

New Airways Pension Scheme (NAPS)

BRITISH AIRWAYS
PENSIONS

Trustee's Report & Financial Statements

For the Year Ended 31 March 2024



Contents

Chair's Review

As Chair of the Trustee Board of the New Airways Pension Scheme (NAPS or the Scheme), I am pleased to present our annual report for the year ended 31 March 2024. This report provides information on your Scheme's funding, investment, governance and administration during the Scheme year. Throughout the year, we have kept our members informed about Scheme developments through the 2023 summary funding statement and online bulletins.

I would draw particular attention to the improved funding position below which represents an important step on the Scheme's journey to securing members' benefits.

Funding

The Trustee's report on pages 4 and 5 provides important details on the Scheme's funding position and how it has evolved.

In the years between formal actuarial valuations, the Scheme Actuary provides an interim update. The 31 March 2023 interim annual update showed that the technical provisions funding level had increased to 107% (2022: 100%) with a surplus of £970m (2022: deficit of £30m). We continue to monitor the development of the funding position regularly and are working on the 31 March 2024 formal actuarial valuation which has a statutory deadline of 30 June 2025.

The contributions to be paid to the Scheme are based on what was agreed as part of the 31 March 2021 formal actuarial valuation (full details are available in our 2021 Valuation report). The Trustee and BA agreed to implement an overfunding mechanism that allows for any deficit reduction contributions 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.

The funding position improved significantly ahead of plan, and since the 2021 actuarial valuation was agreed, the Scheme's technical provisions funding level has been over 100%; therefore, the overfunding mechanism has been triggered and deficit contributions from BA are currently ceased.

Investments

As part of the 31 March 2021 formal actuarial valuation, the Trustee agreed an investment framework with BA, including an expected overall portfolio return target. An investment strategy consistent with the agreed framework was adopted by the Trustee in March 2023, with progress monitored regularly throughout the year. The Scheme's assets are broadly allocated to different investments classified as return-seeking (which aims to increase the value of the Scheme's investments) or liability-matching (which provides income to match the Scheme's expected benefit payments). To reduce volatility in the funding level, the Trustee is maintaining high levels of interest rate and inflation rate hedging. Further information about the investment strategy is available in our statement of investment principles.

Over the year, we have continued to see positive investment returns relative to the liabilities which have contributed towards the Scheme's funding level improvement. Significant progress has also been made to reduce the Scheme's allocation to less liquid assets. In addition, the Scheme has robustly monitored and maintained high levels of collateral adequacy throughout the year.

You can read more about this in the Scheme investment section within the Trustee's report on pages 5 to 9.



Chair's Review

Governance matters

We remain committed to ensuring that the Scheme is managed effectively and well-governed in the best interests of members. We conducted a review of the conflicts of interest policy and adopted an updated version in December 2023. The Trustee also agreed to change the appointment of the three member nominated Trustee Directors from an election process to a selection process, with a view to make the process more accessible and encourage a broader and diverse range of candidates to apply. In light of the General Code of Practice introduced by The Pensions Regulator in March 2024, the Trustee has been undertaking a review of the Scheme's policies and processes and has developed a plan to align them, where required, with best practice. The Trustee is also preparing for the implementation of the own risk assessment, which will be an important part of our risk management framework.

You can find out more about the Scheme's governance in the Trustee's report on pages 10 to 13.

Member administration

We are making a significant investment in the member administration by implementing a new administration platform to transform the services we provide to our members. This will include the introduction of a secure web-based self-serve portal providing an enhanced range of services that enables members to access and manage their pensions more effectively. One of the key features is a powerful pension calculator, allowing our members to model all the options available to them as they approach retirement.

Trustee Directors

The terms of office for member nominated Directors Neil Blackburn (Cabin Crew representative), David Southcott (Ground Staff representative), and Ian Bretherton (Pilots representative) expired on 30 September 2024. Neil, David, and Ian re-applied for their positions. Neil and Ian were selected to serve new terms of office commencing 1 October 2024. David's tenure came to an end on 30 September 2024. David joined the Trustee Board in August 2003, and I would like to convey our gratitude to him for his commitment and contribution over the years. I want to welcome Simon Vernau, who joins the Board, as the new Ground Staff representative for a term of office commencing on 1 October 2024.

Acknowledgements

I would like to express my gratitude to my fellow Trustee Directors for their dedication and hard work over the past year. On behalf of the Trustee Directors, I would also like to thank our advisors and investment managers for their support and expertise and the BA Pensions team for their continued outstanding service to our members and to the Trustee Directors.

Wayne Phelan
For Vidett Trust Corporation Limited
Chair of the Trustee

26 September 2024



Trustee Directors and Advisers

Trustee: New Airways Pension Scheme Trustee Limited (NAPSTL)

Appointed by British Airways Plc (BA) (ENDs)

Vidett Trust Corporation Ltd (Chair)
Independent Trustee represented by
Wayne Phelan

Natasha Franklin
Director Competition
& Compliance
BA Plc

Simon Philcox
Director of
Finance
BA Plc

Ian Romanis
Director of Retail & CRM
BA Plc

Oliver Sleath
Director of Strategy
BA Plc

Thomas Stoddart
CEO of CityFlyer
Euroflyer and GGS
BA Plc

Elected by pensioners (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 (MNDs)

Peter Lynam
Pensioner

BA Pensions

Administration and Trustee support – BA Pensions
Vinny Ehzuwan – Chief Executive Officer, BA Pensions
Monica Gupta – Scheme Secretary, BA Pensions

Advisers*

Scheme Actuary
Aaron Punwani
Lane Clark & Peacock LLP

Legal Adviser
CMS Cameron McKenna
Nabarro Olswang LLP

Banker
BNY Mellon

External Custodian
State Street Bank
and Trust Co

Investment Manager
BlackRock Investment
Management (UK) Ltd

Investment Adviser
Lane Clark & Peacock LLP

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 messaging. 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 2024, as set out on pages 32 to 50, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

SCHEME FUNDING POSITION

It is a requirement that the 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. The 31 March 2024 formal actuarial valuation is in progress and has a statutory deadline of 30 June 2025.

In the years between formal actuarial 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 2023 and the associated summary funding statement was issued to members.

The funding positions are shown below:

	31 March 2023 (£m)	31 March 2022 (£m)	31 March 2021 (£m)
Liabilities	(14,080) ¹	(20,170) ¹	(21,170)
Assets	15,050	20,140	19,520
(Deficit)	970	(30)	(1,650)
Funding level	107%	100%	92%

The 31 March 2023 interim annual update showed that the technical provisions (TPs) funding level had increased to 107% (2022: 100%) with a surplus of £970m (2022: deficit of £30m).

The year to 31 March 2023 saw high levels of inflation and a level of instability in UK government bond markets that has never been seen before, resulting in a large increase in interest rates over the year. However, due to the Scheme's investment strategy, it has been protected from most of the negative effects of this instability. In fact, it has benefited from the increase in interest rates which, alongside higher expectations of future investment returns, have been the main reasons for the improvement in the Scheme's funding position over the year.

The Trustee continues to monitor the development of the funding position, which has remained very stable since 31 March 2023. There have been further increases in interest rates, which have reduced the value of the assets held by the Scheme, but also similar reductions in the value placed on the Scheme's liabilities. In order to reduce the risk of the funding position deteriorating due to changes in inflation and interest rates, the Trustee is maintaining high levels of interest rate and inflation rate hedging.

¹ The liabilities as of 31 March 2022 and 31 March 2023 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 the passage of time and changes in market conditions.

Trustee's Report

The Recovery Plan

British Airways Plc (BA) and the Trustee agreed a recovery plan as part of the 2021 actuarial 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 £225m 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 TP assumptions in the recovery plan were borne out in practice, the TP 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% each month, 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 actuarial 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 adapts to post-pandemic demand and BA progresses its transformation plan. PwC is advising on an updated covenant analysis of BA as part of the 31 March 2024 actuarial valuation.

SCHEME INVESTMENT

Review of the year to March 2024

The year leading up to 31 March 2024 was favourable for stock markets as the global economy, especially in the United States, grew more than anticipated. Although the economic environment was not as positive for bonds, the extreme volatility that occurred in late 2022 in response to the Truss government's budget did not recur.

Inflation, or the rate at which the prices of goods and services change, has been the primary driver of market sentiment over the past year. Inflation began to rise in late 2021 as the global economy reopened following the pandemic. Then, in February 2022, Russia invaded Ukraine, causing energy and some commodity prices to skyrocket. As a result, UK retail price increases reached levels not seen since the 1980s.

UK inflation began to fall in early 2023 as goods and utility prices started to normalise. Retail price inflation finally fell below 5% at the end of 2023. The prices of services however continued to rise as wages were increased in response to higher living costs. As a result, central banks grew increasingly concerned that inflation was becoming "sticky" rather than temporary.

The Bank of England began raising interest rates in late 2021, increasing its policy rate 14 times between then and August 2023. It kept interest rates unchanged at 5.25% for a year, a strategy the Bank refers to as its "table mountain" strategy. The Bank of England reduced its interest rate to 5% on 31 July 2024 and the Bank expects to lower rates further only if the risks against inflation remaining sustainably close in the medium term to the Bank's target level have dissipated.

Despite central banks keeping interest rates higher for longer than expected, economic activity has remained robust. Wages have increased, jobs have remained plentiful, and consumer spending has been strong despite the squeeze on living standards. As a result, company profits have reached new highs.

In response, stocks in developed markets have risen by more than 25% in the 12 months to March 2024. Technology stocks have led the way, with some of the world's largest companies, such as Microsoft, Amazon, Nvidia, and Google, also benefiting from enthusiasm for "artificial intelligence." Seven companies, known as the "magnificent 7," drove most of the rise in the US stock market.

Trustee's Report

Other areas of the market also performed well. Corporate bonds, fixed income “IOUs” issued by companies, rallied as profitability improved. Prices for commodities such as oil and gold ended the year higher than they started as demand for “real assets” that might provide protection against inflation increased.

Government bonds were the one notable area of weakness. Gilts, bonds issued by the UK government, fell as the market adjusted to inflation and interest rates remaining higher for longer than expected. However, since the same was happening in most of the rest of the world, the pound ended the year stable relative to the US dollar and the euro.

Scheme perspective and asset allocation over the year to March 2024

The Scheme owns assets that are broadly categorised as being either return-seeking or liability-matching. Return-seeking or “growth” assets are higher returning assets, which compensates for them being higher risk. Liability-matching assets are chosen because they reflect some characteristics 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 type of 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 December 2022, the Trustee agreed an updated investment framework with BA as part of the Scheme’s 31 March 2021 actuarial valuation agreement. A target investment strategy consistent with the agreed framework was adopted by the Trustee in March 2023.

Over the last 12 months, BlackRock – working on the Scheme’s behalf – has ensured that the Scheme’s overall asset allocation has remained aligned with the return expectations set in the target strategy. Significant progress has also been made in reducing the Scheme’s allocation to less liquid assets. Additional opportunities to reduce the Scheme’s allocation to less liquid assets have been evaluated and a number of projects are ongoing.



Trustee's Report

BlackRock manages the Scheme's assets within the tolerances set by the Trustee's investment framework while also being able to make tactical asset allocation decisions. The Scheme's actual asset allocation as of 31 March 2024 is shown below.

	Asset category	Actual % 31 March 2024	Actual % 31 March 2023
Return-seeking	Total return-seeking	19.0	21.3
	Equities	3.8	1.2
	Active	0.8	0.5
	Passive	3.0	0.7
	Private equity	4.3	8.1
	Alternatives	2.9	4.2
	Property	8.0	7.8
Liability-matching	Total liability-matching	81.0	78.7
	Diversified illiquid income	10.4	10.0
	Bonds	69.6	67.9
	Corporate bonds	14.0	12.2
	Liability hedging portfolio	55.6	55.7
	Cash	1.0	0.8
Total	100.0	100.0	

In light of the Scheme's funding surplus, its allocation to higher risk return-seeking – or growth – assets has been substantially reduced over the 12 months to March 2024. The Scheme's allocation to liability-matching assets has increased. This helps to support the Scheme's 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.

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.

Trustee's Report

Fund performance

The table below shows the performance of the Scheme's assets. Over the year to 31 March 2024, the Scheme's assets returned -3.0%.

Performance				
Fiscal years to 31 March 2024	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	(3.04)	(6.27)	(1.41)	3.68
Benchmark	(2.62)	(7.59)	(2.24)	3.24

The main driver of the Scheme's assets falling c.3% over the year to 31 March 2024 was the liability hedging portfolio (nominal and index-linked gilts) which fell in value as yields rose over the period. However, this was more than offset by the decrease in the Scheme's liabilities leading to a net positive move in the Scheme's funding position over the year.

Additional Voluntary Contributions (AVCs)

In the year to 31 March 2024, the Short-Dated Gilts Fund (SGF) returned 4.83%, the Equity Biased Fund (EBF) returned 8.24%, and the Mixed Portfolio Fund (MPF) returned 18.86%.

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 2024:

Fiscal years to 31 March 2024	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
MPF	18.86	5.39	7.26	7.50
EBF	8.24	6.36	6.53	7.15
SGF	4.83	2.66	1.69	1.20

Source: Performance shown was calculated by State Street prior to May 2021. Performance since May 2021 is calculated by either BlackRock (Scheme performance) or by BA Pensions (AVC returns).

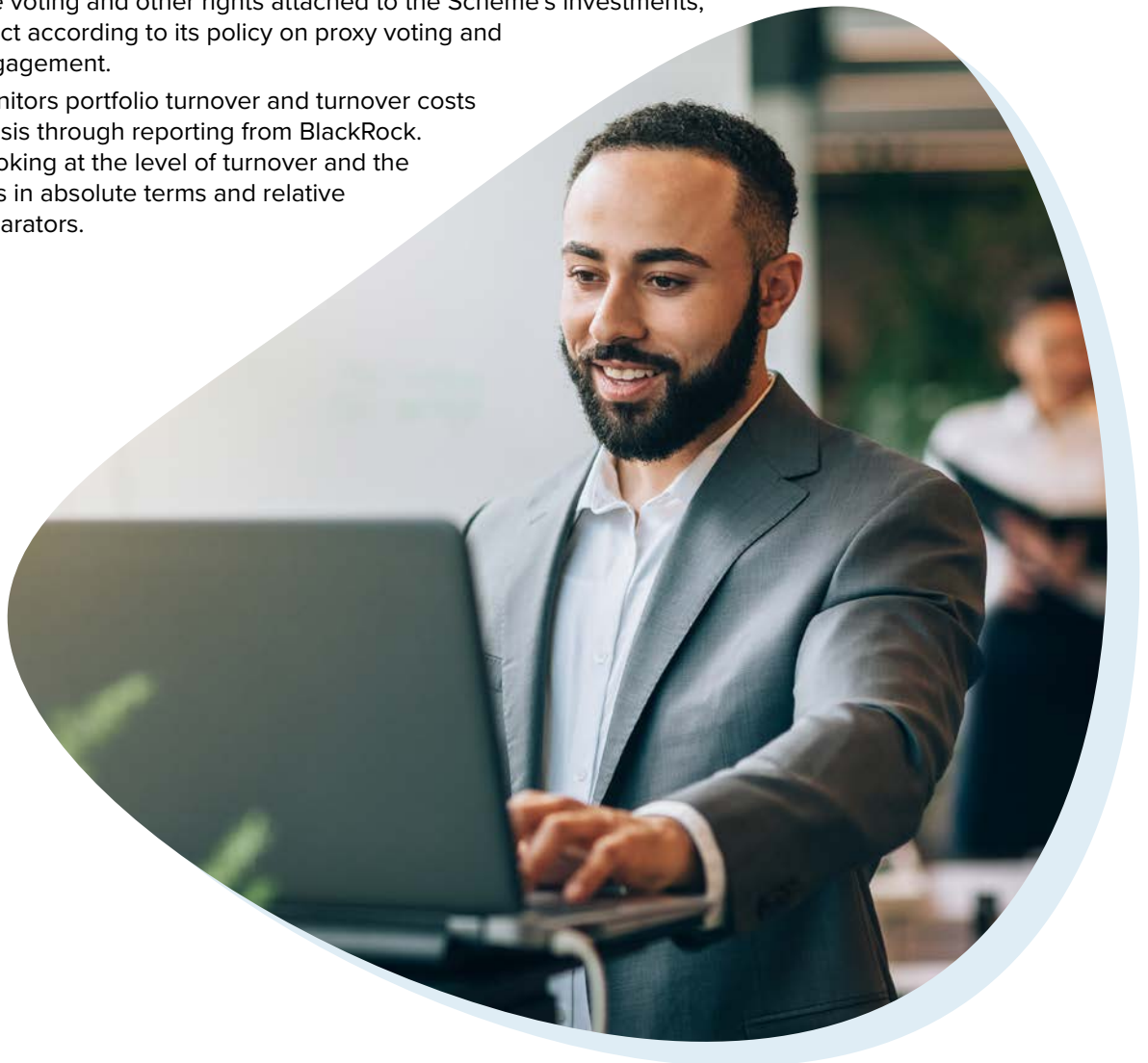


Trustee's Report

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 15 to 27. The SIP is reviewed at least annually, and during the Scheme year, an updated SIP was adopted in March 2024. 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, BA Pensions, 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

The Pensions Regulator's (TPR) long-awaited General Code of Practice came into force in March 2024. The General Code sets out TPR's expectations of the conduct and practice that trustees should meet in order to comply with their duties in pensions legislation. The General Code is wide-ranging, covering topics including the structure and operation of the trustee board, risk management, funding and investment, member administration and communications. The Scheme had already been operating in line with many aspects of the General Code before its finalisation. The Trustee has been undertaking a review of the Scheme's policies and processes and has developed a plan to align them, where required, with best practice.

Trustee knowledge and understanding (TKU)

The Trustee has a formal training policy, the foundation of which is the TKU regime developed by 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. As a matter of good practice, new Trustee Directors are expected to have achieved the required level of knowledge and understanding within six months of appointment (although professional trustees should be able to demonstrate the relevant level of competency from the day of appointment).

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

Risk management and reporting

During the Scheme year, the Trustee 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 BA Pensions, using a risk reporting framework. The Trustee is also preparing for the implementation of the own risk assessment under TPR's General Code of Practice which will be an important part of our risk management 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 December 2023. The policy requires Trustee Directors to complete a declaration of interest form on appointment and notify any changes as they occur; a consolidated register of interests is shared with all board members and consideration of conflicts of interest is a standing agenda item at Trustee meetings. Trustee Directors receive training on managing conflicts of interest and the circumstances in which they may arise.

Trustee's Report

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 in preparation for the 2024 valuation.

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 change the appointment of three MND roles from election to selection. Effective from 1 October 2024 the cabin crew, ground staff and pilots representatives will be appointed by a selection process undertaken by a selection committee (comprising a majority of MNDs). Employed pensioners (pensioners who are still employed by BA) were previously included in the cabin crew, ground staff and pilots constituencies at the Trustee's discretion but are now included by default.

The Trustee Board consists of twelve Trustee Directors.

- Six of the Trustee Directors, including the independent Chair, are appointed by BA.
- Two of the Trustee Directors are elected by pensioner members* of the Scheme (voting members) and must be pensioner members* of NAPS.
- Four Trustee Directors are selected by a selection committee as follows:
 - Three employed MNDs (either employed deferred or employed pensioner). Each will come from a different occupational group and must be employed deferred or employed pensioner members of NAPS
 - One pensioner MND 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 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 MNDs must be supported by at least five voting members in the relevant constituency. Appointments will be made at the discretion of a selection committee.
- Employed pensioners who remain employed with BA are included in the employed deferred category and are not eligible to apply for either of the two pensioner Trustee Director positions until their employment with BA has ceased.
- An MND may be removed following a ballot in which two thirds of the votes cast by voting members in the relevant constituency are in favour of removal. A ballot may be held on written request to the Trustee Directors by fifty of the relevant voting members. The other Trustee Directors must also agree to that Director's removal.
- The Trustee may, at any time, use electronic communications to communicate with, give notice to, or ballot members involved in the process.

* For this purpose, pensioner members do not include members whose benefits have not yet come into payment, who are still employed or survivors in receipt of a pension.

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 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 2024.

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

Although the Main Board is scheduled to meet quarterly, the number of matters requiring the Trustee Directors' attention may require additional meetings to be convened. 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 may have attended, as observers, meetings of Committees to which they were not formally appointed. Any 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 has annually reviewed and assessed 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 was satisfied that the controls are consistent with that Code. The annual assessment is no longer required under the General Code so the Trustee is considering how to monitor the systems, processes and controls for the AVCs going forwards.

SCHEME CHANGES

Factor Review

The Scheme's Actuary has recently reviewed the factors and recommended an adjustment from 1 October 2024, bringing the factors more in line with the pre-1 October 2023 position.

TRUST DEED AMENDMENTS

The following amendments were made during the year:

- **Authorised payments:** enables payment of a lifetime allowance excess lump sum by commuting pension or by drawing an AVC balance.
- **SFO transitional option extension:** the deadline for SFOs to achieve mainline command extended from 31 December 2023 to 30 June 2024.
- **MND selection:** converts the cabin crew, ground staff and pilot MND appointments to be made by a selection committee rather than by election.
- **75 age limit:** removal of the requirement to take benefits at age 75.

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 2024 Order was 6.7% but in accordance with the Scheme Rules, qualifying pensions were increased by 5.0% on 8 April 2024. Increases apply to indexed pensions payable under the Rules of the Scheme (whether in deferment or currently in payment).

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

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

Internal dispute resolution procedure (IDRP)

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

Tax

The allowances for the tax year 2023/24 were:

- 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. This meant that pension savers could exceed the lifetime allowance (LTA) without being penalised and instead pay their normal rate of income tax on the excess. From April 2024, the LTA itself was abolished. With the abolition of the LTA, three new allowances have been introduced - the individual's lump sum allowance (LSA), the individual's lump sum and death benefit allowance (LSBDA) and the individual's overseas tax allowance (OTA). These allowances aim to limit the total amount of tax-free lump sums that individuals can receive from their pension savings. More information on the new allowances can be found at: <https://www.mybapension.com/naps/news/read/23/changes-to-pension-tax-rules>

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 2024 and was signed on its behalf by:

Monica Gupta
Scheme Secretary

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

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 2023 to 31 March 2024, the Scheme's reporting year. This statement sets out how the Trustee's voting and engagement 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. For the Scheme year to 31 March 2024 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 Trustee reviewed and reconfirmed their ESG beliefs in June 2024. The priority theme remained as climate change.

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 2024, NAPS had a total of 59,840 members, of which 41% are deferred, and 59% are pensioners in payment or dependent pensioners.

Scheme 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 2024, BlackRock managed around £14 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 an 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.

Scheme 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 (BA Pensions)

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

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 multi-faceted 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 the priorities of the Scheme. The Trustee was pleased to see that there was good alignment between priorities and so was comfortable that BlackRock's voting policy was also a reasonable reflection of the Trustee's views.

BlackRock's Investment Stewardship 2023 and 2024 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 (annually)
- Investment stewardship and engagement report (annually)
- ESG integration evidence (ad-hoc)
- SIP implementation statement (annually)
- BlackRock's Stewardship Code report (annually)

BA Pensions 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 2023 – 31 March 2024)

Over the period from 1 April 2023 – 31 March 2024, BlackRock voted at 2,022 shareholder meetings on 27,121 individual proposals and voted against management's recommendation on 1,576 occasions, equivalent to 5.8% of all proposals.

BlackRock had votes rejected for administrative reasons at 17 shareholder meetings on 181 proposals over the period. There were no missed ballots during the period.

The table below shows the 2,022 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	87
North America	596
Developed Europe ex-UK	339
Developed and Emerging Asia Pacific ex-Japan	588
Japan	186
Emerging Markets	226
Total	2,022

The table below shows the 27,121 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	25,545
Proposals where BlackRock voted against management	1,576
Total	27,121

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

Proposals voted against management by proposal category	
Director election	630
Shareholder proposals	21
Remuneration	364
Capital structure and dividends	254
Audit, report and accounts	113
Amend articles	50
Board structure and responsibilities	99
Other business	45
Total	1,576

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

7. MPF voting (1 April 2023 – 31 March 2024)

Over the period from 1 April 2023 – 31 March 2024, BlackRock voted at 2,939 shareholder meetings on 28,990 individual proposals and voted against management's recommendation on 2,889 occasions, equivalent to 10% of all proposals.

BlackRock had votes rejected for administrative reasons at 9 shareholder meetings on 121 proposals over the period. There were no missed ballots during the period.

The table below shows the 2,939 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	32
North America	269
Developed Europe ex-UK	129
Developed and Emerging Asia Pacific ex-Japan	2,202
Japan	48
Emerging Markets	259
Total	2,939

The table below shows the 28,990 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	26,101
Proposals where BlackRock voted against management	2,889
Total	28,990

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

Proposals voted against management by proposal category	
Director election	600
Shareholder proposals	50
Remuneration	421
Capital structure and dividends	779
Audit, report and accounts	173
Amend articles	440
Board structure and responsibilities	381
Other business	45
Total	2,889

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#principles-and-guidelines>



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

Most significant votes

BlackRock's stewardship team voted on behalf of the Scheme at 2,022 shareholder meetings over the 12 months to March 2024. 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 tables below set out 5 of the most significant votes for the Scheme over the year to 31 March 2024. 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	Broadcom Inc
Meeting Date	3 April 2023
Trustee Stewardship Priorities	Shareholder concerns
BlackRock Stewardship Priority	Strategy, purpose, and financial resilience. Incentives aligned with value creation.
Approx. Scheme holdings at date of vote	£135K
Highlighted votes	Item 1: Elections of Compensation Committee members: Harry L. You, Diane M. Bryant, Eddy W. Hartenstein, Check Kian Low (Against) Item 4: Advisory vote to approve named executive officer compensation (Against)
Rationale for votes	<p>BlackRock investment stewardship's ("BIS") did not support Broadcom's say-on-pay proposal which sought approval of pay policies that BlackRock did not consider to be aligned with the interests of long-term shareholders. As a result, BlackRock also determined not to support the re-election of the members of the Compensation Committee.</p> <p>BIS has engaged the company on their executive compensation practices over the past several years to understand how pay outcomes aligned with strategy and incentivized long-term financial performance. In recent engagement, we raised concerns about the company's long-term incentive plan, the multi-year use of one-off awards, and the lack of a clawback policy. We also discussed the board's approach to succession planning.</p> <p>BlackRock's chief concern was a special equity award granted in financial year 2022. In its proxy voting guidelines for U.S. securities, BlackRock recognizes that there may be instances when special awards are appropriate, but they should be used sparingly. When evaluating these awards, BlackRock consider a variety of factors, including the magnitude and structure of the award, the recipients of it, the alignment with shareholder value, and the company's historical use of such awards, in addition to other company-specific circumstances.</p> <p>In summary, BlackRock remained concerned about the disproportionate focus on short-term goals and the insufficient transparency in relation to compensation. As a result, BlackRock determined not to support the say on pay proposal and the election of the members of the Compensation Committee.</p>
Outcome of the vote	Item 1: The nominees were elected to serve as directors of Broadcom until the next annual meeting of stockholders or until their successors have been elected Item 4: An advisory vote to approve the named executive officer compensation was not approved

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

Company Name	Abbott Laboratories Inc.
Meeting Date	28 April 2023
Trustee Stewardship Priorities	Board structure
BlackRock Stewardship Priority	Board quality and effectiveness, overcommitment
Approx. Scheme holdings at date of vote	£303K
Highlighted votes	Direction election - re-elect Nancy McKinstry as Director
Rationale for votes	<p>BlackRock investment stewardship (BIS) did not support the exception of the re-election of non-executive board director Nancy McKinstry. Nancy is a sitting public company CEO (Wolters Kluwer) as well as serving on a number of public company boards (Abbott Laboratories and Accenture). BIS therefore has substantial concerns that Nancy is over-committed and unable to exercise sufficient oversight.</p> <p>The role of the non-executive board director is becoming more complex, meaning it is increasingly important they have the capacity to meet all of their responsibilities — including when there are unforeseen events. In BIS' experience, serving on an excessive number of boards is likely to impair directors' ability to fulfil their legal and professional duties.</p> <p>The BIS team's experience is that the performance of the board of directors is critical to the economic success of a company, and therefore to the economic interests of BlackRock's clients as long-term shareholders. A high calibre, effective board is intrinsic to a company's ability to create long-term financial value.</p> <p>BIS will continue to engage with Abbott Laboratories on this issue, as well as to further the BIS team's understanding on how the company approaches material business risks and opportunities, in general.</p>
Outcome of the vote	Nancy McKinstry was re-elected as a director

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

Company Name	Berkshire Hathaway Inc
Meeting Date	01 May 2023
Trustee Stewardship Priorities	Climate change
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£1.57 million
Highlighted votes	<p>1) (Proposal 4) Shareholders request the board of the company publish an annual assessment addressing how the company manages physical and transition climate-related risks and opportunities [...]</p> <p>2) (Proposal 6) Shareholders request that Berkshire issue a report, at reasonable cost and omitting proprietary information, addressing if and how it intends to measure, disclose and reduce the GHG emissions associated with its underwriting, insurance and investment activities in alignment with the Paris Agreement's 1.5 degrees C goal, requiring net zero emissions</p>
Rationale for votes	<p>BIS supported both the shareholder proposals noted, voting against management. Both proposals request information that BIS believes is aligned with best practice. BIS is equally of the view that TCFD-aligned reporting at the holding company level would enhance disclosure of potentially material, non-financial risks and opportunities. Neither request was overly prescriptive or limiting management's ability to maintain oversight of strategy.</p> <p>BIS aims to be a constructive, supportive investor on behalf of BlackRock's clients, bringing a long-term perspective to its work with companies as they manage material risks and opportunities in the context of their business model and sector and that, when addressed, support long-term financial value creation.</p> <p>To this end, BIS will continue to engage with Berkshire Hathaway on governance and material business risks and opportunities, including the potential impacts of its operations on climate and natural capital.</p>
Outcome of the vote	Neither shareholder proposal passed

Company Name	Targa Resources Corp
Meeting Date	23 May 2023
Trustee Stewardship Priorities	Climate change
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£101K
Highlighted votes	<p>Item number 5. Shareholder proposal requesting a report on efforts to reduce methane emission venting and flaring in the company's supply chain. Also, item number 1.1. Director election of Paul W. Chung.</p>
Rationale for votes	<p>At the 2023 AGM, BlackRock's investment stewardship team supported a shareholder proposal requesting a report from the company on efforts to reduce methane emission venting and flaring in the company's supply chain, something BIS believes could be a material long-term risk to the business.</p> <p>At the same meeting, BIS also declined to support the director election of Paul W. Chung, chair of the company's Sustainability Committee as the company does not meet BlackRock's goal of having adequate climate-related metrics and targets on scope 1 and 2 green-house gas emissions.</p>
Outcome of the vote	The shareholder proposal did not pass. Paul W. Chung was re-elected with ~79% of votes for.

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

Company Name	FedEx Corporation
Meeting Date	21 September 2023
Trustee Stewardship Priorities	Labour standards
BlackRock Stewardship Priority	Company impacts on people
Approx. Scheme holdings at date of vote	£40K
Highlighted votes	<ol style="list-style-type: none"> 1) Amend company policy on recoupment of incentive pay; 2) Prepare a report disclosing how FedEx is addressing the impact of its climate change strategy on relevant stakeholders; 3) Publicly disclose its permanent paid sick leave policies, above and beyond legal requirements; and 4) Publish a report on how it is protecting employee 401(k) plan beneficiaries with a longer investment time horizon from climate risk associated with its retirement plan investment options.
Rationale for votes	<p>BIS did not support the shareholder proposals and supported management on all items on the agenda. As noted in BIS' 2023 global voting spotlight, BIS does not support shareholder proposals where the company provides responsive disclosure or where the intent is to micromanage companies.</p> <p>In the case of the proposal to disclose impacts of the climate change strategy on stakeholders, BIS found that the current reporting sufficiently addresses the topic at this time. For the other identified proposals, BIS viewed that these proposals were unduly prescriptive and constraining on the decision-making of the board or management. Based on BIS' experience, it is not appropriate for minority shareholders, such as BlackRock, to seek to direct companies on how they should manage their business.</p> <p>BIS aims to be a constructive, supportive investor on behalf of BlackRock's clients, bringing a long-term perspective to its work with companies as they manage material risks and opportunities in the context of their business model and sector and that, when addressed, support long-term financial value creation.</p> <p>To this end, BIS has had multi-year engagements with FedEx to better understand the company's approach to governance and material business risks and opportunities, including the potential impacts of its operations on people.</p>
Outcome of the vote	All four shareholder proposals did not pass

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

8. NAPS engagement (1 April 2023 - 31 March 2024)

During this period, BlackRock had 1,677 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 2,918 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 1,677 engagements.

Total company engagements	1,677
Engagements by region	Total
Americas	743
EMEA	505
APAC	429
Engagement themes	
Governance	1,546
Social	712
Environmental	660
Top 10 Engagement topics	
G-Corporate strategy	809
G-Board composition and effectiveness	758
G-Remuneration	676
E-Climate risk management	614
G-Business oversight/risk management	478
S-Human capital management	419
E-Sustainability reporting	375
G-Governance structure	357
G-Executive management	344
S-Social risks and opportunities	166

External capabilities²

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 BA Pensions.

²The 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 2023 - 31 March 2024)

During this period, BlackRock had 984 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 1,757 discussions on ESG themes across all engagements. The table below summarises the amount of times BlackRock priority topics were discussed at the 984 engagements.

Total Company Engagements	984
Engagements by region	
Americas	439
EMEA	271
APAC	274
Engagement themes	
Governance	882
Social	429
Environmental	446
Top 10 Engagement topics	
G-Corporate strategy	478
E-Climate risk management	421
G-Board composition and effectiveness	414
G-Remuneration	354
G-Business oversight/risk management	308
S-Human capital management	234
E-Sustainability reporting	233
G-Governance structure	178
G-Executive management	169
S-Social risks and opportunities	117

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 2024, BA Pensions 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 BA Pensions, 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 2024.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Scheme will produce its climate-related report, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) for the Scheme year 1 April 2023 - 31 March 2024. 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 2024 in the **responsible investment section** of the Scheme's website.

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

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

- (i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- (ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and 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 2024 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 2024 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 and the Scheme's breach log.

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

Independent Auditor's Report

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

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

Other information

The Trustee is responsible for the other information, which comprises the Chair's review and Trustee's report (including the report on actuarial liabilities 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: 27 September 2024

Fund Account

	Note	31 March 2024 £'m	31 March 2023 £'m
Contributions and Benefits			
Employer contributions	3	0.4	0.4
Total contributions		<u>0.4</u>	<u>0.4</u>
Transfers in	4	1.1	10.4
		<u>1.5</u>	<u>10.8</u>
Benefits paid or payable	5	(505.5)	(482.1)
Payments to and on account of leavers	6	(17.9)	(166.7)
Administrative expenses	7	(10.2)	(10.4)
		<u>(533.6)</u>	<u>(659.2)</u>
Net withdrawals from dealings with members		<u>(532.1)</u>	<u>(648.4)</u>

Returns on Investments

Investment income	8	127.3	183.8
Investment management expenses	9	(7.5)	(8.9)
Change in market value of investments	10	(574.1)	(4,611.7)
Net return on investments		<u>(454.3)</u>	<u>(4,436.8)</u>
Net decrease in the fund during the year		(986.4)	(5,085.2)
Net assets of the Scheme at 1 April		15,054.0	20,139.2
Net assets of the Scheme at 31 March		<u>14,067.6</u>	<u>15,054.0</u>

The notes on pages 34 to 50 form part of these financial statements.

Statement of Net Assets (available for benefits)

	Note	31 March 2024 £'m	31 March 2023 £'m
Investment assets:			
Equities	10	412.1	109.4
Fixed interest bonds	10	4,115.0	3,924.0
Index-linked bonds	10	8,105.3	7,105.3
Property	10	754.3	837.8
Pooled arrangements			
Property	11	581.9	603.6
Alternative investments	11	1,276.0	1,573.1
Private equity	11	771.4	814.4
Cash	11	191.7	250.9
Derivatives	13	134.8	45.8
AVC mixed portfolio fund	15	117.5	114.0
Cash	10	148.0	1,247.3
Reverse repurchase agreements	10	90.1	127.6
Other investment balances	10	657.7	447.0
		<u>17,355.8</u>	<u>17,200.2</u>
Investment liabilities:			
Derivatives	13	(190.6)	(32.3)
Repurchase agreements	10	(2,416.0)	(1,208.8)
Other investment balances	10	(672.4)	(894.9)
Total net investments		<u>14,076.8</u>	<u>15,064.2</u>
External AVC investments	16	0.1	0.3
Total investments		<u>14,076.9</u>	<u>15,064.5</u>
Current assets		0.6	0.4
Current liabilities		(9.9)	(10.9)
Net assets of the Scheme at 31 March		<u>14,067.6</u>	<u>15,054.0</u>

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 57 to 58 and these financial statements should be read in conjunction with this report.

The notes on pages 34 to 50 form part of the financial statements.

These financial statements were approved by the Trustee Board on 26 September 2024 and were signed on their behalf by:

Wayne Phelan

Trustee Director

John Wheale

Trustee Director

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (revised July 2018). The Scheme is established as a Trust under English law. The address for enquiries about the Scheme can be found on page 3.

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 has considered the latest results for International Airlines Group (IAG) (parent of British Airways Plc) and the Scheme's funding position. Also, no contributions are currently due to the Scheme under the Schedule of Contributions certified on 15 December 2022.

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.
- v. Swap income is accounted for on an accruals basis.
- vi. Receipts from annuity policies are accounted for as investment income on an accruals basis.
- vii. 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 Schemes 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

	2024 £'m	2023 £'m
Employer contributions		
Deficit funding	-	-
Augmentation	0.4	0.4
	<u>0.4</u>	<u>0.4</u>

Details of the deferral of deficit funding contributions during the year are on page 5. Further details regarding contributions are included in the summary of contributions on page 52.

4. Transfers in

	2024 £'m	2023 £'m
Individual transfers in from other schemes	<u>1.1</u>	<u>10.4</u>

Notes to the Financial Statements

5. Benefits paid or payable

	2024 £'m	2023 £'m
Pensions	417.2	391.6
Commutations of pensions and lump sum retirement benefits	86.2	86.2
Lump sum death benefits	1.2	0.9
Taxation where lifetime or annual allowance exceeded	0.9	3.4
	505.5	482.1

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

	2024 £'m	2023 £'m
Individual transfers out to other schemes	17.9	166.7



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 BA Pensions 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 BA Pensions 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:

	2024 £'m	2023 £'m
BA Pensions in-house administration and processing	7.0	5.7
External professional fees	3.2	4.7
	<u>10.2</u>	<u>10.4</u>

8. Investment income

	2024 £'m	2023 £'m
Dividends from equities	4.9	29.3
Income from fixed interest bonds	132.8	124.7
Income from index-linked bonds	36.3	30.1
Net rents from properties	44.2	43.4
Net (payments)/receipts from swaps	6.9	(16.3)
Interest on repurchase agreements - net	(108.8)	(37.8)
Annuity income	3.8	4.2
Interest on cash deposits - net	6.1	2.0
Other income	1.1	4.2
	<u>127.3</u>	<u>183.8</u>

9. Investment management expenses

The Scheme bears the cost of investment management expenses.

	2024 £'m	2023 £'m
Investment management expenses	<u>7.5</u>	<u>8.9</u>

Notes to the Financial Statements

10. Reconciliation of investments

	Value at 31 March 2023 £'m	Purchases at cost & derivative payments £'m	Sales proceeds & derivative receipts £'m	Change in market value £'m	Value at 31 March 2024 £'m
Equities	109.4	329.6	(83.6)	56.7	412.1
Fixed interest bonds	3,924.0	2,390.4	(2,138.6)	(60.8)	4,115.0
Index-linked bonds	7,105.3	3,780.9	(2,302.4)	(478.5)	8,105.3
Property	837.8	11.9	(5.3)	(90.1)	754.3
Pooled arrangements:					
- Property	603.6	44.9	(23.2)	(43.4)	581.9
- Alternative investments	1,573.1	7.6	(285.4)	(19.3)	1,276.0
- Private equity	814.4	101.1	(173.6)	29.5	771.4
- Cash	250.9	1,551.0	(1,623.8)	13.6	191.7
Derivatives:					
- Swaps	(12.3)	128.3	(131.0)	(37.3)	(52.3)
- Futures	0.3	102.2	(107.4)	6.4	1.5
- Forward foreign exchange	25.5	77.4	(147.1)	39.2	(5.0)
AVC Mixed Portfolio Fund	114.0	0.7	(16.8)	19.6	117.5
External AVC investments	0.3	-	(0.3)	0.1	0.1
	15,346.3	8,526.0	(7,038.5)	(564.3)	16,269.5
Cash	1,247.3			6.6	148.0
Repurchase agreements	(1,081.2)			-	(2,325.9)
Other investments	(447.9)			(16.4)	(14.7)
	15,064.5			(574.1)	14,076.9

There was one (2023: one) individual investment which comprised greater than 5% of the net assets of the Scheme at the year end (in absolute terms); UK index-linked gilt 2032 1.25% of 5.5% (2023: 5.2%).

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	2024 Total £'m	2023 £'m
Equities	-	0.1	0.1	0.2	1.6
Other	-	0.4	-	0.4	0.6
2024	-	0.5	0.1	0.6	2.2
2023	0.5	1.3	0.4	2.2	

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 2024, the value of these funds are as follows:

Property	% held	2024 £'m	2023 £'m
Externally held pooled indirect funds		581.7	597.9
Direct UK property fund	82.2%	0.2	5.7
Total property unitised		581.9	603.6
Alternatives		2024 £'m	2023 £'m
Direct investment funds		1,276.0	1,573.1
Private equity		2024 £'m	2023 £'m
Direct investment funds		771.4	814.4
Cash		2024 £'m	2023 £'m
Direct investment funds		191.7	250.9

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.

	2024 £'m	2023 £'m
Corporate bonds	19.1	15.0
Floating rate notes (or loan notes)	313.1	275.2
Futures	(0.9)	(1.2)
Fixed income futures	0.9	1.2
Liquidity funds	25.0	34.3
Total	357.2	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	<1 to 30 years	706.4	53.8	(76.8)
Total OTC		706.4	53.8	(76.8)
Cleared				
Inflation-linked swaps	<1 to 30 years	5,259.2	19.7	(24.0)
Interest rate swaps	<1 to 50 years	6,616.8	44.3	(69.3)
Total Cleared		11,876.0	64.0	(93.3)
Total 2024		12,582.4	117.8	(170.1)
Total 2023		5,260.7	105.2	(117.5)

Included within index-linked and fixed interest bond balances, as disclosed in note 10, are £46.0m (2023: £30.1m) 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 and bond portfolio as follows:

Nature	Economic Exposure £'m	Expires	Asset value £'m	Liability Value £'m
Equity future assets	122.1	<1 year	2.7	-
Fixed income futures assets	1,489.1	<1 year	2.6	-
Fixed income futures liabilities	477.6	<1 year	-	(3.4)
Swaptions	2,812.0	Mar 2027	8.1	(8.5)
Total 2024	4,900.8		13.4	(11.9)
Total 2023			7.2	(6.9)

Included within index-linked and fixed interest bond balances as disclosed in note 10 are £31.9m (2023: £55.5m) 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 24-Sep 24	€158.7	0.1	-
Forward to sell EUR	Apr 24-Sep 24	€895.7	3.1	-
USD				
Forward to buy USD	Apr 24-Sep 24	\$45.8	0.1	-
Forward to sell USD	Apr 24-Sep 24	\$1,596.8	-	(8.2)
Other JPY & AUD				
Forward to buy AUD	Apr 24-Sep 24	A\$142.8		(0.2)
Forward to sell JPY	Apr 24-Sep 24	¥3,453.1	0.1	
Total 2024			3.4	(8.4)
Total 2023			35.1	(9.6)

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 £2,416.0m (2023: £1,208.8m) and amounts receivable under reverse repurchase agreements amounted to £90.1m (2023: £127.6m).

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	UK Gilt	(3.4)	FX forwards, swaps & repurchase agreement
Citigroup	UK Gilt & Cash	12.0	FX forwards, swaps & repurchase agreement
Credit Agricole	UK Gilt	1.3	Repurchase agreements
Goldman Sachs	UK Gilt	(6.1)	FX forwards & swaps
HSBC	UK Gilt	(0.7)	FX forwards
JP Morgan	Cash	(2.5)	FX forward & swaps
Lloyds	UK Gilt	1.2	FX forwards & repurchase agreements
Merrill Lynch	UK Gilt	(21.2)	FX forwards & swaps
Morgan Stanley	UK Gilt	(13.1)	FX forwards, swaps & swaptions
National Australia	UK Gilt	1.3	Repurchase agreements
NatWest	UK Gilt	(0.7)	FX forwards
Santander	UK Gilt	2.9	Repurchase agreements
UBS	Cash	0.1	FX forwards
		(28.9)	

Collateral pledged with a counterparty is reflected as a negative value. However, they are included in the statement of net assets as part of the Scheme assets. The collateral balances at the 2023 year end amounted to £42.3m.

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	2024 £'m	2023 £'m
Mixed Portfolio Fund			
Pooled investment vehicles - equities		92.5	90.5
Pooled investment vehicles - fixed interest		20.7	19.8
Pooled investment vehicles - cash		4.3	3.7
Total Mixed Portfolio Fund	92.40%	117.5	114.0
Short-Dated Gilts Fund		10.4	10.9
Equity Biased Fund		121.1	125.5
		249.0	250.4

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:

	2024 £'m	2023 £'m
British Caledonian		
Prudential	-	0.2
Davies & Newman and Dan Air		
Utmost (formerly known as Equitable Life Assurance)	0.1	0.1
	0.1	0.3

Notes to the Financial Statements

17. Defined contribution scheme

Within the Scheme 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:

	2024 £'m	2023 £'m
Balance of BAMPS at 1 April	6.0	6.3
Interest	0.5	0.2
Retirements	(0.4)	(0.5)
Balance of BAMPS at 31 March	<u>6.1</u>	<u>6.0</u>



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 2024			Total £'m
	Level (1) £'m	Level (2) £'m	Level (3) £'m	
Equities	412.1	-	-	412.1
Bonds	10,171.8	2,048.5	-	12,220.3
Property	-	-	754.3	754.3
Pooled arrangements	-	191.7	2,629.3	2,821.0
Derivatives	1.5	(57.3)	-	(55.8)
AVC Mixed Portfolio Fund	117.5	-	-	117.5
External AVCs	0.1	-	-	0.1
Cash	65.3	82.7	-	148.0
Repurchase agreements	-	(2,325.9)	-	(2,325.9)
Other investment balances	71.9	(86.6)	-	(14.7)
	10,840.2	(146.9)	3,383.6	14,076.9

	As of 31 March 2023			Total £'m
	Level (1) £'m	Level (2) £'m	Level (3) £'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

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 undertook 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 lent certain fixed interest and equity securities under a Trustee-approved stock lending program. The equity lending programme was managed at the discretion of and was fully indemnified by the custodian State Street Bank and Trust Company. The fixed income lending programme was managed at the discretion of and was fully indemnified by the investment manager, BlackRock. The Trustee managed the credit risk arising from stock lending activities by restricting the amount of overall stock that could be lent, the term of the loans, only lending to approved borrowers, limiting the amount that could be lent to anyone borrower and putting in place collateral arrangements. The Trustee ceased lending activities in March 2024, and at the year-end, the Scheme had no securities on loan (2023: £216.6 million).

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.

7.7% 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:

	2024	2023
	£'m	£'m
US Dollar	195.8	476.2
Euro	109.7	76.7
Other	187.3	0.3
	492.8	553.2

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return-seeking portfolio which includes directly held equities and properties, 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 BA Pensions.

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:

	2024	2023
	£'m	£'m
Property	120.2	177.7
Alternative investments	138.8	343.9
Private equity	108.7	111.0
	367.7	632.6

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.

BA Pensions provides administration services to the Scheme. The Scheme is recharged for these services, as shown in the fund account, and in note 7.

The Trustee Directors of the Scheme are considered to be key management personnel. Vidett Trust Corporation Limited was remunerated by BA in respect of its services as Chair of the Trustee Companies. Pensioner elected Trustee Directors who were not employed by the Employer were also paid by the Employer.

In addition to the member nominated Trustee Directors, two (2023: two) 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.

Notes to the Financial Statements

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 affect many 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 has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined. In the meantime, the funding figures provided on page 4 of the Trustee report include an approximate allowance of £40m for the impact of GMP equalisation.

24. Virgin Media case

In June 2023, the High Court handed down a decision in the Virgin Media Ltd v NTL Pension Trustees II Ltd, which considered the implications of section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme, like New Airways Pension Scheme, cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards. The High Court found that, where the required actuarial confirmation was not supplied, the effect of section 37 was to render the relevant amendment right automatically void. It also held that the actuarial confirmation had to be obtained for both past and future service rights and that the requirement for actuarial confirmation applied to all amendments to the rules of a contracted-out scheme. This decision was immediately appealed to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court. The case has the potential to cause significant issues in the pensions industry. The Trustee will consider the possible implications for the Scheme of the above with its advisers and what steps, if any, it wishes to take. Therefore, it is not possible, at present, to estimate the potential impact, if any, on the Scheme.



Independent Auditor's Statement About Contributions

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

Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the New Airways Pension Scheme in respect of the Scheme year ended 31 March 2024 which is set out on page 52.

In our opinion contributions for the Scheme year ended 31 March 2024 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 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 Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the Auditor

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

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

The purpose of our work and to whom we owe our responsibilities

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

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

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

Date: 27 September 2024

Trustee's Summary of Contributions

Statement of Trustee's responsibilities in respect of contributions

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

Trustee's summary of contributions payable under the Schedule in respect of the Scheme year ended 31 March 2024

This summary of contributions has been prepared on behalf of and is the responsibility of the Trustee. It sets out the Employer and employee contributions payable to the Scheme under the Schedule of Contributions certified by the Actuary on 15 December 2022 in respect of the Scheme year ended 31 March 2024. The Scheme Auditor reports on contributions payable under the Schedule in the Auditor's statement about contributions.

Contributions payable under the Schedule in respect of the Scheme year	£'m
Employer deficit funding contributions – regular	-
Contributions payable under the Schedule (as reported on by the Scheme Auditor)	-
Reconciliation of contributions	
Reconciliation of contributions payable under the Schedule of contributions reported in the financial statements in respect of the Scheme year:	
	£'m
Contributions payable under the Schedule (as above)	-
Contributions payable in addition to those due under the Schedule:	
Employer augmentation	0.4
Total contributions reported in the financial statements	0.4

This report was approved by the Trustee Board on 26 September 2024 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: 15 December 2022

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

About Lane Clark & Peacock LLP

We are a limited liability partnership registered in England and Wales with registered number OC301436. LCP is a registered trademark in the UK (Regd. TM No 2315442) and in the EU (Regd. TM No 002935583). All partners are members of Lane Clark & Peacock LLP. A list of members' names is available for inspection at 95 Wigmore Street, London, W1U 1DQ, the firm's principal place of business and registered office.

Lane Clark & Peacock LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. Locations in London, Winchester and Ireland.

© Lane Clark & Peacock LLP 2022.

<https://www.lcp.uk.com/emails-important-information> contains important information about this communication from LCP, including limitations as to its use.

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*	94% of S3PMA
- High pensions*	73% of S3PMA
Female non-pensioners	87% of S3PFA
Male pensioners with:	
- Low pensions*	107% of S3PMA
- High pensions*	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:

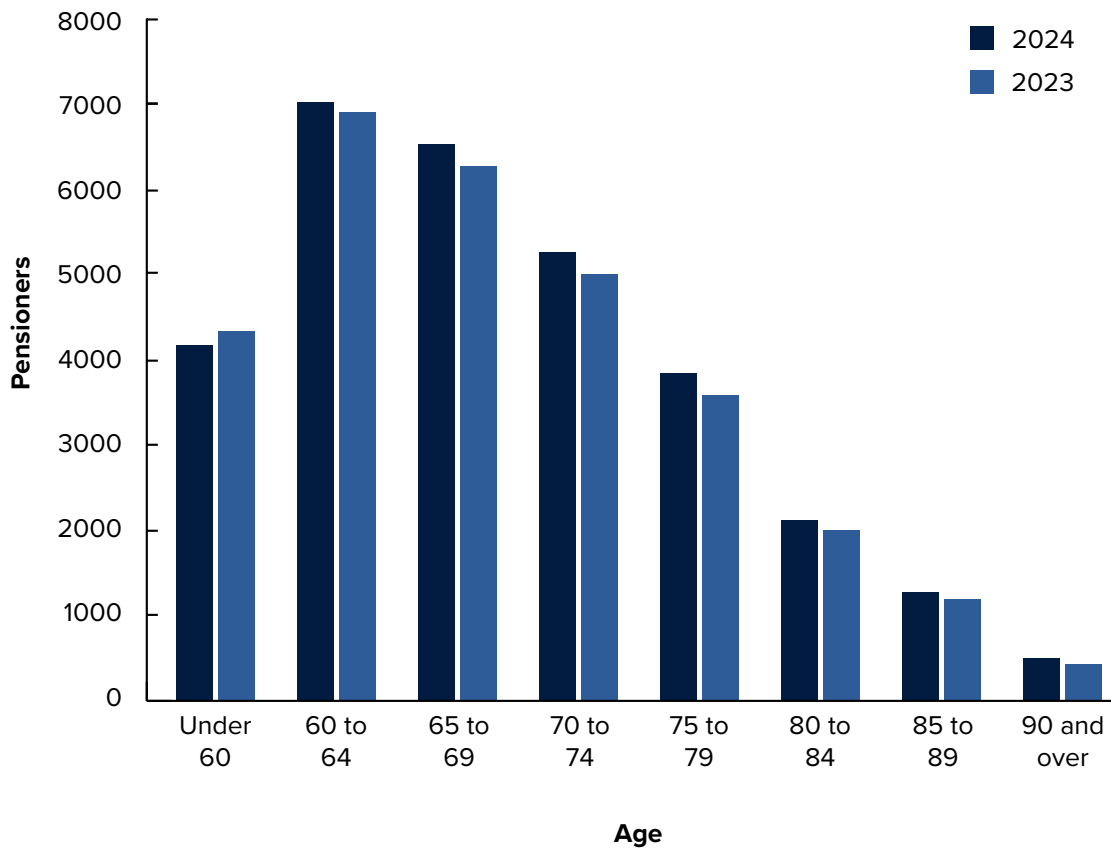
- for known retirements and exits up to 30 June 2022 and non-pensioners assumed to retire between 1 July 2022 and 31 March 2023, on the terms in force at 31 March 2021; and
- for other non-pensioners, on factors which are consistent with a 22% increase to those in force as at 31 March 2021 for a member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



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

	2024	2023
Pensioners in payment	30,686	29,662
Dependant pensioners	4,924	4,804
Deferred pensioners	24,230	25,967
	59,840	60,433

Pensioner Age Analysis 2023/24



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.

