6
Property	-	-	1,167.7	1,167.7
Pooled arrangements	-	201.8	4,006.4	4,208.2
Derivatives	32.6	174.4	-	207.0
AVC mixed portfolio fund	-	135.7	-	135.7
External AVCs	0.3	-	-	0.3
Cash	144.2	288.1	-	432.3
Repurchase agreements	-	(2,829.1)	-	(2,829.1)
Other investment balances	501.0	(230.8)	-	270.2
	17,091.1	**(2,117.7)**	**5,174.1**	**20,147.5**

	As of 31 March 2021			
	Level (1) £m	Level (2) £m	Level (3) £m	Total £m
Equities	4,609.0	0.1	-	4,609.1
Bonds	10,028.5	29.9	-	10,058.4
Property	-	-	906.0	906.0
Pooled arrangements	-	-	3,489.3	3,489.3
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
Repurchase agreements	-	-	-	-
Other investment balances	71.8	-	-	71.8
	14,875.1	**261.7**	**4,395.3**	**19,532.1**

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

Notes to the Financial Statements

19. Investment risk disclosures

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

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

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

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

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

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

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.

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.

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 certain 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 – 66% in investments that move in-line with the long-term liabilities of the Scheme. These are referred to as liability matching investments and comprise 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 – 34% in return seeking investments comprising UK and overseas equities, equities futures, investment property, alternatives and private equity.

Notes to the Financial Statements

19. Investment risk disclosures – continued

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

Credit 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 credit risk by requesting that the Investment Manager diversifies the portfolio to minimise the impact of a default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have predominantly investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. Exchange traded derivatives are guaranteed by a regulated exchange 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). In January 2022 the Trustee initiated a move to Central Clearing for certain OTC derivatives, bringing the Scheme in-line with industry standards and offering potential advantages in terms of the spread of counterparties and associated transaction costs.

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

The Scheme lends certain fixed interest and equity securities under a Trustee-approved stock lending program. The equity lending programme is managed at the discretion of and is fully indemnified by the custodian State Street Bank and Trust Company. The fixed income lending programme is managed at the discretion of and is fully indemnified by the Investment Manager, BlackRock. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, the term of the loans, 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 £2,254 million (2021: £207.1 million) of bonds and £68 million (2021: £nil) of equities and held collateral in the form of cash, fixed interest securities and equities in excess of the loan values.

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

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

(iii) Interest rate risk
The Scheme is subject to interest rate risk because some of the Scheme's investments are held in instruments where the price is sensitive to movement in interest rates, such as bonds and interest rate swaps. The Scheme's liabilities are also sensitive to movements in interest rates, specifically government bond yields as these form the basis of the technical provisions discount rate assumption. The Trustee has set an interest rate target hedge ratio of 80% to mitigate the impact of interest rate movements on the overall Scheme funding level as part of its liability matching investment strategy. Under this strategy, if interest rates fall, the value of liability matching investments will rise to help offset the corresponding increase in the present value of the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability matching investments will fall in value, as will the actuarial liabilities due to an increase in the discount rate.

Notes to the Financial Statements

19. Investment risk disclosures – continued

(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.

27.2% of the Scheme's 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:

	2022 £m	2021 £m
US Dollar	1,744.6	1,002.8
Euro	375.1	342.7
Other	392.2	1,286.4
	2,511.9	**2,631.9**

(v) Other price risk
Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, investments held in pooled arrangements including private equity, alternatives, real assets, property and equity futures. The Scheme has set a target asset allocation of 34% of investments in return seeking assets.

The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

(vi) 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.

(vii) 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.

Notes to the Financial Statements

20. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year-end:

	2022 £m	2021 £m
Property	184.0	146.0
Alternative investments	315.6	243.4
Private equity	193.5	269.1
	693.1	**658.5**

21. Self-investment

The Scheme holds no direct investment in BA 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

	2022 £m	2021 £m
Current assets		
Cash balances	0.1	0.1
Sundry debtors and prepayments	1.6	7.0
	1.7	**7.1**

	2022 £m	2021 £m
Current liabilities		
Unpaid benefits	5.2	7.3
Accrued expenses	4.8	15.0
	10.0	**22.3**

Notes to the Financial Statements

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 two companies described in the paragraph below are wholly owned by BAPTL.

BAPSL provided administration services to the Scheme during the year. BAPIML, up to 1 June 2021, provided investment management services to the Scheme. The Scheme was recharged for these services, as shown in the fund account, and in notes 7 and 9. BA Plc provide occasional services to the Scheme (e.g. recruitment, advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

The Trustee Directors of the Scheme are considered to be key management personnel. Roger Maynard and Dalriada Trustees Limited were remunerated by BA in respect of their services as Chair of the Trustee Companies and as an independent Trustee Director respectively. Pensioner elected Trustee Directors were also paid by the Employer.

In addition to the member nominated Trustee Directors, three (2020: four) 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.

Independent Auditor's Statement About Contributions

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

Statement about contributions
We have examined the Summary of Contributions payable under the Schedule of Contributions to the New Airways Pension Scheme in respect of the Scheme year ended 31 March 2022 which is set out on page 52.

In our opinion contributions for the Scheme year ended 31 March 2022 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the actuary on 19 February 2021.

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

Respective responsibilities of the Trustee and the auditor
As explained more fully in the Statement of Trustee's Responsibilities set out on page 52, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

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

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

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

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

Date: 30 September 2022

Trustee's Summary of Contributions

Statement of Trustee's responsibilities in respect of contributions

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

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

This Summary of Contributions has been prepared on behalf of and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 19 February 2021 in respect of the Scheme year ended 31 March 2022. 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	-
Contributions payable under the Schedule (as reported on by the Scheme auditor)	**-**

Reconciliation of contributions

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

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

This report was approved by the Trustee Board on 28 September 2022 and was signed on their behalf by:

Monica Gupta
Scheme Secretary

Schedule of Contributions

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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,

Schedule of Contributions

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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

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: …………………

Actuarial Certificate

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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

Actuarial Certificate

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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.

Report on Actuarial Liabilities (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 actuarial valuation of the Scheme as of 31 March 2021 is in progress.

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: - 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.

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

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.

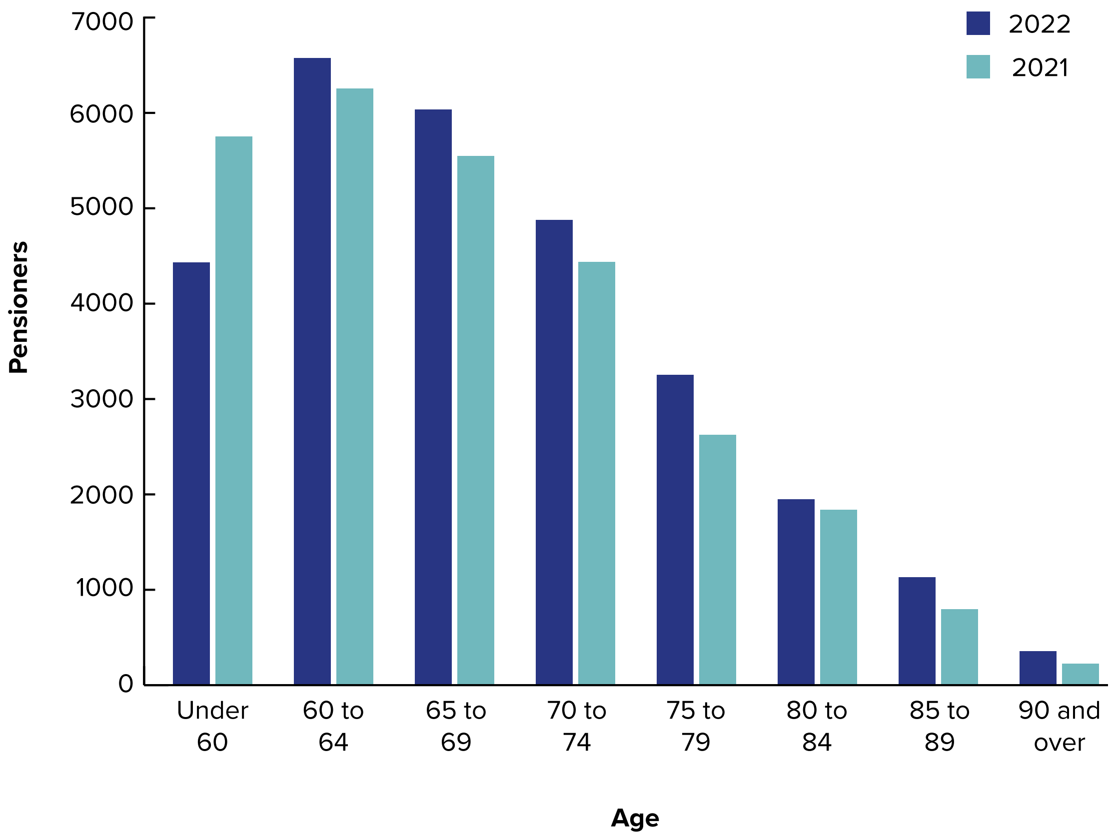
Commutation is assumed to take place on the following terms:

- 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)

	2022	2021
Pensioners in payment	28,607	27,480
Dependant pensioners	4,690	4,591
Deferred pensioners	27,928	30,194
	61,225	62,265

Pensioner Age Analysis 2021/22



Compliance Statement

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.

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