New Airways Pension Scheme (NAPS)

BRITISH AIRWAYS PENSIONS

Trustee's Report & Financial Statements

For the Year Ended 31 March 2023

Contents

Chair's Review

Welcome to my first annual report since being appointed Chair of the New Airways Pension Scheme (NAPS) by British Airways (BA) in January 2023. Since the last annual report, the NAPS Trustee Directors have continued to consider a wide range of challenging issues, and we have provided regular updates with news about the Scheme through our News page on the member website. In particular, the Trustee Directors worked tirelessly throughout 2022 to agree the latest formal valuation for the Scheme covering the three years to 31 March 2021.

I would like to express my thanks for the support from the BA Pensions team and Roger Maynard in helping me to take on this role.It is clear to me that the Scheme is well run and the NAPS Trustee Directors are very committed to protecting the members' interests.

Funding

The Trustee's Report on pages 5 and 6 provides important details on the Scheme's funding position and how it has evolved.

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 in the future and other actions that should be taken by the Trustee and BA. The 31 March 2021 actuarial valuation was finalised in December 2022.

The valuation as at 31 March 2021 revealed that the technical provisions funding level was 92.2%, which had improved by 4.6% since the last formal valuation as at 31 March 2018 and the funding shortfall reduced to £1.65 billion from £2.4 billion. Further information is available in our 2021 valuation report.

As part of the 2021 actuarial valuation, the Trustee and BA also agreed on a package of protections documented in separate legal agreements. These included dividend protections to protect the Scheme from any leakage in employer covenant value, security over property assets until the end of September 2028 and protection for BA in the form of an overfunding mechanism that allows for any deficit reduction contributions (DRCs) to stop while the Scheme is funded above 100% on a technical provisions basis, but to restart if the Scheme returns to being in deficit.

Since the valuation date, a combination of market changes and favourable investment returns significantly improved the Scheme's financial position. The interim annual update showed that the technical provisions funding level had increased to 100% from 92.2%, and the deficit had reduced to £30 million from £1.65 billion).

We continue to regularly monitor the development of the funding position, which has improved considerably further since 31 March 2022. The interim annual update as at 31 March 2023 is in progress, and we will provide members with the latest Summary Funding Statement, setting out the details in due course.

Chair's Review

Investments
We have continued to see strong relative investment performance. The returns achieved on the Scheme's assets measured over one, three, five and ten years were above the benchmark set by the Trustee. In addition, positive investment returns relative to the liabilities have helped the Scheme's funding level improve, as described on pages 5 and 6.

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, in December 2022 the Trustee agreed an updated investment framework under which the Trustee is working towards an expected return target relative to liabilities. An investment strategy consistent with the agreed framework was adopted by the Trustee in March 2023. Further information on this is available in the **Statement of Investment Principles**.

In the first quarter of 2023, the Scheme made substantial progress towards its medium-term investment goals. The Trustee also moved the Scheme's interest rate and inflation rate hedging targets to 95%. You can read more about this in the Scheme Investment section within the Trustee's Report on pages 6 to 10.

Governance matters
Earlier this year, after reviewing the Scheme's actuarial and investment advisory models, the Board appointed Lane Clark and Peacock (LCP) as advisors to provide integrated actuarial and investment services. You can find out more about the Scheme's governance in the Trustee's Report on pages 11 to 14.

Review of 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 at the time of the transition.

The second year of our partnership with BlackRock has continued to meet 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, the gilt crisis, 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 cost benefits and operational efficiencies for the Scheme.

Trustee Directors
Roger Maynard's tenure as NAPS Chair ended in January 2023. He chaired the NAPS Trustee since his appointment in October 2020. During his tenure, Roger oversaw several important milestones and innovations for NAPS. On behalf of the Trustee Directors, I would like to express gratitude for his significant contribution and appreciation for his dedication and commitment to achieving the best outcomes for members.

Tom Lukic, representing Dalriada Trustees Ltd, left the Board on 24 January 2023. BA appointed Ian Romanis on 25 January 2023 as an Employer Nominated Director. On behalf of the Board, I would like to thank Tom for his valuable contribution and welcome Ian.

I would also 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 commend the BA Pensions team for their continued outstanding service to our members.

Wayne Phelan
For Vidett Trust Corporation Limited
Chair of the Trustee

26 September 2023

Trustee Directors and Advisers

Appointed by British Airways Plc (BA) (ENDs)

Vidett Trust Corporation Ltd (Chair)
Independent Trustee represented by
Wayne Phelan
Appointed 25 January 2023

Natasha Franklin
Director Competition
& Compliance
BA Plc

Simon Philcox
Director of Finance
BA Plc

Ian Romanis
Director of Retail & CRM
BA Plc
Appointed 25 January 2023

Oliver Sleath
Director of Strategy
BA Plc

Thomas Stoddart
CEO BA CityFlyer & Euroflyer
BA Plc

Elected by pensioners/members (MNDs)

Neil Blackburn
Cabin Crew Purser

Ian Bretherton
Captain

Neil Cottrell
Pensioner

David Southcott
Customer Experience
Representative

John Wheale
Pensioner

Appointed by the Selection Committee (MND)

Peter Lynam
Pensioner
Appointed 1 June 2022

Left office during the year

Roger Maynard (Chair)
Independent Trustee
Ceased 24 January 2023

Dalriada Trustees Ltd
Independent Trustee represented by
Tomislav Lukic
Ceased 24 January 2023

Trustee Directors and Advisers

Administration & investment management

British Airways Pension Services Ltd (BAPSL) – Trustee support and member services

BlackRock Investment Management (UK) Ltd – Investment management

Vinny Ehzuvan – Chief Executive Officer, BAPSL

Monica Gupta – Scheme Secretary, BAPSL

Advisers*

Scheme Actuary
Aaron Punwani
Lane Clark & Peacock LLP

Legal Advisers
CMS Cameron McKenna Nabarro Olswang LLP

Banker
BNY Mellon

External Custodian
State Street Bank and Trust Co

Investment Advisers
Mercer Limited
(until 3 May 2023)
Lane Clark & Peacock LLP
(from 3 May 2023)

Auditor
KPMG LLP

Covenant Adviser
PwC LLP

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

The New Airways Pensions Scheme (NAPS) – Pension Scheme Registry Number: 10057029

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

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 2023, as set out on pages 32 to 49, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

SCHEME FUNDING POSITION

It is a requirement that the Scheme Actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme. It helps to establish the contributions payable to the Scheme in the future and other actions that the Trustee and BA should take. The last formal actuarial valuation as at 31 March 2021 was finalised in December 2022.

In the years between formal valuations, the Scheme Actuary provides an interim update which is reported to the membership in an annual funding statement to show how the funding position is evolving. The Scheme Actuary provided an interim update as at 31 March 2022 and the associated Summary Funding Statement was issued to members. The 31 March 2023 interim update is in progress.

The funding positions are shown below:

	31 March 2022 (£m)	31 March 2021 (£m)	31 March 2020 (£m)
Liabilities	(20,170)[1]	(21,170)	(20,423)[2]
Assets	20,140	19,520	17,789
(Deficit)	(30)	(1,650)	(2,634)
Funding level	100%	92%	87%

The valuation as at 31 March 2021 revealed that the Technical Provisions (TPs) funding level was 92.2%, which was an improvement since the last formal valuation (2018: 87.6%), and the funding shortfall had reduced to £1.65bn (2018: £2.40bn). This was mainly due to favourable returns on the Scheme's assets and deficit reduction contributions received from BA. However, this was balanced out by falls in interest rates and lower expectations of future investment returns, as well as the inflation assumptions being updated to reflect the effect of RPI reform[3].

Since the valuation date, a combination of market changes and favourable investment returns significantly improved the Scheme's financial position. The 31 March 2022 interim annual update showed that the TPs funding level had increased to around 100% (2021: 92%), and the deficit had reduced to £30m (2021: £1.65bn).

[1] The liabilities as of 31 March 2022 are based on the Technical Provisions assumptions agreed between the Trustee and BA at the 31 March 2021 valuation, updated by the Scheme Actuary to reflect market conditions as at 31 March 2022.

[2] The liabilities as of 31 March 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 market conditions as at 31 March 2020 and to incorporate the latest published CMI Core Projections model (CMI 2019).

[3] In November 2020, the UK Government announced that it intended to amend the Retail Price Index (RPI) measure of inflation to align it with the Consumer Price Index, including owner occupiers' housing costs (CPIH). This change is expected to take place from 2030.

Trustee's Report

In the meantime, the Trustee continues to monitor the development of the funding position, which is expected to have further improved since 31 March 2022. This is primarily due to increases in interest rates, which have reduced the value of the assets held by the Scheme but also, to a greater extent, reduced the Scheme's liabilities.

The Recovery Plan

BA and the Trustee agreed a new Recovery Plan as part of the 2021 valuation to address the funding deficit. BA agreed to pay deficit contributions of £50m a year, payable monthly from 1 January 2023, rising gradually to £225 million a year from 1 July 2026 and maintained at this level until 31 May 2032. An over-funding mechanism was also agreed that ceases BA's deficit contributions if the Scheme's funding level, as assessed by the Scheme Actuary, reaches 100%. This could, for example, happen due to a reduction in the liabilities of the Scheme (compared to the assets) before the end of the Recovery Plan or favourable investment returns. The funding level is calculated each month for this purpose. If it were to fall back below 100% subsequently, for example, due to market movements, BA would be required to start paying deficit contributions to the Scheme once again.

If the 2021 TPs assumptions in the Recovery Plan were borne out in practice, the TPs deficit as of 31 March 2021 was expected to be eliminated by 31 May 2032. However, the funding position improved significantly ahead of plan, and since 1 January 2023, the Scheme's funding level has been over 100%, therefore, the over-funding mechanism has been triggered, and deficit contributions from BA are currently ceased.

The Trustee and BA also agreed to a package of protections documented in separate legal agreements. These include security over property assets until the end of September 2028 and dividend protections to protect the Scheme from leakage in employer covenant value.

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 2021 valuation, that the contributions that BA had committed to pay to the Scheme were set at a level that BA could reasonably afford. PwC continue to monitor this and advise the Trustee on covenant matters as the aviation industry recovers post-pandemic.

SCHEME INVESTMENT

Review of the year to March 2023

The year to 31 March 2023 saw unprecedented volatility in fixed income markets as central banks globally struggled to contain inflation. Government bonds – including in the UK - fell sharply in value as interest rates rose. Equity markets, on the other hand, were largely more resilient.

Inflation had started to pick up in late 2021, as the global economy re-opened following the pandemic. Supply chains and transport systems creaked as demand rose. Companies struggled to hire new workers. UK consumer price inflation hit levels not seen since the 1980s. As a result, in December 2021 the Bank of England increased base rates for the first time since 2018, responding to what it considered at the time to be short-term 'transitory inflation'. Then in late February 2022, Russia invaded Ukraine, sending energy and some commodity prices spiralling.

As we moved into the second quarter of 2022, it became clearer that UK inflation would be heading into double digits. At the same time, consumers were facing cost-of-living increases as food costs and utility bills rose sharply. Strikes and upwards pressure on wages followed. In response, the Bank of England started raising rates at pace.Between March 2022 and September 2022, it hiked rates four times, from 0.75% to 2.25%.

Although other developed market economies were facing similar issues, the UK economy is particularly exposed to increases in natural gas prices. In September 2022, the UK government responded with a budget that capped utility bills and cut taxes for both companies and individuals.

Faced with both a boost to inflation and an increased supply of government bonds, the UK sovereign bond market sold off sharply. This caused some pension funds who typically own large quantities of government bonds to hedge their liabilities – to sell bonds and other assets, causing bonds to fall further.

As interest rates spiked higher, the Bank of England made an emergency decision to step into the market and buy bonds. As the scale of the crisis became clear, Liz Truss was first forced to replace her Chancellor of the Exchequer and then to resign as Prime Minister.

With a new Chancellor, a new Prime Minister, and a scaled-back budget in place, the UK government bond market stabilised. By the end of November 2022, bond yields were back to pre-crisis levels.

Trustee's Report

Since then, however, there has been both good news and bad news. Economic activity was much more robust than anticipated in the first half of 2023. Unemployment remained very low, and consumer spending remained relatively strong. Inflation also, however, remained high.

As a result, the Bank of England has continued to raise interest rates, negatively impacting the prices of most corporate and government bonds. Equity markets ended the fiscal year to the end of March down only modestly as the global economy avoided recession.

Over the next 12 months, the market is expecting interest rates to peak and then start falling. The main question for the UK will be whether higher rates can contain inflation without causing significant damage to the outlook for medium-term growth.

Scheme perspective and asset allocation over the year to March 2023

The Scheme owns assets that are broadly categorised as being either return seeking or liability matching. Return seeking or "growth" 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 designed to reflect the change in market value of the Scheme's future benefit payments and are therefore held to reduce risk. The return seeking assets used by the Scheme include equities, private equity, property, and alternatives. Government and corporate bonds are examples of the liability matching assets used by the Scheme.

The Trustee's Investment Committee (IC) is responsible for oversight and monitoring of the Scheme's investment strategy. The IC may, where possible and from time to time, recommend an update to the Scheme's target asset allocation or its investment approach with the intention of improving the likely outcome for members.

In May 2022, strong relative investment performance from NAPS' private equity, alternatives and property portfolios took NAPS' allocation to return seeking assets above the top of the Scheme's target range. Over the next few months, in response to this and an improvement in the Scheme's funding position, the IC worked with BlackRock, the Scheme's investment advisor and BA on a near-term plan to reduce the Scheme's allocation to return seeking assets.

In August 2022, in order to reduce investment risk, the Trustee agreed an exceptional change to the Scheme's asset allocation, selling approximately £1.2 billion of public equities and moving the money raised into the Scheme's government bond mandate. At the same time, the Trustee suspended the Scheme's monthly rebalancing framework, and began to explore reducing the Scheme's allocation to illiquid return seeking assets.

The Scheme navigated the UK government bond market volatility in September 2022 and early October 2022 with limited impact. Liquidity was supported by the sale of public equities in August 2022, as well as actions taken by BlackRock to ensure sufficient collateral adequacy buffers were in place.

In December 2022, the Trustee agreed an updated investment framework with BA as part of the Scheme's 31 March 2021 actuarial valuation agreement. Using an orderly process, the Trustee is aiming towards an overall asset allocation with an agreed modest expected return relative to liabilities, and sufficient liquidity to manage investment risk appropriately on an on-going basis. An investment strategy consistent with the agreed framework was adopted by the Trustee in March 2023.

In the first quarter of 2023, the Scheme made substantial progress. BlackRock, working on the Scheme's behalf, concluded two significant property transactions, including bringing a joint venture partner into the Scheme's landmark life-sciences development project in Kings Cross. The Trustee also agreed and instructed an increase in both the Scheme's interest rate and inflation rate hedging targets to 95%.

Trustee's Report

The Trustee and its advisers set an investment framework, which allows BlackRock to efficiently manage the Scheme's assets and to make tactical asset allocation decisions. The Scheme's actual asset allocation as of 31 March 2023 is shown below.

	Asset category	Actual % 31 March 2023	Benchmark % 31 March 2023*	Actual % 31 March 2022	Benchmark % 31 March 2022
Return seeking	**Total Return Seeking**	**21.4**	**n/a**	**35.2**	**32.3**
	Equities	**1.2**	**n/a**	**14.9**	**17.9**
	Active*	0.5	n/a	6.4	n/a
	Passive	0.7	n/a	8.5	n/a
	Private equity	**8.1**	**n/a**	**7.3**	**4.2**
	Alternatives	**4.2**	**n/a**	**3.4**	**3.1**
	Property	**7.8**	**n/a**	**9.6**	**7.1**
Liability matching	**Total Liability Matching**	**78.6**	**n/a**	**64.8**	**67.7**
	Diversified Illiquid Income	**10.0**	**n/a**	**6.3**	**6.8**
	Bonds	**67.8**	**n/a**	**57.2**	**59.4**
	Corporate bonds	12.2	n/a	10.1	10.9
	Liability hedging portfolio	55.7	n/a	47.1	48.5
	Cash	**0.8**	**n/a**	**1.3**	**1.5**
	Total	**100.0**	**n/a**	**100.0**	**100.0**

As seen in the table above, there is no longer a strategic benchmark allocation in place as the Trustee transitions the overall asset allocation. The Scheme's allocation to higher risk-return seeking – or growth – assets has been substantially reduced over the 12 months to March 2023. The Scheme's allocation to liability matching assets has increased, which helps to support the Scheme's higher interest and inflation rate target hedge ratios.

The Trustee continues to work with the Scheme's investment manager and advisers to ensure the Scheme's asset allocation is appropriate and aligned with the strategy agreed with BA as part of the March 2021 actuarial valuation process.

Of note throughout the Scheme year, the Scheme's target interest rate and inflation hedge ratios were maintained during the gilt market volatility experienced in September and October 2022.

Measuring investment performance

The Trustee measures its investment manager's performance against a customised strategic benchmark, net of fees, over a rolling five-year period.

The Scheme's outperformance target is set at the total portfolio level and is reviewed from time to time to ensure it remains appropriate given the Scheme's overall objectives. Portfolio-level benchmark components may be revised to reflect the changing nature of individual mandates. The benchmark as a whole was most recently revised to reflect the priorities set by the March 2021 actuarial valuation agreement.

* The active allocation shown includes a currency hedge and 0.5% allocation to equity futures which is part of BlackRock's Tactical Asset Allocation overlay.

Trustee's Report

Fund performance

The table below shows the performance of the Scheme's assets. Over the year to 31 March 2023, the Scheme's assets returned -22.00%.

Performance				
Fiscal years to 31 March 2023	**1 year % p.a.**	**3 years % p.a.**	**5 years % p.a.**	**10 years % p.a.**
Fund return	-22.00	-0.94	0.71	4.50
Benchmark	-23.10	-2.45	-0.22	4.02

The driver of the Scheme's assets falling c.22% over the year to 31 March 2023 was the liability hedging assets (gilts, index-linked gilts, and corporate bonds) which fell in value as yields rose over that period. However, this was more than offset by the decrease in the Scheme's liabilities leading to a net positive funding position over the year.

Additional Voluntary Contributions (AVCs)

In the year to 31 March 2023, the Short-dated Gilts Fund (SGF) returned 2.75%, the Equity Biased Fund (EBF) returned 2.84%, and the Mixed Portfolio Fund (MPF) returned -8.36%.

The MPF is invested in BlackRock-managed passive funds, which are designed to track the performance of different asset classes. The MPF is invested in a mixture of developed and emerging market equities (partially hedged into Sterling), corporate bonds, and UK government bonds.

Further information on the performance of the AVC funds can be found in the annual AVC Investment Commentary on the Scheme documents page of the member website.

Performance returns of the AVC funds

Annualised fiscal year return over the period to 31 March 2023:

Fiscal years to 31 March 2023	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
MPF	-8.36	9.22	4.78	6.43
EBF	2.84	5.87	6.38	6.85
SGF	2.75	1.07	0.90	0.81

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

Trustee's Report

Statement of Investment Principles (SIP)

The Trustee has prepared a SIP in compliance with the requirements of Section 35 of the Pensions Act 1995. The SIP sets out the Scheme's investment strategy, including investment objects and investment policies. Further detail on these policies and how they are implemented can be found in the implementation statement on pages 16 to 27.
The SIP is reviewed at least annually, and during the Scheme year, an updated SIP was adopted in March 2023.
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.

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 meetings or Committee meetings or in specially arranged sessions. BAPSL also provides bespoke training, and Trustee Directors are actively encouraged to supplement this formal training plan by accessing other resources, including pensions related publications and, where appropriate, industry conferences, seminars, and webinars. Records of all training undertaken are maintained in respect of each Trustee Director.

Risk management and reporting

During the Scheme year, the Trustee kept under review the key risks which it had previously identified, as well as discussing relevant arising and potentially emerging matters. The assessment of these risks is supported by input from risk and control owners at BAPSL, using a risk reporting framework.

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 at the end of the last 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 adviser 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.

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 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 also agreed to convert one of the three Elected Pensioner MND roles into a Selected Pensioner MND role and created a Selection Committee (comprising a majority of MNDs) 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 members 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 yet to 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 an independent investment expert 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 sub-set of the 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 2023.

Trustee	Governance & Operations Committee	Investment Committee	Main Board	Period of Appointment to Main Board
Roger Maynard (Chair)	3/3	3/3	3/3	Part Year
Wayne Phelan (Chair)	-	1/1	1/1	Part Year
Neil Blackburn	-	-	4/4	Whole Year
Ian Bretherton	-	4/4	3/4	Whole Year
Neil Cottrell	-	4/4	4/4	Whole Year
Natasha Franklin	4/4	-	4/4	Whole Year
Tom Lukic	-	3/3	3/3	Part Year
Peter Lynam	-	-	4/4	Part Year
Ian Romanis	-	-	1/1	Part Year
Simon Philcox	-	3/4	2/4	Whole Year
Oliver Sleath	1/1	-	4/4	Whole Year
Dave Southcott	4/4	0/1	4/4	Whole Year
Tom Stoddart	-	-	3/4	Whole Year
John Wheale	4/4	-	3/4	Whole Year

Although the Main Board is scheduled to meet quarterly, the number of matters requiring the Trustee Directors' attention necessitated the convening of additional meetings, which were often called at short notice. Committee and Main Board meetings have been convened throughout the Scheme year using a mix of video-conferencing and in-person attendance.

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

Trustee's Report

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

Factor Review
Following completion of the 2021 actuarial valuation the factors used to work out specific pension options have been reviewed, with the update effective from October 2023.

TRUST DEED AMENDMENTS

The following amendments were made during the year:

- Exit Debts: provisions relating to the withdrawal of a Participating Company permitting scheme apportionment arrangement, regulated apportionment arrangement, flexible apportionment arrangement, withdrawal arrangement of approved withdrawal arrangement.

A copy of the Deed implementing these changes 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 2023 Order was 10.1% but in accordance with the Scheme Rules, qualifying pensions were increased by 5.0% on 10 April 2023.Increases apply to indexed pensions payable under the Rules of the Scheme (whether in deferment or currently in payment).

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

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

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

Tax
The allowances for 2023/24 are:

- Standard Lifetime Allowance: £1,073,100
- Annual Allowance: £60,000
- Minimum tapered Annual Allowance: £10,000
- Adjusted income for Tapered Annual Allowance: £260,000

In the March 2023 budget, the Government announced the removal of the lifetime allowance charge from April 2023.

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 26 September 2023 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 (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual implementation statement, setting out how the policies described in the Scheme's Statement of Investment Principles (SIP) have been followed. The statement covers the period 1 April 2022 to 31 March 2023, the Scheme's reporting year. This statement sets out how the Trustee's policies under the terms of the SIP have been implemented. It also has regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

The Scheme's SIP was updated in March 2023, following finalisation of the 31 March 2021 actuarial valuation. For the Scheme year to 31 March 2023 BlackRock was in place as investment manager. For the purpose of this statement BlackRock is referred to as the "Investment Manager".

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 updated in December 2022 and March 2023 respectively. The main changes across both the RI policy and RI section of the SIP focused on including the Trustee's priority theme of climate change that came out of the 2021 review of the Trustee's ESG beliefs, in addition to noting the publication of the Trustee's first TCFD report. In addition, the RI policy now also includes additional wording around ongoing monitoring of the activity conducted by BlackRock on behalf of the Trustee.

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 2023, NAPS had a total of 60433 members, of which 43% are deferred, and 57% are pensioners in payment or dependent pensioners.

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 Scheme's liabilities to protect against deterioration in the Scheme's funding position.

As of 31 March 2023, BlackRock managed around £15 billion in assets for the Scheme. As part of the 31 March 2021 actuarial valuation agreement, the Trustee updated its Long-Term Funding Target (LTFT) and the Trustee agreed an updated investment framework with BA. This requires the Trustee to work towards an overall asset allocation with an agreed modest expected return, rather than a strategic benchmark allocation. An investment strategy consistent with the agreed framework, was adopted by the Trustee in March 2023. Further information on this is available in the Statement of Investment Principles.

The Scheme has a investment portfolio with a balance of liability matching and return seeking assets, consistent with the agreed framework. 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.

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

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 December 2022 and March 2023 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 proxy 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 7.7)
- The Trustee requires BlackRock to engage with investee companies and other relevant stakeholders, using a variety of means including collaboration with other investors, to protect or enhance the value of the Scheme's assets including over the medium to long term. Engagement can be in relation to a number of matters including, but not limited to, performance, strategy, risks, capital structure and management of actual or potential conflicts of 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 7.9)
- 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 7.11)
- The Scheme's RI activities, annual voting and engagement will be captured through the Scheme's Annual SIP Implementation Statement and TCFD report, made available on a publicly accessible website. (NAPS SIP 7.13)

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

4. Stewardship 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.

Given the emphasis on BlackRock's stewardship process on behalf of the Trustee, the Trustee has undertaken an exercise to assess how well BlackRock's stewardship priorities aligned with theirs. The Trustee was pleased to see that there is good alignment between priorities and so is comfortable that BlackRock's voting policy is also a reasonable reflection of the Trustee's views.

BlackRock's Investment Stewardship 2022 and 2023 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 financial value creation** – Appropriate incentives reward executives for delivering sustainable long-term value creation.
- **Company impacts on people** – Sustainable business practices create enduring value for all key stakeholders.

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

5. 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 is delegated to BlackRock. The Investment Manager is charged with integrating ESG considerations where possible and where appropriate to the Scheme's investment strategy. It is 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 Manager's 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 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.

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

6. NAPS Voting (1 April 2022 – 31 March 2023)

Over the period from 1 April 2022 – 31 March 2023, BlackRock voted at 2,044 shareholder meetings on 28,043 individual proposals and voted against management's recommendation on 1,882 occasions, equivalent to 6.7% of all proposals.

BlackRock had votes rejected for administrative reasons at 14 shareholder meetings on 202 proposals over the period. There were no missed ballots during the period.

The table below shows the 2,044 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	82
North America	583
Developed Europe ex-UK	352
Developed and Emerging Asia Pacific ex-Japan	612
Japan	196
Emerging Markets	219
Total	**2,044**

The table below shows the 28,043 proposals, split between votes in-line with management and against management:

Number of proposals voted by outcome	
Proposals where BlackRock voted in line with management	26,161
Proposals where BlackRock voted against management	1,882
Total	**28,043**

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	41%
Shareholder Proposals	3%
Remuneration	21%
Capital Structure and Dividends	17%
Audit, Report and Accounts	6%
Amend Articles	4%
Board Structure and Responsibilities	5%
Other Business	3%
Total	**100%**

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

7. MPF Voting (1 April 2022 – 31 March 2023)

Over the period from 1 April 2022 – 31 March 2023, BlackRock voted at 2,795 shareholder meetings on 29,487 individual proposals and voted against management's recommendation on 2,963 occasions, equivalent to 10% of all proposals.

BlackRock had votes rejected for administrative reasons at 9 shareholder meetings on 197 proposals over the period. There were no missed ballots during the period.

The table below shows the 2,795 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	33
North America	152
Developed Europe ex-UK	135
Developed and Emerging Asia Pacific ex-Japan	2,176
Japan	54
Emerging Markets	245
Total	**2,795**

The table below shows the 29,487 proposals, split between votes in-line with management and against management:

Number of proposals voted by outcome	
Proposals where BlackRock voted in line with management	26,524
Proposals where BlackRock voted against management	2,963
Total	**29,487**

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	22%
Shareholder Proposals	1%
Remuneration	13%
Capital Structure and Dividends	30%
Audit, Report and Accounts	5%
Amend Articles	17%
Board Structure and Responsibilities	10%
Other Business	2%
Total	**100%**

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

BlackRock proxy voting guidelines
All voting that took place on behalf of the Scheme during the relevant year was in line with BlackRock's proxy voting guidelines, since voting was fully delegated to BlackRock.

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/insights/investment-stewardship

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

Most significant votes

BlackRock's stewardship team voted on behalf of the Scheme at 2,044 shareholder meetings over the 12 months to March 23. BlackRock also engages on an on-going basis with companies with the intention of promoting or protecting long-term shareholder value, as described in their Global Engagement Priorities.

The table below sets out 5 of the most significant votes for the Scheme over the year to 31 March 2023. The voting and engagement examples highlighted below are important to the Scheme in that they demonstrate sustained action taken in support of the Trustee's stewardship priorities.

Company name	Alphabet, Inc
Meeting Date	1 June 2022
Trustee Stewardship Priority	Climate change and biodiversity
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£26.8 million
Highlighted vote	Shareholder proposal I Report on Metrics and Efforts to Reduce Water Related Risk (a vote FOR)
Rationale for vote	The shareholder proposal requested that "Google annually report, at reasonable cost, quantitative water-related metrics by location, including data centres, and for each location, practices implemented to reduce climate related water risk." Although the company recently enhanced their water metrics disclosure to include three water indicators (total water withdrawal, consumption, and discharge), BlackRock supported this shareholder proposal because, in its assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact.
Outcome of the vote	This proposal was not approved.

Company name	Equinor, ASA
Meeting Date	11 May 2022
Trustee Stewardship Priority	Climate change and biodiversity
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£16.4 million
Highlighted vote	Shareholder proposal I Introduce a Climate Target Agenda and Emission Reduction Plan (a vote AGAINST)
Rationale for vote	BlackRock did not support this shareholder proposal because it believes that the company has already disclosed a plan to manage climate related risks and opportunities. In line with United Nations' Intergovernmental Panel on Climate Change's (IPCC) 1.5 pathway, Equinor has committed to reduce scope 1 and 2 GHG emissions by 50% by 2030 relative to 2015 levels with 90% of the decreases being met by absolute reductions. Its plan also includes an ambition to reach a 40% reduction in scope 1 2 and 3 net carbon intensity by 2035. Overall, BlackRock considers the company to have already made a clear commitment to align its business model with the goals of the Paris Agreement.
Outcome of the vote	The shareholders' proposal was not adopted.

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

Company name	Rio Tinto Group
Meeting Date	Rio Tinto plc, 8 April 2022; Rio Tinto Limited, 5 May 2022
Trustee Stewardship Priority	Diversity, equity, and inclusion. Human rights. Labour standards. Modern slavery.
BlackRock Stewardship Priority	Company impacts on people.
Approx. Scheme holdings at date of vote	Rio Tinto plc, £0.6 million; Rio Tinto Limited, £0.9 million
Highlighted vote	Management proposal I Re-election of board members (a vote FOR)
Rationale for vote	BlackRock has engaged systematically over time with Rio Tinto's board and management to understand how it is addressing an external review which identified "disturbing findings of bullying, sexual harassment, racism and other forms of discrimination throughout the company." BlackRock believes Rio's leadership has demonstrated its commitment to address the review's findings, and that it was in the best interests of its clients to support the board at this year's shareholder meeting. It continues however to monitor progress.
Outcome of the vote	Election of all Board members was approved.

Company name	New World Development Company, Limited ("NWD")
Meeting Date	22 November 2022
Trustee Stewardship Priority	Board structure
BlackRock Stewardship Priority	Board quality and effectiveness
Approx. Scheme holdings at date of vote	£0.002 million
Highlighted vote	Management proposal I To re-elect Mr Lee Luen Wai, John as Director (a vote FOR)
Rationale for vote	In response to concerns raised by BlackRock and other shareholders, NWD took proactive steps in 2021 to refresh the composition of its Board, replacing three out of four long-tenured independent non-executive directors (INEDs) with female candidates. BlackRock supported re-election however of the fourth long-tenured INED believing that some continuity was warranted. It firmly believes however that this renewal will give NWD's board fresh and diverse perspectives, as well as enhance its decision-making processes.
Outcome of the vote	Re-election of director was approved.

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

Company name	Netflix, Inc
Meeting Date	2 June 2022
Trustee Stewardship Priority	Shareholder concerns
BlackRock Stewardship Priority	Strategy, purpose, and financial resilience. Incentives aligned with value creation.
Approx. Scheme holdings at date of vote	£7.0 million
Highlighted vote	Management proposal I Say on Pay (a vote AGAINST)
Rationale for vote	Netflix has a unique compensation program which includes allowing executives to choose between cash and stock options, the use of options without specified vesting criteria and a lack of stock ownership guidelines. Notably, the company also made changes to the 2021 compensation program by removing all guardrails. Due to concerns that executives' and shareholders' long term financial interests are not aligned, BlackRock did not support management's say on pay proposal. It also decided to escalate its concerns by not supporting the re-election of Director Timothy Haley, a member of the Compensation Committee.
Outcome of the vote	The proposal to approve the Company's executive officer compensation on a non-binding advisory basis was not approved.

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

8. NAPS Engagement (1 April 2022 - 31 March 2023)

During this period, BlackRock had 1,526 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 2,795 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 1,526 engagements.

Total company engagements	1,526
Engagements by region	
Americas	687
EMEA	485
APAC	354
Engagement themes	
Governance	1,379
Social	644
Environmental	772
Top 10 Engagement topics	
E-Climate Risk Management	681
G-Board Composition and Effectiveness	660
G-Remuneration	656
G-Corporate Strategy	604
S-Human Capital Management	440
G-Business Oversight/Risk Management	406
G-Governance Structure	367
G-Sustainability Reporting	258
G-Executive Management	244
S-Social Risks and Opportunities	221

External capabilities[5]

The Investment Manager 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 Manager was also responsible for escalating any major ESG-related issues to BAPSL.

[5] The Investment Manager 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 April 2022 - 31 March 2023)

During this period, BlackRock had 927 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 1,719 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 927 engagements.

Total company engagements	927
Engagements by region	
Americas	442
EMEA	252
APAC	233
Engagement themes	
Governance	825
Social	392
Environmental	502
Top 10 Engagement topics	
E-Climate Risk Management	438
G-Board Composition and Effectiveness	398
G-Corporate Strategy	386
G-Remuneration	349
G-Business Oversight/Risk Management	302
S-Human Capital Management	257
G-Governance Structure	229
S-Social Risks and Opportunities	158
G-Sustainability Reporting	150
G-Executive Management	147

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

10. Affiliations and initiatives

The Investment Manager 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.

11. Member Enquiries

In the year to March 2023, 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**.

12. Conclusion

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

The Trustee and advisors also had regular access to BlackRock's Strategic Client team 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 2023.

Task Force on Climate-Related Financial Disclosures (TCFD)

This year the Scheme is also required to produce its second climate-related report, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) for the Scheme year 1 April 2022 - 31 March 2023. This report breaks down climate-related activities 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 2023 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 has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it 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 it determines 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 it 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 2023 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 2023 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 Board meeting minutes.

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 28, 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: 29 September 2023

Fund Account

	Note	31 March 2023 £'m	31 March 2022 £'m
Contributions and Benefits			
Employer contributions	**3**	0.4	0.4
Employee contributions	**3**	-	-
Total contributions		0.4	0.4
Transfers in	**4**	10.4	7.7
		10.8	8.1
Benefits paid or payable	**5**	(482.1)	(468.6)
Payments to and on account of leavers	**6**	(166.7)	(552.9)
Administrative expenses	**7**	(10.4)	(11.0)
		(659.2)	(1,032.5)
Net (withdrawals) from dealings with members		(648.4)	(1,024.4)

	Note	31 March 2023 £'m	31 March 2022 £'m
Returns on Investments			
Investment income	**8**	183.8	327.8
Investment management expenses	**9**	(8.9)	(10.4)
Change in market value of investments	**10**	(4,611.7)	1,329.3
Net return on investments		(4,436.8)	1,646.7
Net (decrease)/increase in the fund during the year		(5,085.2)	622.3
Net assets of the Scheme at 1 April		20,139.2	19,516.9
Net assets of the Scheme at 31 March		**15,054.0**	**20,139.2**

The notes on pages 35 to 49 form part of these financial statements.

Statement of Net Assets (available for benefits)

	Note	31 March 2023 £'m	31 March 2022 £'m
Investment assets:			
Equities	10	109.4	2,832.6
Fixed interest bonds	10	3,924.0	6,958.9
Index-linked bonds	10	7,105.3	6,832.3
Property	10	837.8	1,167.7
Pooled arrangements			
Property	11	603.6	988.2
Alternative investments	11	1,573.1	1,599.5
Private equity	11	814.4	1,418.7
Cash	11	250.9	201.8
Derivatives	13	45.8	542.9
AVC mixed portfolio fund	15	114.0	135.7
Cash	10	1,247.3	432.3
Reverse repurchase agreements	10	127.6	422.9
Other investment balances	10	447.0	1,590.5
		17,200.2	25,124.0
Investment liabilities:			
Amounts due to broker		-	(68.6)
Derivatives	13	(32.3)	(335.9)
Repurchase agreements	10	(1,208.8)	(3,252.0)
Other investment balances	10	(894.9)	(1,320.3)
Total net investments		15,064.2	20,147.2
External AVC investments	16	0.3	0.3
Total investments		15,064.5	20,147.5
Current assets		0.4	1.7
Current liabilities		(10.9)	(10.0)
Net assets of the Scheme at 31 March		**15,054.0**	**20,139.2**

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 56 and 57 and these financial statements should be read in conjunction with this report.

The notes on pages 35 to 49 form part of the financial statements.

These financial statements were approved by the Trustee Board on 26 September 2023 and were signed on their behalf by:

Wayne Phelan **Trustee Director** **John Wheale** **Trustee Director**

For Vidett Trust Corporation Limited

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 Scheme is established as a Trust under English law. The address for enquiries about the Scheme can be found on page 4.

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 2023 IAG results published in July 2023 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 15 December 2022. 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
The Scheme's functional and presentation currency is pound Sterling. 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.

i. Accounting estimates and judgements
The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Net Assets date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

3. Contributions

	2023 £'m	2022 £'m
Employer contributions		
Deficit funding	-	-
Augmentation	0.4	0.4
	0.4	**0.4**

Deficit funding contributions as set out in the Schedule of Contributions on pages 52 to 53 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 51.

4. Transfers in

	2023 £'m	2022 £'m
Individual transfers in from other schemes	**10.4**	**7.7**

Notes to the Financial Statements

5. Benefits paid or payable

	2023 £'m	2022 £'m
Pensions	391.6	372.2
Commutations of pensions and lump sum retirement benefits	86.2	88.8
Lump sum death benefits	0.9	0.6
Taxation where lifetime or annual allowance exceeded	3.4	7.0
	482.1	**468.6**

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

	2023 £'m	2022 £'m
Individual transfers out to other schemes	**166.7**	**552.9**

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:

	2023 £'m	2022 £'m
BAPSL in-house administration and processing	5.7	5.9
External professional fees	4.7	5.1
	10.4	**11.0**

8. Investment income

	2023 £'m	2022 £'m
Dividends from equities	29.3	48.7
Income from fixed interest bonds	124.7	161.1
Income from index-linked bonds	30.1	16.8
Net rents from properties	43.4	39.5
Net (payments)/receipts from swaps	(16.3)	40.1
Interest on repurchase agreements - net	(37.8)	-
Annuity income	4.2	4.4
Interest on cash deposits - net	2.0	16.7
Other income	4.2	0.5
	183.8	**327.8**

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.

	2023 £'m	2022 £'m
BAPIML in-house investment management expenses	-	1.3
External investment management expenses	8.9	9.1
	8.9	**10.4**

Notes to the Financial Statements

10. Reconciliation of investments

	Value at 31 March 2022 £'m	Purchases at cost & derivative payments £'m	Sales proceeds & derivative receipts £'m	Change in market value £'m	Value at 31 March 2023 £'m
Equities	2,832.6	1,117.1	(3,681.1)	(159.2)	109.4
Fixed interest bonds	6,890.3	1,725.1	(3,289.1)	(1,402.3)	3,924.0
Index-linked bonds	6,832.3	3,782.8	(1,149.7)	(2,360.1)	7,105.3
Property	1,167.7	90.6	(181.8)	(238.7)	837.8
Pooled arrangements					
- Property	988.2	66.3	(399.6)	(51.3)	603.6
- Alternative investments	1,599.5	15.8	(230.4)	188.2	1,573.1
- Private equity	1,418.7	153.3	(524.2)	(233.4)	814.4
- Cash	201.8	2,223.9	(2,188.0)	13.2	250.9
Derivatives					
- Swaps	244.7	471.5	(504.7)	(223.8)	(12.3)
- Futures and options	32.6	185.6	(296.0)	78.1	0.3
- Forward foreign exchange	(70.3)	620.7	(304.8)	(220.1)	25.5
AVC mixed portfolio fund	135.7	2.5	(12.8)	(11.4)	114.0
External AVC investments	0.3	-	-	-	0.3
	22,274.1	10,455.2	(12,762.2)	(4,620.8)	15,346.3
Cash	432.3			(5.7)	1,247.3
Repurchase agreements	(2,829.1)			-	(1,081.2)
Other investments	270.2			14.8	(447.9)
	20,147.5			**(4,611.7)**	**15,064.5**

There was one (2022: none) individual investment which comprised greater than 5% of the net assets of the Scheme (in absolute terms); BlackRock ICS Sterling Liquidity Fund 5.2% (2022: 1.4%).

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	2023 Total £'m	2022 £'m
Equities	0.5	0.7	0.4	1.6	3.9
Other	-	0.6	-	0.6	0.2
2023	0.5	1.3	0.4	2.2	4.1
2022	1.0	1.2	1.9	4.1	

In addition to the transaction costs disclosed above, indirect costs in relation to bonds are incurred through the bid-offer spread. Indirect costs are also incurred in relation to external pooled arrangements through charges made to those vehicles.

Notes to the Financial Statements

11. Pooled arrangements

The indirect property, alternatives, private equity and some cash investments are invested in externally held pooled funds. 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 2023, the value of these funds are as follows:

Property	2023 £'m	2022 £'m
Externally pooled indirect funds	597.9	982.5
Direct UK property fund	5.7	5.7
Total property unitised	**603.6**	**988.2**

Alternatives	2023 £'m	2022 £'m
Direct investment funds	**1,573.1**	**1,599.5**

Private equity	2023 £'m	2022 £'m
Direct investment funds	**814.4**	**1,418.7**

Cash	2023 £'m	2022 £'m
Direct investment funds	**250.9**	**201.8**

Within Alternatives direct investment funds there is one client specific fund. The table below shows the enhanced disclosure breakdown of the underlying assets held in this fund.

	2023 £'m
Corporate bonds	15.0
Floating rate notes (or loan notes)	275.2
Futures	(1.2)
Fixed income futures	1.2
Liquidity funds	34.3
	324.5

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:

Swaps

Nature	Duration	Nominal amount £'m	Asset value £'m	Liability value £'m
Over the counter (OTC)				
Interest rate swaps	3 to 30 years	789.2	64.9	(83.2)
Total OTC		**789.2**	**64.9**	**(83.2)**
Cleared				
Inflation-linked swaps	1 to 40 years	1,771.6	16.8	(13.2)
Interest rate swaps	<1 to 50 years	2,699.9	23.5	(21.1)
Total Cleared		**4,471.5**	**40.3**	**(34.3)**
Total 2023		**5,260.7**	**105.2**	**(117.5)**
Total 2022		**9,250.0**	**487.0**	**(242.3)**

Included within index-linked and fixed interest bond balances, as disclosed in note 10, are £30.1m (2022: index linked £10.4m) in respect of initial margins arising on cleared swap contracts.

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	79.4	Less than 1 year	4.5	-
Fixed income future assets	501.8	Less than 1 year	2.7	-
Fixed income futures liabilities	(933.6)	Less than 1 year	-	(6.9)
Total 2023	**(352.4)**		**7.2**	**(6.9)**
Total 2022			**39.4**	**(6.8)**

Included within index-linked and fixed interest bond balances as disclosed in note 10 are £55.5m (2022: index linked £40.1m) in respect of initial margins arising on open futures contracts.

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 in millions	Asset value £'m	Liability value £'m
EUR				
Forward to buy EUR	Apr 23-Sep 23	€149.7	0.2	(0.1)
Forward to sell EUR	Apr 23-Sep 23	€938.7	5.4	(0.4)
USD				
Forward to buy USD	Apr 23-Sep 23	$446.9	-	(7.3)
Forward to sell USD	Apr 23-Sep 23	$2,156.7	28.8	(1.0)
JPY				
Forward to buy JPY	Apr 23-Sep 23	¥5,411.1	-	(0.8)
Forward to sell JPY	Apr 23-Sep 23	¥6,181.9	0.7	-
Total 2023			**35.1**	**(9.6)**
Total 2022			**16.5**	**(86.8)**

Repurchase and reverse repurchase agreements
The Scheme uses these asset types as a source of leverage to hedge the long-term exposure of pension liabilities to interest and inflation. They are traded over the counter and collateralised accordingly.

At the year-end, amounts payable under repurchase agreements amounted to £1,208.8m (2022: £3,252.0m) and amounts receivable under reverse repurchase agreements amounted to £127.6m (2022: £422.9m).

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
Barclays	Cash	10.2	FX forwards & swaps
Citigroup	UK Gilt & Cash	21.4	Swaps & repurchase agreements
Credit Agricole	UK Gilt	9.1	Repurchase agreements
Goldman Sachs	UK Gilt	6.2	FX forwards, swaps & repurchase agreements
HSBC	UK Gilt	(1.0)	FX forwards
JP Morgan	Cash	2.9	FX forward & swaps
Lloyds	UK Gilt	0.2	FX forwards
Merrill Lynch	UK Gilt	(20.8)	FX forwards & swaps
Morgan Stanley	UK Gilt	(8.9)	FX forwards & swaps
National Australia	UK Gilt	1.9	Repurchase agreements
NatWest	UK Gilt	3.7	FX forwards
Santander	UK Gilt	14.8	Repurchase agreements
Toronto Dominion	UK Gilt	1.0	Repurchase agreements
UBS	Cash	1.6	FX forwards
		42.3	

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 2022 year end amounted to £(125.2)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	2023 £'m	2022 £'m
Mixed portfolio fund			
Pooled investment vehicles – equities		90.5	106.8
Pooled investment vehicles – fixed interest		19.8	24.3
Pooled investment vehicles – cash		3.7	4.6
Total Mixed Portfolio Fund	92.24%	114.0	135.7
Short-dated gilts fund		10.9	11.7
Equity biased fund		125.5	138.3
		250.4	**285.7**

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:

	2023 £'m	2022 £'m
British Caledonian		
Prudential	0.2	0.2
Davies & Newman and Dan Air		
Utmost (formerly known as Equitable Life Assurance)	0.1	0.1
	0.3	**0.3**

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:

	2023 £'m	2022 £'m
Balance of BAMPS at 1 April	6.3	5.8
Interest	0.2	0.6
Retirements	(0.5)	(0.1)
Balance of BAMPS at 31 March	**6.0**	**6.3**

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 2023			
	Level (1) £'m	Level (2) £'m	Level (3) £'m	Total £'m
Equities	109.4	-	-	109.4
Bonds	9,190.2	1,839.1	-	11,029.3
Property	-	-	837.8	837.8
Pooled arrangements		250.9	2,991.1	3,242.0
Derivatives	0.3	13.2	-	13.5
AVC mixed portfolio fund	114.0		-	114.0
External AVCs	0.3	-	-	0.3
Cash	459.2	788.1	-	1,247.3
Repurchase agreements	-	(1,081.2)	-	(1,081.2)
Other investment balances	(292.2)	(155.7)	-	(447.9)
	9,581.2	**1,654.4**	**3,828.9**	**15,064.5**

	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**

Notes to the Financial Statements

19. Investment risk disclosures

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

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) 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 £216.6 million (2022: £2,254 million) of bonds and £nil (2022: £68 million) of equities and held collateral in the form of fixed interest securities and equities in excess of the loan values.

Notes to the Financial Statements

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.

(ii) 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 interests, specifically government bond yields as these form the basis of the discount rate assumption. The Trustee has set an interest rate target hedge ratio of 95% 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 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.

(iii) Currency risk
The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled arrangements. The Trustee limits overseas currency exposure through a currency hedging policy.

6.2% 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:

	2023 £'m	2022 £'m
US Dollar	476.2	1,744.6
Euro	76.7	375.1
Other	0.3	392.2
	553.2	**2,511.9**

(iv) 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 investment strategy of 12.5% 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.

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

vi) 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:

	2023 **£'m**	**2022** **£'m**
Property	177.7	184.0
Alternative investments	343.9	315.6
Private equity	111.0	193.5
	632.6	**693.1**

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. 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 provides administration services, and BAPIML provided investment management services to the Scheme. The Scheme is recharged for these services, as shown in the fund account, and in notes 7 and 9. BA 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. Vidett Trust Corporation Limited, Roger Maynard and Dalriada Trustees Limited were remunerated by BA in respect of their services as Chair of the Trustee Companies or as an independent Trustee Director. Pensioner elected Trustee Directors were also paid by the Employer.

In addition to the member nominated Trustee Directors, two (2022: three) 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.

23.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 Schedules of Contributions to the New Airways Pension Scheme in respect of the Scheme year ended 31 March 2023 which is set out on page 51.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid for:

(i) The period from 1 April 2022 to 14 December 2022 at least in accordance with the Schedule of Contributions certified by the Actuary on 19 February 2021.

(ii) The period from 15 December 2022 to 31 March 2023 at least in accordance with the Schedule of Contributions certified by the Actuary on 15 December 2022.

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

Respective responsibilities of the Trustee and the Auditor
As explained more fully in the Statement of Trustee's Responsibilities set out on page 51, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

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

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

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

Date: 29 September 2023

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 Schedules in respect of the Scheme year ended 31 March 2023

This summary of contributions has been prepared on behalf of and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the Actuary on 19 February 2021 and 15 December 2022 in respect of the Scheme year ended 31 March 2023. The Scheme Auditor reports on contributions payable under the Schedules in the Auditor's statement about contributions.

Contributions payable under the Schedules in respect of the Scheme year	£'m
Employer deficit funding contributions – regular	-
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	**-**

Reconciliation of contributions

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

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

This report was approved by the Trustee Board on 26 September 2023 and was signed on their behalf by:

Monica Gupta
Scheme Secretary

Schedule of Contributions

Schedule of Contributions

New Airways Pension Scheme

Name of Employer(s): **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 9 years and 5 months 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 2021) 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

Timing	Amount	Frequency
1 April 2021 to 31 December 2022	Nil	
1 January 2023 to 30 June 2023	£25,002,000	Payable in equal monthly instalments of £4,167,000 in arrears.
1 July 2023 to 30 June 2024	£100m pa	Payable in equal monthly instalments of £8,333,000 in arrears.
1 July 2024 to 30 June 2025	£150m pa	Payable in equal monthly instalments of £12,500,000 in arrears.
1 July 2025 to 30 June 2026	£200m pa	Payable in equal monthly instalments of £16,667,000 in arrears.
1 July 2026 to 31 May 2032	£225m pa	Payable in equal monthly instalments of £18,750,000 in arrears.

In relation to the above deficit reduction contributions, the Trustee and BA have agreed a mechanism whereby 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 a separate legal agreement.

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; and
- all Pension Protection Fund levies, either directly or by reimbursing the Scheme.

The Trustee and BA have 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, and regular deficit contributions may be payable later than set out in the table above, also on dates pursuant to that agreement. 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 that legal agreement.

Schedule of Contributions

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

Deficit recovery payments labelled as being payable in monthly instalments are due by the 19th day of the month following that to which the contributions relate.

Any other contributions to the Scheme will be paid within 19 days of the due date notified by the Trustee or as otherwise required under the separate legal agreement between the Trustee and BA.

This Schedule of Contributions replaces the Schedule of Contributions dated 19 February 2021 with effect from the date of certification.

This Schedule of Contributions is agreed:

on behalf of the Trustee of the Scheme:	for and on behalf of the Participating Employers of the Scheme:
Signature: …………………………… authorised signatory	Signature: ……………………………… authorised signatory
Name:	Name: ....
Position: …………………………………………	Position: ………………………………………………………
Date: …………………	Date: …………………

Actuarial Certificate

Actuary's certification of Schedule of Contributions

New Airways Pension Scheme

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

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that: the Statutory Funding Objective can be expected to be met by the end of the period specified in the Recovery Plan dated 15 December 2022.

   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

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 15 December 2022.

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

Signature: ……………………………………………. Date:

Name: *Aaron Punwani FIA*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

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

Actuarial Certificate

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase “can be expected to be met”]as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Trustee’s funding assumptions as set out in the Statement of Funding Principles dated 15 December 2022 and the Recovery Plan dated 15 December 2022 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

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 2021 valuation via the member website.

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

- The value of the technical provisions was: £21,170 million
- The value of the assets at that date was: £19,520 million

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

Method

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

Significant actuarial assumptions

Assumption	Value
Discount rate	A term-dependent margin over the full nominal gilt yield curve of 0.55% p.a. from 31 March 2021 to 31 March 2030 and 0.45% p.a. from 31 March 2030 onwards. This was equivalent to a single margin of 0.49% p.a. over the full nominal gilt yield curve as of 31 March 2021
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. to 2030 and RPI-0.1% p.a. from 2030* 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. to 2030 and RPI-0.1% p.a. from 2030* RPI-0.9% p.a. to 2030 and RPI-0.1% p.a. from 2030* RPI-0.9% p.a. to 2030 and RPI-0.1% p.a. from 2030*

*With relevant annual caps and floors applied to the forward rates. Where annual caps apply for increases in payment, the rate in a given year reflects the relevant caps and floors, the assumptions for RPI or CPI inflation, and assumed volatility of CPI inflation of 1.5% pa.

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

Mortality: the base table of mortality assumed at 31 March 2021 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*	 94% of S3PMA 73% of S3PMA
Female non-pensioners	87% of S3PFA
Male pensioners with: - Low pensions* - High pensions*	 107% of S3PMA 87% of S3PMA
Female pensioners	91% of S3PFA
Male dependants	108% of S3PMA
Female dependants	96% of S3PFA

*Low pensions are classed as being lower than £25,100 p.a. at 31 March 2021. High pensions are higher than the specified limit.

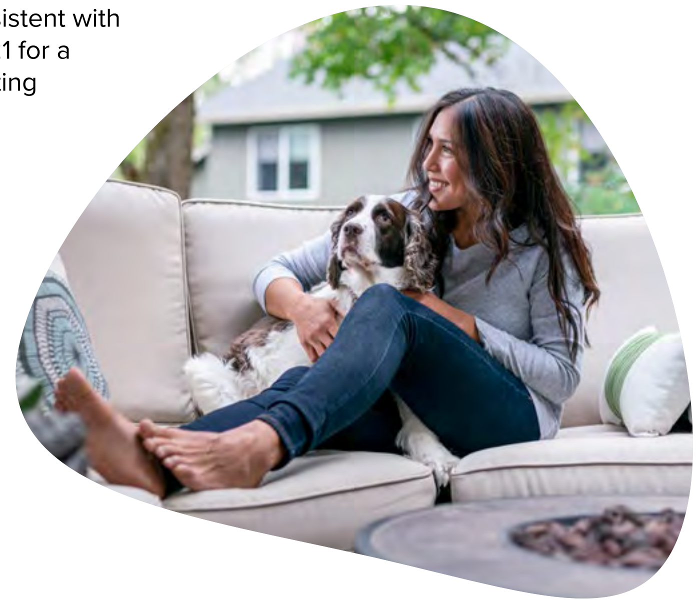
The tables above were adjusted to incorporate improvement factors from 2013 based on the latest consistent CMI core projection model. As of 31 March 2021, this was the CMI 2021 core projection model.

To address future improvements in mortality from 2013, the following were applied to the CMI 2021 core projection model: an allowance for long-term trend reductions in mortality rates of 1.5% p.a., the core smoothing parameter (S) of 7, an initial additional improvements parameter (A) of 0.5% p.a., allowance for 2020 data ("w2020") of 0% and allowance for 2021 data ("w2021") of 5%.

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:

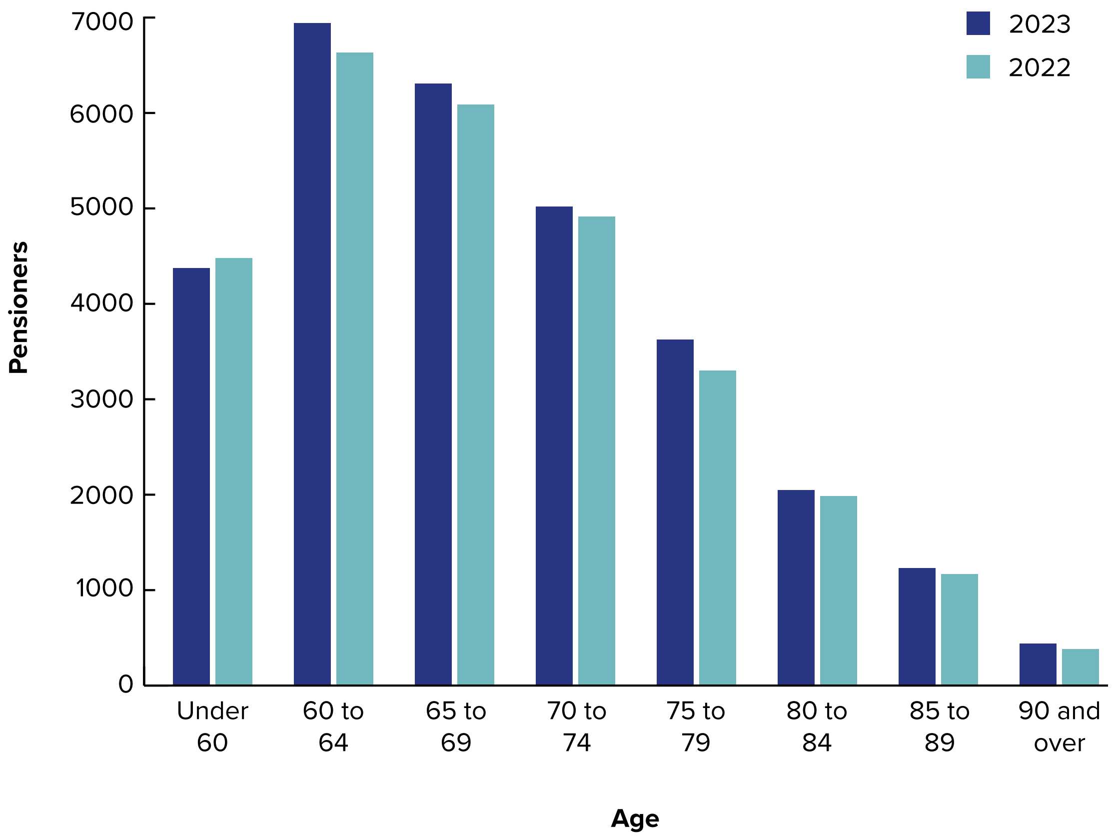
- for known retirements and exits up to 30 June 2022 and non-pensioners assumed to retire between 1 July 2022 and 31 March 2023, on the terms in force at 31 March 2021; and
- for other non-pensioners, on factors which are consistent with a 22% increase to those in force as at 31 March 2021 for a NAPS member retiring at age 60, broadly representing updated terms effective from April 2023.



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

	2023	2022
Pensioners in payment	29,662	28,607
Dependant pensioners	4,804	4,690
Deferred pensioners	25,967	27,928
	60,433	61,225

Pensioner Age Analysis 2022/23



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 achieve Command on or before 31 December 2023 or 30 June 2024 (as applicable).

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.