

# New Airways Pension Scheme

Implementation Statement  
Statement of Investment Principles

2022



# Statement of Investment Principles (SIP) – Implementation Statement

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## 1 Introduction

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

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

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

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

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

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

Both the SIP and the RI Policy are available on the [member website](#).

## 2 Assets held and managed

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

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

NAPS' 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 2022, BlackRock managed around £20 billion in assets for the Scheme, with a strategic asset allocation set out in the SIP of 66% in liability matching assets and 34% in return-seeking assets. Liability matching assets include government bonds (fixed and inflation-linked), corporate bonds, diversified illiquid income and cash. Return-seeking assets include listed equities, private equity, alternatives and property.

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

## Investment Managers

Up until 31 May 2021, BAPIML was the Scheme’s in-house investment manager, providing services exclusively to NAPS and the Airways Pension Scheme<sup>1</sup> (APS). BAPIML was a limited company that was wholly owned by the Custodian Trustee of the NAPS and APS Management Trustees.

BAPIML directly managed active mandates for NAPS in global equities, corporate bonds, government bonds and inflation-linked bonds, and direct property. Its fund managers selected and oversaw NAPS’ third-party managers in private equity, alternatives, real assets, illiquid income and property. BAPIML also managed a number of active equity and bond portfolios for the MPF.

From 1 June 2021, the Scheme’s investment manager was changed to BlackRock. Alongside the change of investment manager, various restructuring of the assets occurred. This included a change in the equity portfolio from a regional approach to a global basis, with appropriate benchmarks, and also the introduction of a passive equity mandate. Within the corporate bond asset class, the mandate was moved to a buy-and-maintain approach.

## British Airways Pension Services Limited (BAPSL)

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

## 3 Policies and practices

The Scheme’s RI Policy and SIP were most recently reviewed and updated in November and December 2021, respectively. Both of these documents can be found on the [member website](#).

The NAPS SIP describes the Trustee’s position on ESG issues by means of the following Mission Statement:

*“Environmental (including climate change), social and governance (ESG) issues are multifaceted and represent long-term systemic risks.*

*We recognise that ESG risks are financially material and need to be managed as we have a long-term payment horizon. We therefore seek to integrate ESG considerations into our decision-making and reporting processes across all asset classes.*

*Where consistent with our fiduciary duties, and applicable to our investment strategy, we require our investment managers to actively engage and utilise their voting rights/engagement to drive up ESG standards in the organisations in which we invest.”*

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

- The Trustee expects BlackRock to, where possible, integrate financially material ESG considerations into the investment decision-making processes at a portfolio level, at asset level, across all asset classes and at all stages throughout the entire investment life cycle, including in the selection, retention and realisation of investments. (NAPS SIP 7.6)

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<sup>1</sup> APS is a defined benefit scheme which is closed to new entrants. APS is a more mature scheme than NAPS with the vast majority of its members being pensioners in payment or their dependants.

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

## 4 Monitoring and communication

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

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

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

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

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

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

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

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

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

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

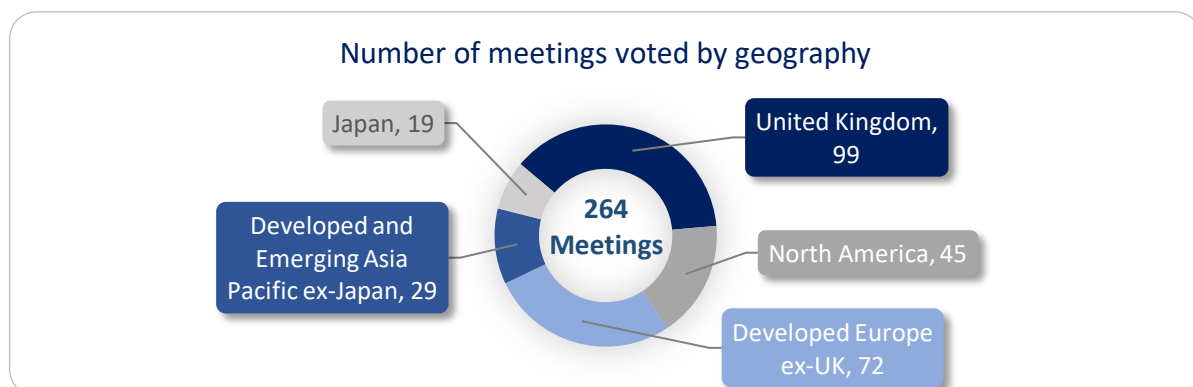
BAPIML’s policy was to exercise its clients’ voting rights in all geographies, for all relevant asset classes, wherever possible. BAPIML’s voting was predominantly associated with the Scheme’s listed equity holdings, although its credit managers were from time to time asked to vote on proposals relating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

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

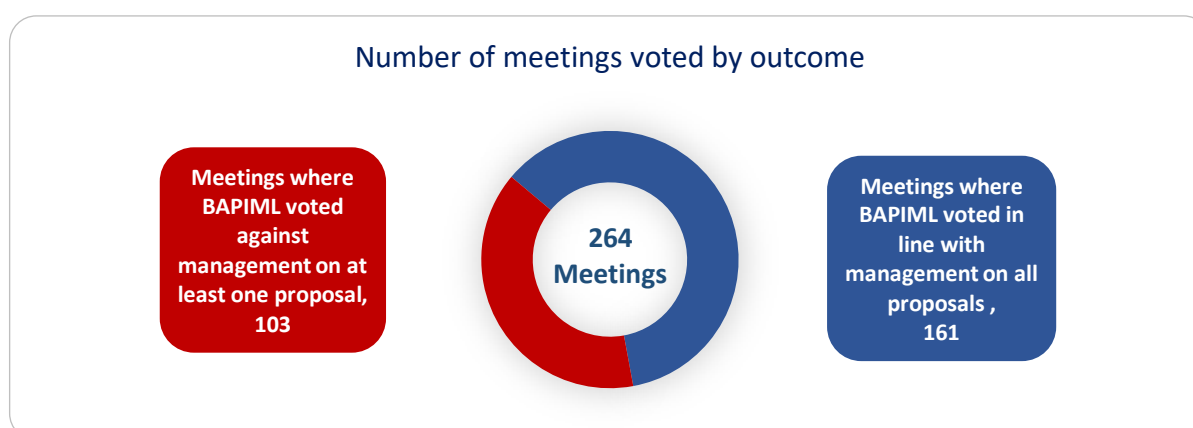
BAPIML was required to consider recommendations on voting from a specialist service provider, Institutional Shareholder Services. The relevant asset class fund manager was ultimately responsible for deciding how to vote. Managers were encouraged to vote for each corporate event on a case-by-case basis,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

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

Over the 2 months to the end of May 2021, BAPIML voted on behalf of NAPS and/or the MPF at 264 meetings on a total of 4,512 proposals.



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



### Number of proposals voted by outcome



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

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

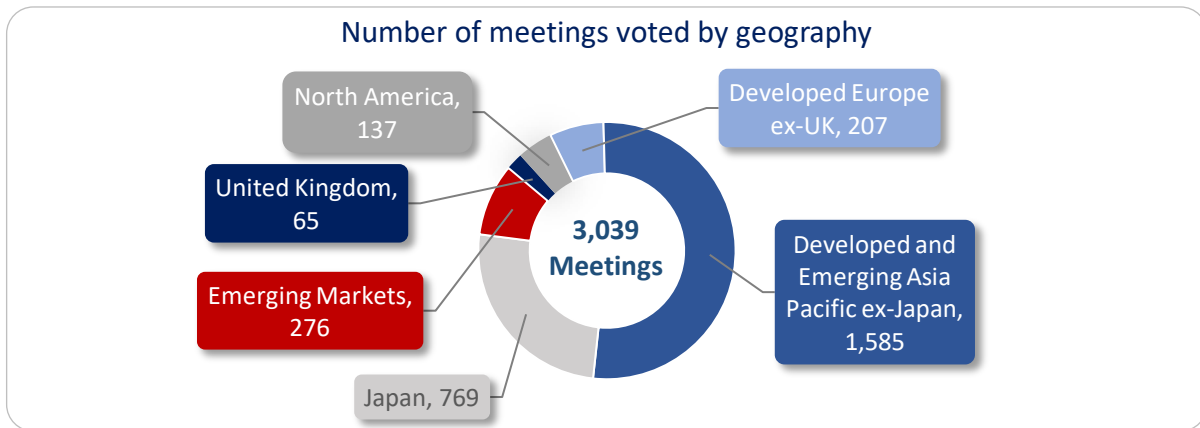
Proposals where BAPIML voted against management by proposal category	Number of proposals	Proportion of category
Director Election	72	27%
Shareholder Proposals	51	19%
Remuneration	78	29%
Capital Structure and Dividends	46	17%
Audit, Report and Accounts	5	2%
Other Business	16	6%
<b>Total</b>	<b>268</b>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

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

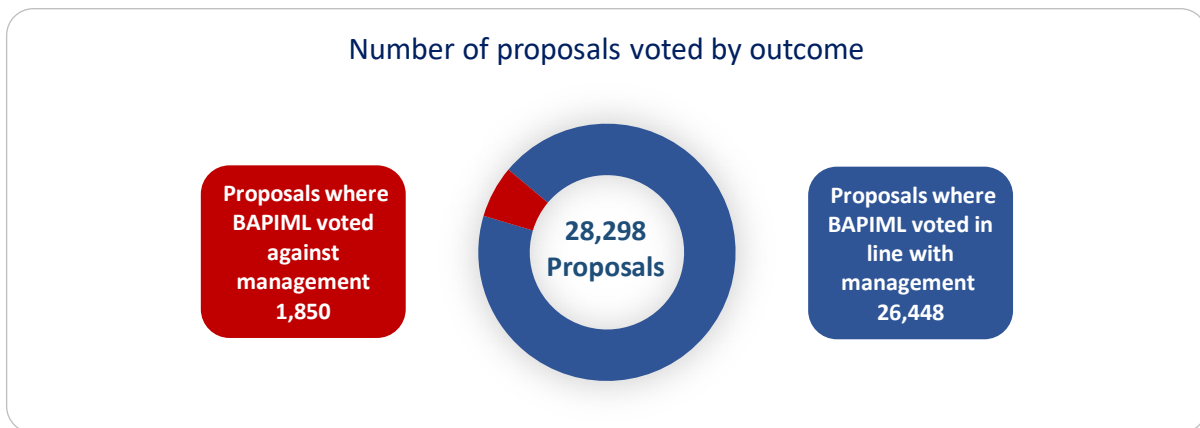
Over the period from 1 June 2021 – 31 March 2022, BlackRock voted at 3,039 shareholder meetings on 28,298 individual proposals and voted against management’s recommendation on 1,850 occasions, equivalent to 6.5% of all proposals.

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

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



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



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

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



### BlackRock proxy voting guidelines

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

BlackRock’s market-specific voting guidelines are available on their website at:

[www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf](http://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf)

### Most significant votes

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

Company name	ExxonMobil Corporation	China Tower Corporation Ltd
Date of the vote	AGM of 26 May 2021	EGM of 14 January 2022
Approx. Scheme holdings at date of vote	NAPS: c.£7.7m MPF: c.£0.5m (as at 31 March 2021, the nearest available)	NAPS: c.£0.10m MPF: c£0.01m
Significance	There is concern that the ExxonMobil energy transition strategy falls short of what is necessary to ensure the company’s resilience in a low carbon economy.	There is concern over the lack of diversity on the Board, particularly gender, where the company has no female Board members
Summary of the vote	Engine No. 1 LLC is an impact-focused investment firm. As a shareholder, Engine No. 1 proposed replacing existing Board members with up to four new directors with experience relevant to the energy transition. BAPIML supported the election of three of the four directors proposed, voting against the recommendation of the Board without prior communication to ExxonMobil. BAPIML’s view was that the Board would benefit from the addition of diverse energy experience to augment existing skillsets. The three directors that BAPIML voted in favour of were elected.	The proposals were to re-elect two incumbent directors, none of whom were female, with BlackRock voting against both directors and communicating this intention to the company in advance. BlackRock believed both directors should be held accountable for the lack of gender diversity among the proposed candidates. Both proposed directors were elected. BlackRock’s view centered on concerns about the lacker of gender diversity on the Board, with the company on track to be non-compliant with the Hong Kong

		Exchange Corporate Governance Code, which has recently been updated to require all listed companies to appoint at least one director of a different gender no later than 31 December 2024.
<b>Next steps</b>	BlackRock continues to engage with ExxonMobil given the urgency with which BlackRock expects the company to deliver on its climate-related commitments.	BlackRock continues to engage with China Tower on board diversity and other issues around board effectiveness.

## 7 NAPS and MPF Engagement (1 April 2021 – 31 May 2021)

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

*"protect or enhance the value of the Scheme's assets by aiming to bring about a change to the investment's ESG practices and performance."*

*"build long-term relationships with management as part of asset managers' ongoing monitoring and scrutiny of the Scheme's assets."*

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

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

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

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

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

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

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

### External capabilities<sup>2</sup>

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

<sup>2</sup> The Investment Managers provided oversight of external managers in private equity, alternatives, real assets and illiquid income.

## 9 MPF Engagement (01 June 2021 - 31 March 2022)

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

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

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

### BlackRock's Engagement Priorities

Each year, BlackRock sets 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 notes that their priorities provide clients with insight into how they are conducting engagement and voting activities on their behalf.

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

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

More about the BlackRock Investment Stewardship team’s engagement priorities is available on the [BlackRock website](#).

## 10 Stewardship examples

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

### Ambev – Climate and Natural Capital<sup>3</sup>

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

BIS views how companies manage natural capital as an investment issue. As described in wider BlackRock commentary<sup>4</sup>, the ability of many resource-intensive companies to operate is dependent on sustaining the ecosystems that provide them with these underlying resources. Inadequate oversight of the use of natural resources may result in negative consequences arising from regulatory, reputational, and/or operational risks, among others, that may impact a company’s social license to operate and its ability to create long-term value.

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

### Samsung Electronics– Climate Risk<sup>5</sup>

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

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

<sup>3</sup> Position held on ACWI ESG focus Low Carbon Screened (NAPS-FLCEQ) as of 31 December 2021.

<sup>4</sup> “Our approach to engagement on natural capital”, [BlackRock commentary engagement on Natural Capital.pdf](#)

<sup>5</sup> Position held on ACWI ESG focus Low Carbon Screened (NAPS-FLCEQ) and MPF pooled fund iShares Emerging Market Screened Equity Index Fund (IEMSAGG) as of 31 March 2022.

### Samsung Electronics– Climate Risk<sup>6</sup>...continued

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

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

## 11 Affiliations and initiatives

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

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

## 12 Member Enquiries

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

The Trustee does not take members’ views into account when setting the Scheme’s investment strategies, but the Trustee does receive a summary of all member enquiries relating to responsible investment matters. Please visit the ‘[Scheme Documents](#)’ page of the member website for more details on 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](mailto:esg@bapensions.com).

## 13 Task Force on Climate-Related Financial Disclosures (TCFD)

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

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<sup>6</sup> Position held on ACWI ESG focus Low Carbon Screened (NAPS-FLCEQ) and MPF pooled fund iShares Emerging Market Screened Equity Index Fund (IEMSAGG) as of 31 March 2022.

## 14 Conclusion

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

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

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

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