

# Airways Pension Scheme

Implementation Statement  
Statement of Investment Principles

2023



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# Statement of Investment Principles (SIP) – Implementation Statement

## 1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual implementation statement, setting out how the policies described in the Scheme's Statement of Investment Principles (SIP) have been followed. This statement covers the period 1 April 2022 to 31 March 2023, the Scheme's reporting year.

This statement sets out how the Trustee's policies under the terms of the SIP have been implemented. It also has regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

The Scheme's SIP was updated in December 2021, to reflect the Scheme's Long-Term Objective. For the Scheme year to 31 March 2023 BlackRock was in place as investment manager. For the purpose of this statement BlackRock is referred to as the "Investment Manager".

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

The RI Policy was updated in December 2022. The main changes focused on including the Trustee's priority theme of climate change that came out of the 2021 review of the Trustee's ESG beliefs, and inclusion of additional wording around ongoing monitoring of the activity conducted by BlackRock on behalf of the Trustee.

The responsibility for the implementation, review and monitoring of the Scheme's RI Policy sits with the Trustee Board.

Both the SIP and the **RI Policy** are available on the '**Scheme documents**' page of the member website.

## 2. Assets held and managed

The Airways Pension Scheme (APS) is a defined benefit scheme that has been closed to new entrants since 1984. As of 31 March 2023, APS had a total of 19,670 members, nearly all of which are pensioners in payment, dependents or deferred pensioners.

The Trustee's main objective is to deliver the benefits that members are due without taking significant risks. In a major step towards reaching this goal, APS insured c.£4.4 billion of liabilities through a pensioner buy-in with Legal & General in 2018, which resulted in a large reduction in the Scheme's assets under management.

As of 31 March 2023, BlackRock managed around £1.5 billion in assets for the Scheme. The Scheme's investment strategy consists of a liquidation portfolio and a liability matching portfolio, along with a derivative overlay portfolio as required. The assets managed are predominantly invested in inflation linked government bonds and corporate bonds, with a small allocation to illiquid return-seeking assets (mainly private equity and alternatives).

APS 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.

### **British Airways Pension Services Limited (BAPSL)**

BAPSL is the Scheme's in-house administrator, providing administrative services to the APS and NAPS 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 should be expected to develop over time as regulation and best practices evolve. It was most recently reviewed and updated in December 2022. The latest versions of both the Scheme's SIP and RI Policy can be found on the '[Scheme documents](#)' page of the member website.

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

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

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

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

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

- The Trustee expects BlackRock to, where 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 (APS 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 interest. BlackRock is required to keep records of each engagement and outcome (APS 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 (APS SIP 7.10).
- The Scheme's RI activities, annual voting and engagement reports will be made available on a publicly accessible website (APS SIP 7.12).

### 4. Stewardship priorities

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

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

BlackRock's Investment Stewardship 2022 and 2023 engagement priorities were:

- **Board quality and effectiveness** – Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remained a top priority.

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

More about the BlackRock Investment Stewardship team’s engagement priorities can be found [here](#).

## 5. Monitoring and communication

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

Implementation of the Scheme’s RI Policy is delegated to BlackRock. The Investment Managers are charged with integrating ESG considerations where possible and 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 APS and NAPS accounts) manage and track the voting activity and are responsible for producing internal and Trustee-facing ESG reporting.

The Investment Managers’ representatives attend regular Trustee meetings to report on integration and stewardship activities. The Trustee 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)

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.

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

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

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

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

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

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

Number of proposals voted by outcome	
Proposals where BAPIML voted in line with management	26,524
Proposals where BAPIML voted against management	2,963
<b>Total</b>	<b>29,487</b>

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

Proposals where BlackRock voted against management by proposal category	Proportion of category
Director Election	22%
Shareholder Proposals	1%
Remuneration	13%
Capital Structure and Dividends	30%
Audit, Report and Accounts	5%
Amend Articles	17%
Board Structure and Responsibilities	10%
Other Business	2%
<b>Total</b>	<b>100%</b>

## 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](#).

## Most significant votes

Note that APS doesn't directly own any securities that have an attaching vote. Therefore, examples have been included below for the holdings in the MPF.

The tables below sets out the most significant votes for the Scheme (from the MPF holdings) over the year to 31 March 2023. In addition, two engagement examples have been included for APS, relating to holdings in the Buy & Maintain credit portfolio. 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.

Significant vote examples:

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

<b>Company name</b>	<b>ExxonMobil Corporation</b>
<b>Meeting Date</b>	25 May 2022
<b>Trustee Stewardship Priority</b>	Climate change
<b>BlackRock Stewardship Priority</b>	Climate and natural capital
<b>Approx. Scheme holdings at date of vote</b>	Units held in MPF Pooled fund
<b>Highlighted vote</b>	Shareholder proposal   Reduce company emissions and hydrocarbon sales (AGAINST)
<b>Rationale for vote</b>	BlackRock did not support this shareholder proposal in recognition of the steps the company has taken in the past year on setting scope 1 and 2 GHG emissions reduction targets, where Exxon has an ambition to achieve scope 1 and 2 net zero GHG emissions from all operated assets by 2050 and to reach scope 1 and 2 net zero emissions in the Upstream Permian Basin by 2030. The company has not set scope 3 emissions reduction targets, but BlackRock takes the view that scope 3 emissions are complex
<b>Outcome of the vote</b>	This proposal was not approved

<b>Company name</b>	<b>TotalEnergies SE</b>
<b>Meeting Date</b>	25 May 2022
<b>Trustee Stewardship Priority</b>	Climate change
<b>BlackRock Stewardship Priority</b>	Climate risk
<b>Approx. Scheme holdings at date of vote</b>	Units held in MPF Pooled fund
<b>Highlighted vote</b>	Management proposal   Company's Sustainability and Climate Transition Plan (FOR)
<b>Rationale for vote</b>	<p>Total's climate-related disclosure is aligned with the pillars of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Their greenhouse gas (GHG) emissions reduction targets and ambitions cover all relevant scopes (1, 2, 3) and timeframes (short-, medium-, long-term), with the aim to reduce total GHG emissions in Europe by 30% by 2030 against a 2015 baseline.</p> <p>Overall, BlackRock recognizes that Total is actively addressing the risks and opportunities stemming from the global energy transition through the Sustainability and Climate Transition Plan, and we welcome the progress the company has made to date against this plan. Therefore, we believed our support for this proposal was in the best long-term economic interests of our clients.</p>
<b>Outcome of the vote</b>	This proposal was approved



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

<b>Company name</b>	Barclays Plc
<b>Meeting Date</b>	4 May 2022
<b>Trustee Stewardship Priority</b>	Climate change
<b>BlackRock Stewardship Priority</b>	Climate risk
<b>Approx. Scheme holdings at date of vote</b>	Units held in MPF Pooled fund
<b>Highlighted vote</b>	Management proposal   Approve Barclays' Climate Strategy, Targets and Progress 2022 (FOR)
<b>Rationale for vote</b>	<p>Barclays has made notable progress in developing their net zero roadmap. In particular, the bank has in the past year added medium-term targets to 2030 for financed emissions which reference the International Energy Agency's (IEA) Net Zero 2050 scenario that "achieves net zero emissions by 2050 and models emissions consistent with limiting the global temperature rise to 1.5°C with a 50% probability." In addition, the company broadened the scope of their targets to include reducing financed emissions from steel and cement, in addition to power and energy.</p> <p>BlackRock supported this proposal in recognition of the company's disclosed climate strategy which includes meaningful short-, medium-, and long-term emissions reduction targets, the company's progress against the commitment laid out in 2020, and the additional enhancements envisioned in their progress report.</p>
<b>Outcome of the vote</b>	This proposal was approved.

Significant engagement examples:

<b>Company name</b>	Equinor, ASA
<b>Meeting Date</b>	11 May 2022
<b>Trustee Stewardship Priority</b>	Climate change
<b>BlackRock Stewardship Priority</b>	Climate and natural capital
<b>Approx. Scheme holdings at date of vote</b>	B&M portfolio (£6.0m)
<b>Highlighted vote</b>	Shareholder proposal   Introduce a Climate Target Agenda and Emission Reduction Plan (a vote AGAINST)
<b>Rationale for vote</b>	BlackRock did not support this shareholder proposal because it believes that the company has already disclosed a plan to manage climate related risks and opportunities. In line with United Nations' Intergovernmental Panel on Climate Change's (IPCC) 1.5 pathway, Equinor has committed to reduce scope 1 and 2 GHG emissions by 50% by 2030 relative to 2015 levels with 90% of the decreases being met by absolute reductions. Its plan also includes an ambition to reach a 40% reduction in scope 1 2 and 3 net carbon intensity by 2035. Overall, BlackRock considers the company to have already made a clear commitment to align its business model with the goals of the Paris Agreement.
<b>Outcome of the vote</b>	The shareholders' proposal was not adopted.

<b>Company name</b>	Rio Tinto Group
<b>Meeting Date</b>	Rio Tinto plc, 8 April 2022; Rio Tinto Limited, 5 May 2022
<b>Trustee Stewardship Priority</b>	Human rights. Labour standards and Board structure.
<b>BlackRock Stewardship Priority</b>	Company impacts on people
<b>Approx. Scheme holdings at date of vote</b>	B&M portfolio (£2.1m)
<b>Highlighted vote</b>	Management proposal   Re-election of board members (a vote FOR)
<b>Rationale for vote</b>	BlackRock has engaged systematically over time with Rio Tinto's board and management to understand how it is addressing an external review which identified "disturbing findings of bullying, sexual harassment, racism and other forms of discrimination throughout the company." BlackRock believes the Rio's leadership has demonstrated its commitment to address the review's findings, and that it was in the best interests of its clients to support the board at this year's shareholder meeting. It continues however to monitor progress.
<b>Outcome of the vote</b>	Election of all Board members was approved

Notes: Holdings data relates to APS credit portfolio and MPF pooled funds. Scheme holdings within the credit portfolio, where no voting takes place.

Voting is based on the equity holdings of MPF pooled funds, iShares Emerging Market Screened Equity Index Fund and ACS World ESG Equity Tracker Fund

## 7. APS Engagement (1 April 2022 – 31 March 2023)

During this period, BlackRock had 101 engagements in total across the credit 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 189 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 95 engagements.

<b>Total company engagements</b>	<b>101</b>
<b>Engagements by region</b>	
Americas	40
EMEA	58
APAC	3
<b>Engagement themes</b>	
Governance	94
Social	44
Environmental	51
<b>Top 10 Engagement topics</b>	
G-Remuneration	51
E-Climate Risk Management	48
G-Board Composition and Effectiveness	45
G-Business Oversight/Risk Management	35
G-Corporate Strategy	34
S-Human Capital Management	25
S-Social Risks and Opportunities	21
G-Executive Management	17
G-Sustainability Reporting	17
G-Governance Structure	13

### External capabilities<sup>1</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>1</sup> The Investment Managers provided oversight of external managers in private equity and alternatives.

## 8. MPF Engagement (1 April 2022 – 31 March 2023)

During this period, BlackRock had 927 engagements in total across the portfolio. Engagements were typically focused on understanding the opportunities and risks faced by the investee company. On every occasion, BlackRock also raised matters relating to at least one ESG topic with current or potential investee companies, leading to 1,719 discussions on ESG themes across all engagements.

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

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

More about the BlackRock Investment Stewardship team's engagement priorities can be found [here](#).

## 9. Affiliations and initiatives

The Investment Managers engaged with the global investment and corporate community through via 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.

## 10. Member Enquiries

In the year to March 2023, BAPSL received no queries from Scheme members about responsible investment.

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

## 11. TCFD Report

This year the Scheme is also required, for the first time, to produce a climate-related report, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) for the Scheme year 1 April 2022 – 31 March 2023. This report breaks down climate-related activities into the four key elements of TCFD reporting, namely Governance, Strategy, Risk Management and Metrics and Targets. This report will be published by the statutory deadline of 31 October 2023 in the [Responsible Investment section](#) of the Scheme's website.

## 12. 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 BAPSL, the Trustee and advisors.

The Trustee and advisors also had regular access to 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 2023.