



Airways Pensions Scheme

Summary implementation statement

Statement of investment principles



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1. Introduction

This statement sets out how our policies under the terms of the SIP have been put into practice.

2. Assets held and managed

The Airways Pension Scheme (APS) is a defined-benefit scheme that has been closed to new members since 1984. As of March 2021, the APS had a total of 21,319 members, and nearly all of these were pensioners in payment (people who are receiving an income from their pension), dependent pensioners (people, other than the member, who depend on the income from this pension) or deferred members (people who have are not yet receiving an income from their pension). As of March 2021, the investment manager for the Scheme, British Airways Pension Investment Management Limited (BAPIML), managed over £3 billion in assets for the Scheme, mainly in liability-matching assets and partly in return-seeking assets. (From 1 June 2021, the Scheme's investment manager was changed to BlackRock.)

3. Policies and practices

- There are many aspects to environmental (including climate change), social and governance (ESG) issues, and these issues represent long-term risks.
- We recognise that ESG risks are financially significant and need to be managed as we have a long-term payment plan.
- We aim to consider ESG matters in our decision-making and reporting processes across all asset classes.
- We will be actively involved in, and use our voting rights to improve, ESG standards, as long as this is consistent with the duty we have to protect people's investments and is in line with our investment strategy.

4. Monitoring and communication

- We also receive written reports setting out the investment manager's stewardship activities (for example, voting at company meetings and meetings held with company management), and the outcomes of these activities.
- When setting the Scheme's investment strategy, the trustee directors do not take account of members' and beneficiaries' views on non-financial matters, including environmental and social issues.

5. Voting

BAPIML's policy was to exercise its clients' voting rights in all geographical areas, for all relevant asset classes, wherever possible. The matters BAPIML voted on were mainly associated with the Scheme's listed equity holdings (held in the Mixed Portfolio Fund (MPF)), although its credit managers were sometimes asked to vote on proposals relating to corporate bonds.

Number of meetings voted at (by geographic area)	
United Kingdom	155
North America	76
Developed Europe (not including the UK)	124
Developed and emerging Asia Pacific (not including Japan)	112
Japan	482

6. Engagement

BAPIML defines engagement as any two-way conversation between BAPIML (as an investor) and the management of investee or potential investee companies. Over the 12 months to the end of March 2021, BAPIML's equity and corporate bond investment managers carried out 200 engagements with company management.

Type of engagement	Number of engagements in the 12 months to the end of:	
	March 2020	March 2021
Small group meeting	233	81
One-to-one meeting	65	26
Call	25	69
Letter or email	20	17
Investor site visit	17	0
Capital markets day	12	5
Annual meeting	5	2
Total	377	200

In the 12 months to March 2021, environmental topics were discussed in 35% of company engagements, up from 28% the year before. The table below shows the number of times different topics were discussed in engagements with company management.

Topics	Number of times discussed in the 12 months to the end of:	
	March 2020	March 2021
Strategy	375	184
Environmental	106	70
Social	85	68
Governance	96	46
ESG process	-	13

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

AGL Energy Ltd (AGL)

AGL wanted to update its CEO's long-term incentive plan (LTIP) to increase the effect that reducing the company's carbon emissions has on the CEO's bonus. Institutional Shareholder Services (ISS), who provide outsourced corporate governance expertise, recommended voting against the LTIP, believing that the importance placed on carbon emissions was too high and that the CEO's bonus should be reduced given the lower profit target.

BAPIML's fund manager believed that moving towards owning low-carbon assets was an important strategic priority for AGL. The fund manager also believed that it would reduce the company's profits in the short term, as AGL makes new investments in renewable energy and writes off the value of its coal-fired power stations.

BAPIML voted in favour of the LTIP against ISS' recommendations, believing the changes were in line with action taken by other firms, and designed to encourage the CEO to act in the shareholders' best interests. In total, 70.7% of AGL's shareholders voted in favour of the LTIP, and it was approved.



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