New Airways Pension Scheme

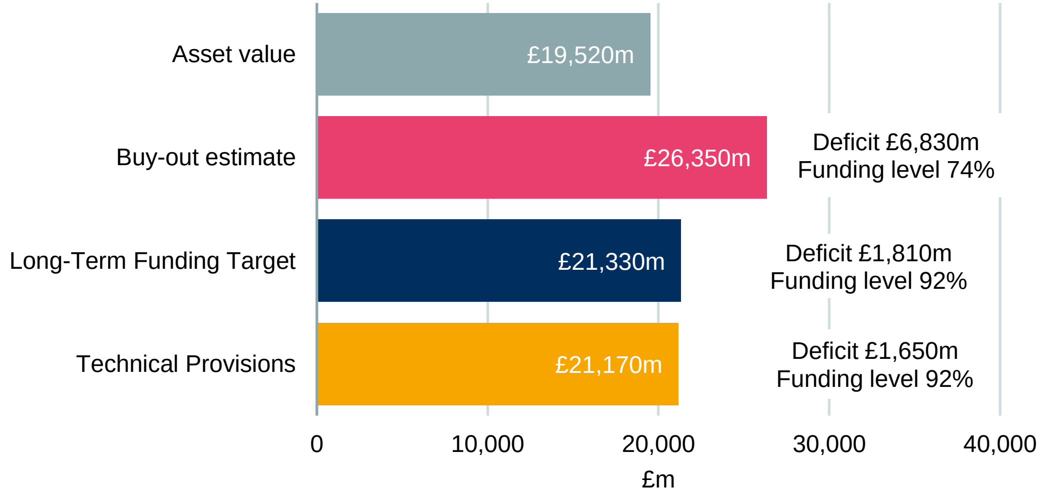
Report on the actuarial valuation as at 31 March 2021

Aaron Punwani FIA

22 December 2022

Actuarial valuation as at 31 March 2021

- As instructed, I have carried out an actuarial valuation of the New Airways Pension Scheme ("the Scheme") as at 31 March 2021. I now present my report which is addressed to New Airways Pension Scheme Trustee Limited ("the Trustee").
- The main purpose of the report, required by the Pensions Act 2004, is to set out the results of and outcomes from the valuation. Scheme members will receive a Summary Funding Statement relating to the valuation in due course.
- As required by legislation, the Trustee has reached a valuation agreement with the Principal Employer, British Airways Plc ("the Employer", for and on behalf of all the Participating Employers of the Scheme). This agreement covers the choice of assumptions for the valuation and the level of future contributions. The main results are summarised below, with further detail in the following sections, appendices and enclosed documents.



Figures above include the value of British Airways Money Purchase Section ("BAMPS") and Additional Voluntary Contribution ("AVC") funds

Contributions from the Employer in respect of:	
Funding	A package of contributions worth up to £1,650m in present value at the valuation date, subject to an overfunding mechanism and other provisions documented in a separate legal agreement. At the time of writing, the Scheme's funding position has improved such that the Scheme is fully funded against its Technical Provisions, so these contributions will only be payable if the Scheme returns to being in deficit.
Other	Levies payable to the Pension Protection Fund plus augmentation costs as recommended by the Actuary are met directly, or reimbursed to the Scheme, by the Employer.

Details of the above contributions are set out in the enclosed Schedule of Contributions.

- Under the Pensions Act 2004, I am required to certify that:
  - the Technical Provisions have been calculated in accordance with the legislation (for which my certificate is enclosed); and
  - the Schedule of Contributions is consistent with the Statement of Funding Principles and that payment of contributions at the agreed rates could be expected to lead to the Scheme to have sufficient assets to cover its Technical Provisions by the end of the period specified in the Recovery Plan (for which my certificate forms part of the Schedule of Contributions and is based on financial conditions at 15 December 2022).

Aaron Punwani FIA
Partner and Appointed Scheme Actuary

22 December 2022
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Use of our work and professional requirements

The use of our work

This work has been produced by Lane Clark & Peacock LLP and Aaron Punwani as the Scheme's Actuary (“we” or “us”), under the terms of our written agreement with the Trustee of the New Airways Pension Scheme (“Our Client”).

This work is only appropriate for the purposes described and should not be used for anything else. It is subject to any stated limitations (eg regarding accuracy or completeness). Unless otherwise stated, it is confidential and is for your sole use. You may not provide this work, in whole or in part, to anyone else without first obtaining our permission in writing although we acknowledge that you are required to pass it to the Employer sponsoring the Scheme and that you may make it available to Scheme members. We accept no liability to anyone, including but not limited to the Employer sponsoring the Scheme and Scheme members, who is not Our Client.

If the purpose of this work is to assist you in supplying information to someone else and you acknowledge our assistance in your communication to that person, please also make it clear that we accept no liability towards them.

Professional standards

This report is part of the work in connection with the valuation of the Scheme. The report has been produced for the information of interested readers and not with the intention that it should support any decision that they may make. Our work in preparing this document complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work, together with Technical Actuarial Technical Actuarial Standard 300: Pensions.

This report is from Aaron Punwani in his role as the Scheme’s Actuary. Under the terms of our professional conduct code and guidance, it has been reviewed by Richard Harrison, a qualified actuary and another LCP partner. We are satisfied that this complies with our professional requirements and that the degree of independence of the reviewing actuary is appropriate.

About Lane Clark & Peacock LLP

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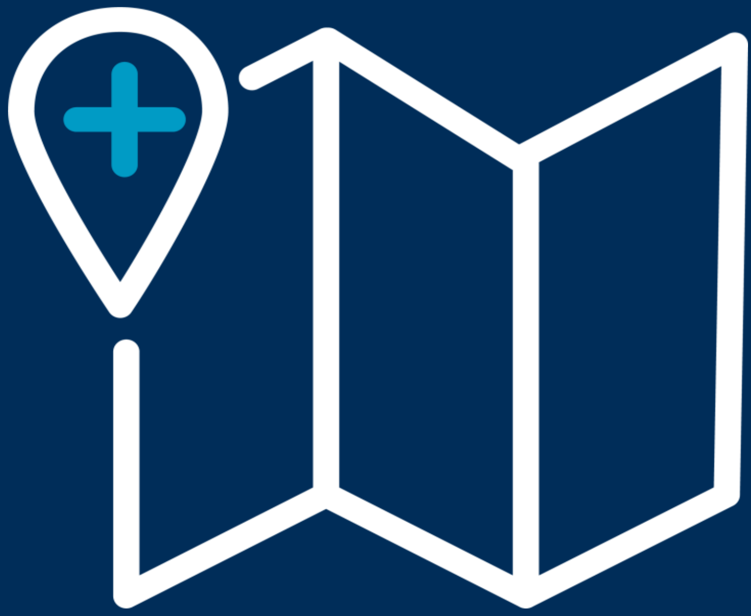


Funding objective and actuarial assumptions

An overview

Funding objective

- The Scheme's Statutory Funding Objective is to hold sufficient and appropriate assets to cover its Technical Provisions.

Benefits valued

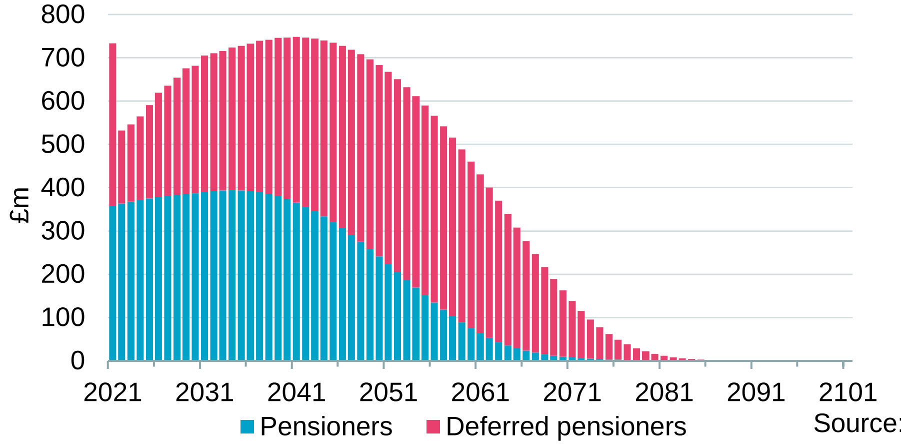
- The Scheme closed to future accrual of benefits from 31 March 2018, and members in active Pensionable Service at that date were provided with a number of benefit enhancements ("transitional options") which have been reflected in the benefits valued.
- Both the assets and liabilities in respect of pensions insured for some former members of the Dan Air and Davies and Newman ("DADN") schemes, which are assumed to be equal, are excluded from all the figures quoted in this report (where relevant).

Sources of information

Item	Source	Summarised
Benefit and contribution structure	Consolidated Trust Deed and Rules dated 11 June 2019	Appendices (Benefit summaries)
Membership data	Scheme administrators, British Airways Pension Services Limited	Appendices (Membership data)
Audited accounts for 3 years to the valuation date	Trustee	Appendices (Asset summary and Consolidated Revenue Account)

Projected benefit payments from the valuation date

The benefit payments, which are primarily linked to price inflation, projected from the valuation date are shown below (excluding payments in respect of BAMPS and AVCs).



Source: PFaroe

Actuarial assumptions

- The Trustee took advice from me and has determined the method and assumptions to use for this valuation with the agreement of the Employer.
- The assumptions are set out in the Trustee's Statement of Funding Principles, a copy of which is enclosed.
- In determining the assumptions, the Trustee took account of its assessment of the strength of the Employer's covenant, and in particular, its likely ability to pay additional contributions in the future if future experience proves to be less favourable than projected under the assumptions.
- The Trustee and the Employer have agreed a package of protections, including property assets as security until September 2028, which are documented in a separate legal agreement. The Trustee has taken this package into consideration in determining the assumptions.

Funding objective and actuarial assumptions
Continued

Actuarial assumptions (continued)

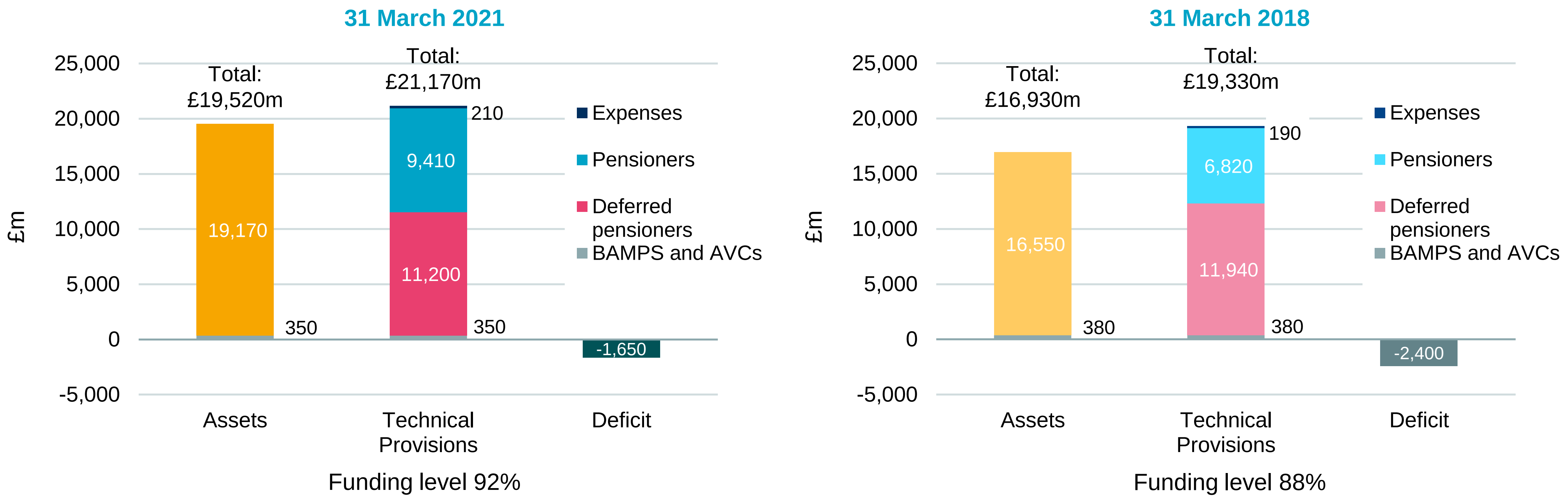
- The valuation includes an assumption about future investment strategy. The investment model has been updated since the last actuarial valuation to reflect the strategic investment de-risking in early 2021 to an asset allocation that is assumed to be held until 2030, at which time the Scheme would de-risk further to its longer-term strategic asset allocation. In the light of the substantial improvement in the funding position since the valuation date (described later in this report), the Trustee and Employer have in practice agreed to target de-risking to a low risk investment strategy as soon as is reasonably practicable.
- As a result of this update to the investment model (and associated prudent assumptions for the returns on the Scheme's assets), the discount rate is 0.55% pa above gilt yields from 31 March 2021 to 31 March 2030, reducing to 0.45% pa above gilt yields from 31 March 2030. This equates to 0.49% pa above gilt yields on average. This compares to 0.65% pa above gilt yields on average at the previous valuation. The reduction in discount rate also reflects the weakening of the employer covenant as assessed by the Trustee, having taken specialist covenant advice.
- Further details are set out in the enclosed Statement of Funding Principles.
- The valuation adopts the "projected unit method", under which the Technical Provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit payments, based on benefits accrued to the valuation date and the various assumptions made.
- There is a risk that the assumptions are not borne out in practice and that the funding position deteriorates. Further details on the risks the Scheme faces are set out in the appendices.
- The Technical Provisions are not intended to be sufficient to enable the Scheme to be wound up and its benefits secured in full with an insurance company.

Changes to assumptions

- As well as updating the investment model and associated assumptions, the Trustee has updated a number of other assumptions used to calculate the Technical Provisions, from those used at the previous valuation.
- The key updates are as follows:
  - **Discount rate:** The discount rate has reduced (relative to gilt yields) compared to the previous valuation, as described opposite.
  - **RPI Reform:** Since the last valuation, the Government and UK Statistics Authority has confirmed that the Retail Prices Index ("RPI") formula will be replaced by the formula for the Consumer Prices Index with allowance for housing costs ("CPIH") from 2030. For the 2018 valuation, Consumer Prices Index ("CPI") inflation, which is used to determine the majority of Scheme pension increases, was assumed to be 0.9% pa below RPI inflation, as an estimate of the long-term difference between RPI and CPI inflation. RPI Reform means that the difference between RPI and CPI is expected to be much lower post 2030. For this valuation, the difference between RPI and CPI is assumed to be 0.9% pa until 2030 (the previous valuation assumption), reducing from 0.9% pa to 0.1% pa from 2030 onwards.
  - **Mortality assumptions:** Updated base table and future improvement assumptions, as described in the Statement of Funding Principles, result in slightly shorter assumed life expectancy. The updates reflect more recent industry research and statistics on mortality, as well as detailed analysis of the Scheme's membership profile and mortality experience up to the valuation date, and include a prudent allowance for longer-term effects of Covid-19.
  - **Commutation assumptions:** The assumptions reflect the commutation factors effective in force at 31 March 2021 for retirements up to 30 April 2023 and thereafter with an allowance for an update to factors as described in the enclosed Statement of Funding Principles.
- The financial impact of these changes is set out on page 8. The appendices also show the impact changing some of the key assumptions has on the valuation.

Technical provisions and Long-Term Funding Target

Assets and Technical Provisions as at 31 March 2021 (and 31 March 2018 for comparison)

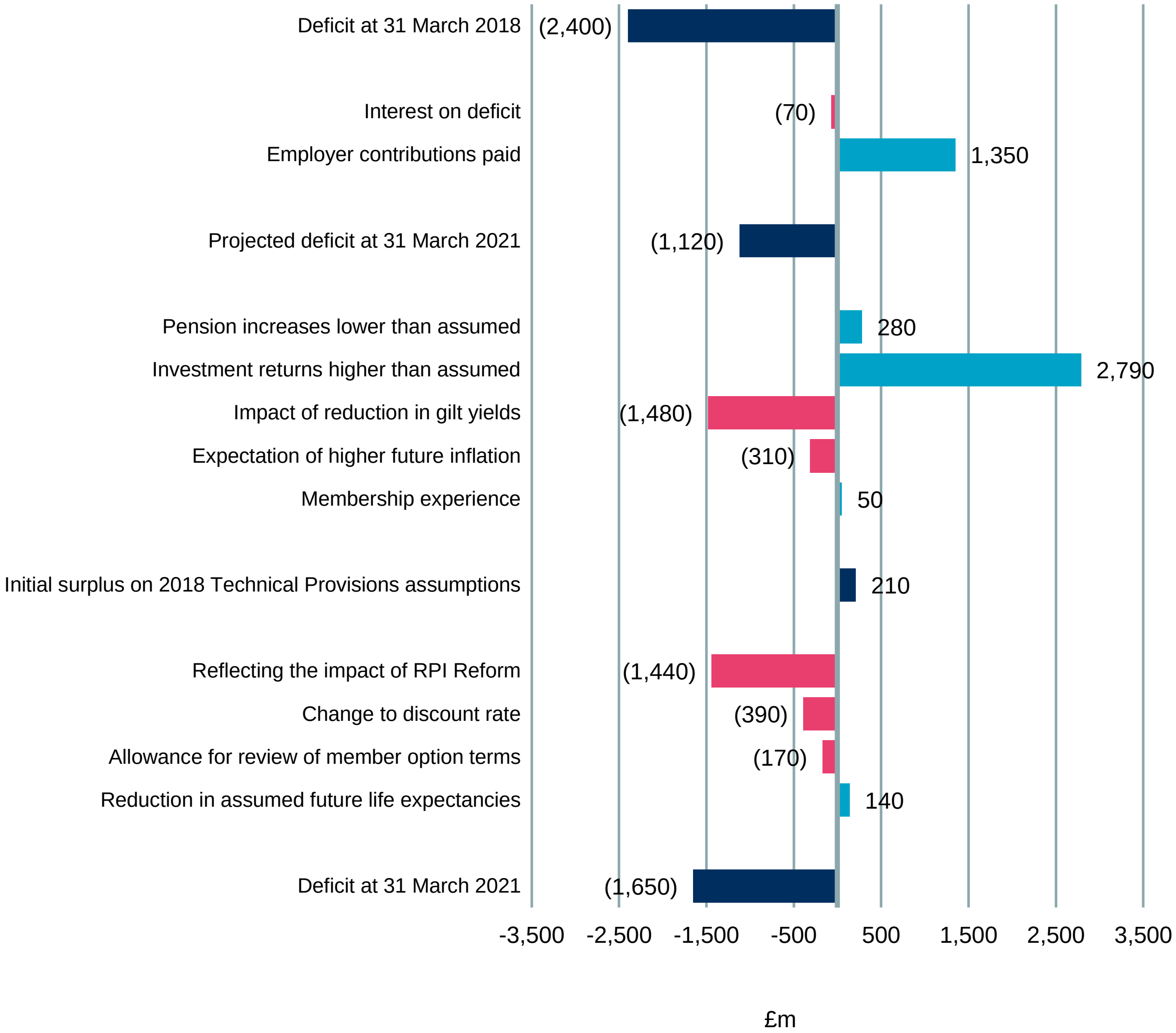


The Technical Provisions as at 31 March 2021 are calculated using PFaroe, the Trustee's third-party valuation tool, the output of which we have reviewed for reasonableness. The PFaroe calculations are based on the membership data, benefits and assets as set out in the appendices.

Long-Term Funding Target

- In addition to the Statutory Funding Objective, the Trustee has decided to adopt an additional funding objective which is to provide benefits in accordance with the Scheme Rules with a higher level of security and less reliance on further support from the Employer in the future.
- As described in the Statement of Funding Principles, this Long-Term Funding Target ("LTFT") is calculated in line with the Technical Provisions but allowing for investment returns of 0.45% pa above gilts, reduced from 0.5% pa above gilts at the previous valuation.
- The deficit on the LTFT basis as at 31 March 2021 was £1,810m.

Reconciliation of experience to 31 March 2021



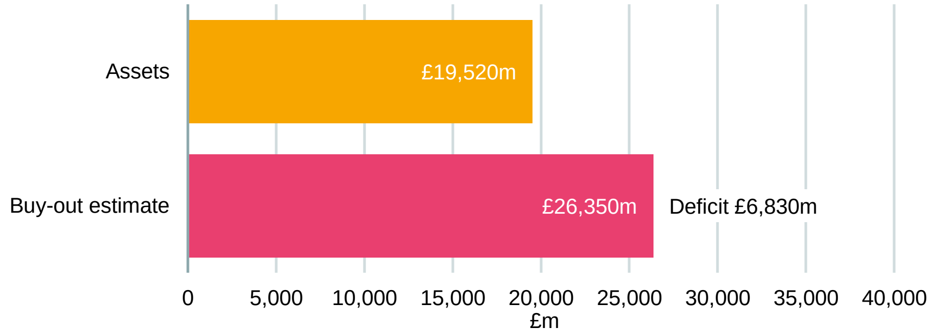
- As at the valuation date the calculated Technical Provisions were £21,170m and the resulting deficit was £1,650m. Had experience since the previous valuation been in line with the assumptions adopted for that valuation, the Scheme would have shown a deficit of £1,120m. The actual position is therefore £530m worse than expected; the reasons for this are illustrated in the chart opposite.
- The "Impact of reduction in gilt yields" and "Expectation of higher future inflation" items refer to the effect of falls in the yields on index-linked and fixed interest gilts between 31 March 2018 and 31 March 2021. The lower yields are reflected in lower assumed future investment returns at this valuation, which increased the Technical Provisions.
- The "Change to discount rate" item reflects the changes to the assumption about future investment strategy described on page 6. It also reflects the weakening of the employer covenant as assessed by the Trustee, having taken specialist covenant advice. The reduction in assumed future investment returns increases the Technical Provisions, ie the target level of assets the Scheme should hold at the valuation date to meet members' benefits.
- The "Membership experience" item includes the impact of members transferring out, partly offset by incremental promotional salary increases, for members who elected the transitional option when the Scheme closed to future benefit accrual, being slightly higher than assumed and less pension commuted for cash than assumed.

Discontinuance at the valuation date

The position were the Employer to have ceased sponsoring the Scheme

Derivation of the solvency position

- As required by legislation, I have considered the solvency position of the Scheme by estimating the cost of securing all benefits by the purchase of annuities with an insurance company. I have included an allowance for the expenses that would be incurred in winding up the Scheme. This measure of solvency is often referred to as the "buy-out cost".
- I have not obtained quotations, but have produced my estimate using the assumptions described in the appendices. In practice, the actual position can be determined only by completing a buy-out and wind-up.
- In our experience, actual insurer pricing can frequently vary by +/-5% compared to our solvency estimates for a given scheme due to variations in insurer appetite. The solvency estimate shown is intended to represent a central figure within this range. However, there are also cases where actual pricing is outside such a range, for example due to scheme characteristics, or general supply and demand mechanics in the market. The actual cost for the Scheme could therefore be very different from the estimate shown.
- This is particularly so in view of the size and characteristics of the Scheme; the assumptions are driven from pricing of transactions in the market which are all much smaller than the Scheme's total liabilities, and the majority have not insured pension increases using the Pension Increase Review Order ("PIRO") that applies to the majority of the Scheme's members.
- The estimated deficit on this basis was £6.8bn as at 31 March 2021. This corresponds to an estimated solvency level of 74% and this compares with a deficit of £9.3bn and solvency level of 65% as at the previous valuation. The reasons for this improvement are similar to those explaining the change in the Technical Provisions, together with updates in the insurance market, including more favourable insurer pricing.

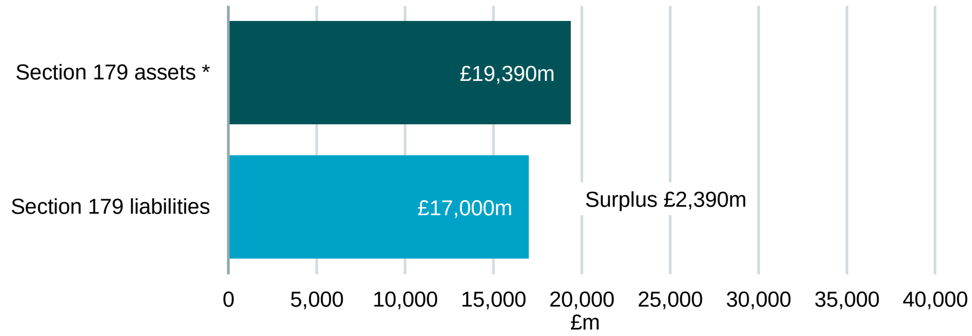


The buy-out estimate is taken from PFaroe output which we have reviewed for reasonableness. The calculations are based on the membership data, benefits and assets as set out in the appendices.

Discontinuance at the valuation date
Continued

Interaction with the PPF

- Where a pension scheme is discontinued because of the insolvency of the employers, the Pension Protection Fund ("PPF") is required to assess whether a scheme is eligible to enter the PPF.
- In broad terms, if the PPF is satisfied that a scheme's assets are insufficient to buy out benefits equal to PPF compensation with an insurance company, then the assets would be transferred to the PPF which would then pay members PPF compensation in place of scheme benefits.
- If the assets are sufficient, a scheme can be wound up outside the PPF with the assets first used to secure benefits equal in value to PPF compensation, with the balance being applied to secure benefits above that level in accordance with that scheme's rules.
- As a proxy for the financial assessment required by the PPF in these circumstances, we consider a statutory "Section 179" valuation. On this basis, there was a surplus in the Scheme of £2,390m as at 31 March 2021.
- This indicates that if the Employer were to become insolvent and the Scheme discontinued at the valuation date with no additional funds from the Employer, the Scheme would not have entered the PPF. Instead the assets would have been sufficient to secure benefits with an insurance company at a higher level than PPF compensation. Note that this test pre-dates recent court judgments in connection with removing the cap on PPF compensation.
- Further details relating to the Section179 valuation, including the assumptions used, are set out in my formal report on the Section 179 valuation dated 24 March 2022 along with the full results set out in my formal Section 179 certificate enclosed with that report.



The Section 179 results are taken from PFaroe output which we have reviewed for reasonableness and adjusted as required for Section 179 valuation purposes. The calculations are based on the membership data, benefits and assets as set out in my formal report on the Section 179 valuation dated 24 March 2022.

** The asset value used for Section 179 valuation purposes is different from the asset value used for funding and solvency purposes as it is required to include an estimate of the value of DADN insurance contracts using the PPF's prescribed assumptions (£33m) and exclude the value of AVCs held within the Mixed Portfolio Fund (£161m).*

Experience since the valuation date

Bringing you up-to-date

Development of position from 31 March 2021

- The valuation considers the financial position of the Scheme as at the valuation date. Since the valuation date there have been fluctuations in financial markets which have affected the value of the assets and the Technical Provisions.
- The chart above shows an illustration of the development of the Scheme's estimated funding position against the Technical Provisions since the valuation date.
- Our illustration of the development in the Technical Provisions allows for interest, anticipated benefit payments, the impact of actual inflation on members' benefits, and changes in market-implied gilt yields. All other experience is assumed to be broadly in line with the Statement of Funding Principles.
- Daily asset information has been taken from PFaroe, which is based on data provided by the Trustee's investment manager, BAPIML to 31 May 2021 and BlackRock from 1 June 2021.
- It can be seen that the funding position has improved substantially, as a result of changes in market conditions (mainly higher real gilt yields) and favourable relative returns on the Scheme's assets. The Scheme is estimated to be more than fully funded against its Technical Provisions at the time of writing.

Projected funding levels at the next valuation

- The projected funding levels three years after the valuation date are shown below.
- These projections are made on the basis that:
  - future experience from the valuation date onwards is in line with the assumptions set out in the Statement of Funding Principles; and
  - there is no change in insurers' buy-out pricing.
- Experience from the valuation date is likely to be different from the assumptions made – in particular the best estimate investment return is higher than the assumption in the Statement of Funding Principles but there is significant volatility around this. Therefore, the position at the next valuation is likely to be different from that illustrated.

Approximate projected funding levels

Measure	31 March 2021	31 March 2024
Technical Provisions	92%	92%
Solvency	74%	74%

- Whilst it is a requirement for me to report the projected position from the valuation date as described above, in light of the significant improvement in the funding position since the valuation date, a projection from the current position would be materially more favourable.
- Also, as the valuation agreement incorporates an overfunding mechanism and the Scheme's funding position has improved such that the Scheme is fully funded against its Technical Provisions, the agreed contributions will only be payable if the Scheme returns to being in deficit. Whilst the Scheme remains fully funded, the Trustee and Employer have also agreed to target de-risking to a low risk investment strategy as soon as is reasonably practicable.

Appendices

Key risks faced by the Scheme

Risk	What might happen?
Employer covenant	The Employer is not able to support the Scheme, and in particular is not able to pay increased contributions if experience is unfavourable.
Investment strategy	Changes in asset values are not matched by changes in the Technical Provisions. The Technical Provisions are linked to gilt yields, but the Scheme assets include a substantial holding in return-seeking assets, so the two may move out of line as investment conditions change. For example, if equity values fall with no changes in gilt yields, the funding position would deteriorate.
Investment returns	Future investment returns are lower than anticipated. The greater the allowance made in the Technical Provisions for returns on assets other than gilts, the greater the risk that those returns are not achieved. The expected return assumptions for equities, and other asset classes derived from equities used to inform the Technical Provisions discount rate, allow for the possible impacts of climate change. There are many possible pathways that the climate crisis could take, with different levels of physical impacts (due to warming) and transition impacts (due to technological and policy changes to move to a low carbon economy). The expected returns are based on an orderly transition being relatively likely and the associated costs being relatively well priced in at a market wide level. Significant risks remain due to uncertainty over which climate scenario will occur, in particular physical damages may not be well priced in and could create a drag on returns, particularly beyond a 15 year timescale.
Gilt yields	Asset values and the Technical Provisions do not move in line as a result of changes in the yields available on fixed interest and index-linked gilts. This may arise because of a mismatch between the Scheme's holding in gilts and its Technical Provisions in terms of their nature (ie fixed or inflation-linked) and/or their duration.
Inflation	Actual inflation is higher, and so benefit payments are higher, than anticipated. In addition, there is a potential mismatching risk if inflation linked liabilities behave differently to the inflation linked assets held to protect against inflation changes – for example where RPI linked assets are used to match CPI linked liabilities.
Longevity	Scheme members live longer, and so benefits are paid for longer, than anticipated. In particular, no explicit allowance is made for specific individual risks, such as climate change or a major medical break-through; instead the assumptions reflect the expected aggregated impact of the many possible factors driving changes in future mortality rates.
Member options	The incidence of Scheme members exercising benefit options which are potentially not "neutral" to the Scheme's funding position (such as commutation) is different from that anticipated.
Regulatory	In future, the Scheme may have backdated claims or liabilities arising from equalisation or discrimination issues or from future legislation or court judgments. In particular, the actual impact of any adjustment to benefits that may be required to remove any inequalities arising from Guaranteed Minimum Pensions may be different from any allowance made.
Climate	Climate-related risks and opportunities are likely to have widespread social and economic effects during the Scheme's lifetime. They include physical risks from the climate itself and transition risks from actions which reduce greenhouse gas emissions. They could potentially affect the Scheme's investment returns, the financial strength of the Employer and mortality rates.

Membership data

Summary as at 31 March 2021

Membership summary

- The following table shows the membership details as at 31 March 2021, as obtained from PFaroe.
- Figures as at 31 March 2018 are shown in brackets.

	Number		Average age (weighted by Technical Provisions)		Total pension (£m pa)	
Deferred pensioners*	30,093	(37,494)	52.7	(51.6)	266	(358)
Pensioners	27,454	(23,262)	66.7	(66.8)	317	(256)
Dependants	4,574	(4,138)	74.4	(64.2)	41	(33)
Total	**62,121**	**(64,894)**				

* including crystallised pensioners

- The pension figures for deferred pensioners, current pensioners and dependants have been obtained by totalling members' pensions as at the valuation date but reflecting the April 2021 pension increase (where applicable).
- Average ages are weighted by the Technical Provisions at the respective valuation date.
- Pensions in payment were increased over the inter-valuation period, as required under the Rules. There have been no discretionary pension increases granted since the previous valuation.

Further information on the data used and the benefits valued

- We have been provided with full updated membership data extracts by British Airways Pension Services Limited, the Scheme's administrators.
- We have conducted high level checks on the membership data received. We have also reviewed the detailed data validation checks carried out by British Airways Pension Services Limited and have no reason to doubt the overall accuracy of the data for the purposes of the valuation.

Benefit summary

Simplified benefit summary for the NAPS section

Benefit or defined term	Description
Normal Retirement Age (NRA)	For leavers from 1 April 2007 NRAs reflect the options elected by members, eg Plan 60: 60 / Plan 65: 65 / Option 55: 55 / Option 60: 60 / Option 65: 65. Benefits accrued prior to 1 April 2007 may be taken unreduced from an earlier retirement age, subject to employer's consent. For leavers prior to 1 April 2007, NRAs are as follows: **Pilots, Officers and Cabin Crew** - Pre-2007 leaver: 55 **Ground Staff** - Pre-1989 male leaver: 63 - Pre-1989 female leaver: 60 - Pre-2007 leaver: 60
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Actives - Immediate unreduced pension, subject to employer's consent. Deferreds – immediate reduced early retirement pension.
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement and early retirement reduction.
Lump sum	If no spouse's pension is payable - return of contributions with interest, less pension payments and retirement lump sum.
Benefits on death in deferment	
Spouse's pensions	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	Children's pensions may be payable until age 23
Lump sum	If no spouse's pension is payable - return of contributions with interest.
Pension increases	
In payment	Pension Increase Review Orders (PIRO) on excess pension (including notional GMP prior to GMP age). GMP receives statutory increases. Proportionate first increase for members retiring from crystalised status, otherwise a full increase applies.
In deferment	Pension Increase Review Orders (PIRO) on the whole deferred pension, subject to an underpin of: Excess pension - statutory revaluation GMP - in line with S148 orders Proportionate first revaluation.

Note: It is possible that the Technical Provisions may prove to be too low on account of any back dated claims which may arise from equalisation or discrimination issues or from future legislation or court judgments. In particular, the approximate allowance of £40m included in the Technical Provisions for removing GMP inequalities may prove to be insufficient.

Benefit summary

Simplified benefit summary for the British Caledonian section

Benefit or defined term	Description
Normal Retirement Age (NRA)	60 / 65 depending on category, service and sex.
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Immediate reduced pension
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement.
Lump sum	On death within 5 years of retirement, balance of pension payments which would otherwise have been received had the member survived until the fifth anniversary of retirement, less the spouse's pension payable over the same period.
Benefits on death in deferment	
Spouse's pensions	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	None
Lump sum	Return of contributions with interest.
Pension increases	
In payment	Excess pension at Date of Leaving and GMP receive 5% pa fixed; the revaluation element of excess pension does not increase in payment. Increases on anniversary of retirement.
In deferment	Excess pension: Statutory GMP receives fixed rate increases, based on each member's date of leaving.

Benefit summary

Simplified benefit summary for the Dan-Air and Davies & Newman (DADN) section

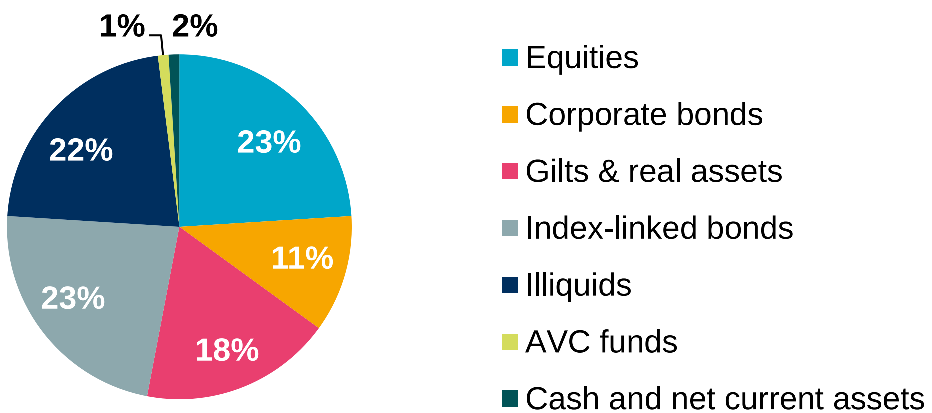
Benefit or defined term	Description
Normal Retirement Age (NRA)	55 / 60 /62/ 65 depending on category and service.
Early retirement pension	Pension as for normal retirement, reduced for early payment.
Late retirement pension	Pension as for normal retirement, uplifted for late payment.
Incapacity retirement pension	Immediate reduced pension
Benefits on death after retirement	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's pension at death, ignoring any pension commuted for a lump sum at retirement. For Dan-Air – spouses pension commences 5 years on the fifth anniversary of the member's retirement.
Lump sum	On death within 5 years of retirement, balance of pension payments which would otherwise have been received had the member survived until the fifth anniversary of retirement. For Dan-Air – this amount is reduced by the cost of providing any spouses pension payable.
Benefits on death in deferment	
Spouse's pension	Member specific reflecting the options chosen by members for purchasing contingent spouse's pension. Based on the member's deferred pension at death.
Children's pensions	Children's pensions may be payable until age 23
Lump sum	Return of contributions
Pension increases	
In payment	Dan-Air: CPI subject to a maximum of 5% (some of which is also subject to a minimum of 3% pa) Davies & Newman: 5% pa fixed GMP receives statutory increases Full first increase
In deferment	Dan-Air: CPI subject to a maximum of 5% Davies & Newman: CPI subject to a maximum of 5% GMP receives fixed rate increases Excess pension receives a proportionate first revaluation
Historic annuities	Approximate approach on a member-by-member basis by reducing the pension in payment.

Investment strategy and composition of assets

Summary as at 31 March 2021

Asset type	Market value at 31 March 2021 (£m)	(%)
Equities	4,609	23.6%
Corporate bonds	2,100	10.8%
Gilts & real assets	3,512	18.0%
Index-linked bonds	4,446	22.8%
Illiquids	4,292	22.0%
AVC funds	161	0.8%
Cash and net current assets	397	2.0%
Total assets (including BAMPS and AVCs)	**19,517**	**100.0%**

Distribution of assets as at 31 March 2021



- The summary of the assets as at 31 March 2021 shown in the table opposite is taken from the Trustee's audited 2021 Annual Report and Financial Statements.
- In addition to the AVC funds of £161m, a further £186m of the main Scheme assets are in respect of the British Airways Money Purchase Section ("BAMPS") and other AVC funds which are not held separately.
- For funding purposes, we have excluded the assets and corresponding liabilities in respect of annuity contracts held to meet benefit payments to some former members of the DADN schemes. These are assumed to be equal and therefore do not affect the funding position.
- As noted on page 11, as the Scheme is currently fully funded against the Technical Provisions, the Trustee and Employer have agreed to target de-risking the investment strategy as soon as is reasonably practicable.

Consolidated revenue account

Summary over the three years to 31 March 2021

	£m	£m
Opening fund as at 31 March 2018		**16,931**
Income		
Employer's special contributions	251	
Members' contributions (including AVCs)	85	
Employer deficit contributions	788	
Cash sweep payments	300	
Transfers in	18	
Administration contributions	14	
Augmentation contributions	1	
Total income		***1,457***
Expenditure		
Pensions	(997)	
Death lump sums	(3)	
Commutation lump sums	(354)	
Transfer values paid	(1,179)	
Tax payments	(53)	
Administration expenses	(31)	
Investment management expenses	(48)	
Total expenditure		***(2,665)***
Change in value of investments		***3,794***
Closing fund as at 31 March 2021		**19,517**

Source: Copies of the audited Trustee's Annual Report and Financial Statements for the three years to 31 March 2021

Note that figures are before the deduction of AVCs and BAMPs

Sensitivity to assumptions

We have looked at the effect of varying assumptions

Commentary

- The valuation results are sensitive to the assumptions chosen and we illustrate here effects of changes to some of the key assumptions.
- The results are particularly sensitive to the advance credit for future investment returns within the discount rate. By way of illustration, the effect of changing the advance credit for the returns above gilts is shown in the tables opposite.
- The results are also sensitive to the mortality assumption in terms of both life expectancy at the valuation date and how life expectancy may change in the future.
- To the extent that the mortality assumption under-estimates life expectancies, the Technical Provisions will be too low, all other things being equal.
- As an illustration, if it were assumed that mortality rates were 10% lower than the mortality assumption adopted, the Technical Provisions would be around 3% higher.

Pre-2030 discount rate	Return over gilts (% pa)	Deficit (£bn)
Assumed rate	0.55%	1.65
Higher rate	0.80%	1.26
Lower rate	0.20%	2.06

Post-2030 discount rate	Return over gilts (% pa)	Deficit (£bn)
Assumed rate	0.45%	1.65
Higher rate	0.70%	1.07
No credit	0.20%	2.27

Discount rate - overall average	Return over gilts (% pa)	Deficit (£bn)
Assumed rate	0.49%	1.65
No credit (ie a gilts basis)	0.0%	3.76

Assumptions used for assessing solvency (1 of 2)

We have used the approach summarised below

- We have based our estimate of the solvency position on our understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for other schemes.
- We have not obtained an actual quotation for the Scheme, and there is considerable volatility in prices. The basis used has no relevance beyond this estimate of the buy-out cost and my statutory estimate of solvency.
- These assumptions differ from those set out in the Statement of Funding Principles and they result in an estimated buy-out cost that is higher than the Technical Provisions.
- All else being equal, non-pensioners are more expensive to insure than pensioners, due to the more limited appetite from the insurers and the additional uncertainty (for example, due to the longer duration of non-pensioners' benefit payments and uncertainty around the particular options that can be exercised by members before and at retirement).
- The demographic assumptions we have used are generally the same as those used for the Technical Provisions (where relevant) except as shown on the next page.
- We have calculated our estimate of the solvency position assuming that the insurer's terms for members' options are adopted.
- In practice, the actual buy-out cost can be determined only by running a selection process and completing a buy out with an insurer. The ultimate deficit on buy-out could be very different from our estimate for various reasons, including:
  - additional funding may be available from the Employer;
  - market conditions will be different from those applying at the valuation date;
  - there may have been changes in the level of competition in the insurance market; and
  - the actual expenses of winding-up are likely to be different from the allowance made.

Assumptions used for assessing solvency (2 of 2)

We have used the assumptions summarised below as at 31 March 2021

Main financial assumptions

Assumption	% pa
Illustrative single equivalent assumptions	
Non-pensioner discount rate	1.00% pa
Pensioner discount rate	1.45% pa
Rate of RPI inflation	3.45% pa
Rate of CPI inflation	0.8% below RPI before 2030 and 0.2% below thereafter
Pension increases in payment	Set consistent with market-based pricing for the relevant minimums and maximums

Main demographic assumptions

Assumption	
Promotional salary increases	No allowance
Commutation	No allowance
Proportion married	Non-pensioners: 85% of members are assumed to be married at retirement or earlier death. Assumptions reduce in accordance with spouse mortality assumption post-retirement Pensioners: As for Technical Provisions
Spouse's age difference	As for Technical Provisions
Mortality assumption - Base table - Allowance for future improvements	 As set out in the below table Projection from 2013 in line with the CMI 2019 projections with a long term annual rate of improvement of 1.5% with smoothing parameter ("S") of 7.5, an initial addition to mortality improvements parameter ("A") of 0.5% pa
Provision for removing GMP inequalities	Approximate provision of £40m
Insurer benefit installation expenses	Approximate provision of £50m
Expense reserve	Approximate provision of £100m for the costs that would be incurred by the Trustee in winding up. In practice, the actual winding-up expenses could be very different

Adjustments to the S3PA mortality base tables	Male	Female
Non-Pensioner pension <£25.1k pa	90%	89%
Non-Pensioner pension >£25.1k pa	70%	89%
Pensioner pension <£25.1k pa	106%	91%
Pensioner pension >£25.1k pa	83%	91%
Dependant	111%	93%

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Actuary's certification of the calculation of Technical Provisions

New Airways Pension Scheme

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **New Airways Pension Scheme ("the Scheme")**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Scheme's Technical Provisions as at 31 March 2021 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 15 December 2022.

Signature: …………………………………………….

Date:

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

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

Statement of Funding Principles

New Airways Pension Scheme

The Trustee of the New Airways Pension Scheme ("the Scheme") has produced this Statement of Funding Principles and it is designed to comply with Section 223 of the Pensions Act 2004.

It sets out:

- our policy for assessing the "Technical Provisions" – that is the amount of money the Scheme should aim to hold from time to time in order to make provision for the Scheme's liabilities; and
- how we intend to achieve the objective of holding this amount of money in the Scheme (this is known as meeting the "Statutory Funding Objective").

This statement has been prepared as part of the Scheme's actuarial valuation as at 31 March 2021. The Trustee has taken advice from the Scheme Actuary, Aaron Punwani, when drawing up this statement, and the Trustee has agreed its provisions with the Principal Employer, British Airways Plc ("BA") for and on behalf of all the Participating Employers of the Scheme.

1. Technical Provisions

As required by law, the Trustee and BA have agreed the method and assumptions for calculating the Technical Provisions.

In arriving at them, the Trustee took advice from the Scheme Actuary, and took account of various relevant factors, in particular the ability of BA to support the Scheme.

The Trustee and BA have further agreed the following:

- The discount rate used to calculate the Technical Provisions will be a prudent estimate of future investment returns on the assets of the Scheme, allowing for expected changes in the investment policy over time, specifically allowing for de-risking to an assumed long-term asset allocation.
- An investment strategy framework, incorporating de-risking and re-risking subject to certain funding and covenant thresholds, documented in a separate agreement. Application of this framework has no automatic impact on the calculation of the Technical Provisions.
- The estimate of future investment returns, together with the remaining financial assumptions, will take into account information available in respect of the relevant investment markets at the effective date of the actuarial valuation. In particular, the assumed level of Retail Prices Index ("RPI") inflation will have regard to break-even inflation derived from the difference between the full index-linked and nominal gilt curves at the valuation date and the assumed level of Consumer Prices Index ("CPI") inflation will be based on a prudent view of the long-term difference between RPI and CPI based on conditions at the valuation date, taking into account the formula effect and pricing of CPI-linked securities.
- Demographic assumptions will have regard to an analysis of the experience of the Scheme membership as well as relevant statistics applicable to similar pension schemes, and the Trustee's and BA's views about how these may change in future.

Taken together, the assumptions adopted at a particular date will be prudent and consistent with the Trustee's desired level of confidence that assets equal to the Technical Provisions will prove adequate to meet accrued benefits as they fall due without the need for further contributions.

In determining the overall level of prudence required in the Technical Provisions, the Trustee will have regard to the strength of support to the Scheme provided by BA, including any relevant package of security or other measures (such as dividend protections) provided to the Trustee and documented in separate legal agreements. Any change in the assessed strength of the covenant would lead to a compensating change in the level of prudence being sought.

Full details of the method and assumptions are set out in the Appendix to this statement.

2. Recovery Plan

If the value of the Scheme's assets is less than the Technical Provisions at the actuarial valuation date, the Trustee and BA are required to set a Recovery Plan that is designed to eliminate the difference by the payment of additional "deficit" contributions.

In determining the recovery period, the Trustee and BA will take into account relevant factors such as:

- the reasonable affordability of contributions;
- the provisions of the Trust Deed & Rules;
- the size of the funding shortfall and the degree of prudence in the Technical Provisions;
- any estimated change in the financial position of the Scheme for part, or all of, the period between the valuation date and when the Recovery Plan is agreed;
- the risk that the Scheme's financial position may deteriorate against the Statutory Funding Objective and Long-Term Funding Target;
- the projected financial position of BA, including its free assets and projected cashflow, and the risk of significant deterioration in this position; and
- any contingent assets, security or letters of credit provided by BA (to the extent that these are not already being used to support the level of Technical Provisions).

The assumptions underlying the Recovery Plan are the same as those underlying the Technical Provisions.

3. Additional funding objective

In addition to the Statutory Funding Objective, the Trustee has decided to adopt an additional funding objective which is to provide benefits in accordance with the Scheme Rules with a higher level of security and less reliance on further support from BA in the future. For the purpose of this Long-Term Funding Target for the valuation as at 31 March 2021, it is agreed that the Trustee will calculate the value of the liabilities in line with the Technical Provisions assumptions but based on the post-2030 element of the Technical Provisions discount rate i.e. 0.45% pa above gilts. These assumptions are together referred to as the "LTFT Basis". The Trustee will have regard to the Scheme's anticipated progress towards meeting this Long-Term Funding Target when deciding on funding matters. The method of calculating the Technical Provisions for the valuation as at 31 March 2021 is designed such that the Technical Provisions converge with this Long-Term Funding Target by 2030.

4. Discretionary benefits

There are a number of areas where the benefits payable are subject to some exercise of discretion on the part of the Trustee and/or BA, the principal details of which are set out below:

- At BA's request, and upon payment to the Scheme of any contributions advised by the Scheme Actuary to be necessary, the Trustee shall increase or alter any benefit or provide additional benefits under the Scheme. The Trustee and BA have agreed that such discretionary benefits will not be taken into account in the calculation of Technical Provisions, but that the capital value of any such benefits granted would be paid in full by BA at the time the discretion is exercised.
- Aside from these general provisions, there is no requirement for either the Trustee or BA to consider granting discretionary increases to pensions in deferment or in the course of payment, which receive guaranteed levels of increases as specified in the Rules of the Scheme. Consequently for the purposes of calculating the Technical Provisions, no allowance for discretionary pension increases is made.
- There are a number of options that enable Members to convert the benefits from one form into another subject to the Trustee's consent, such as on early retirement, late retirement, ill-health retirement, or the commutation of pension into cash at retirement. Following completion of formal actuarial valuations it is anticipated that the terms for most of these options will be reviewed. The Trustee and BA have agreed that allowance for the exercise of these options in the determination of Technical Provisions is generally done so on a cost neutral basis. However, it is anticipated that the terms applying for cash commutation will continue to differ from those on the Technical Provisions basis, and so the Trustee and BA have agreed to reflect this in the allowance for commutation of pension into cash in the calculation of Technical Provisions.

5. Payments to the Participating Employers

The Rules do not include provision for the Trustee to make payments to any of the Participating Employers out of the funds held for the purposes of the Scheme unless there exists a surplus following the winding up of the Scheme.

6. Arrangements for other parties to make payments to the Scheme

Payments to the Scheme may arise in future in relation to the security over BA assets as described in a separate legal agreement.

There are no other arrangements in place for any contributions to be paid to the Scheme other than from BA.

7. Cash equivalent transfer values

Under current legislation, the Trustee may reduce transfer values to take account of the funding level of the Scheme.

If all members had requested transfer values at the last valuation date, it has been estimated that the assets of the Scheme would have been broadly sufficient to pay everyone.

Accordingly we offer full, unreduced transfer values, as required by legislation.

8. Reviewing the valuation position and this statement

The Trustee will normally commission a full actuarial valuation every three years. The Scheme Actuary will provide an estimate of the financial position of the Scheme at each anniversary of the most recent full actuarial valuation.

The Trustee may request full valuations more frequently than every three years, for example, if the Trustee is of the opinion that events have made it unsafe to continue to rely on the results of the previous valuation for funding purposes. In reaching such a view, the Trustee will consider the advice of the Scheme Actuary and consult with BA.

This statement will be reviewed and if necessary revised by the Trustee (subject to agreement from BA) either:

- within 15 months after the effective date of each actuarial valuation; or
- within a reasonable period after any occasion on which the Regulator has directed as to the manner in which the Technical Provisions are to be calculated or the period over which failure to meet the Statutory Funding Objective is to be remedied, or imposed a Schedule of Contributions.

This statement replaces the previous statement, which was dated 25 October 2019.

We will review and, if necessary, revise this statement as part of each valuation. We may review it at other times.

This statement of funding principles was prepared on 15 December 2022.

Signed on behalf of the Trustee	Signed on behalf of the Participating Employers of the Scheme
Signature: …………………………………….………...	Signature: …………………………………….………...
Name: ………………………………………….………...	Name: ………………………………………….…………
Position: ……………………………………….………	Position: ……………………………………….………
Date: ………………………………………….…………..	Date: ………………………………………….…………

The method and assumptions for calculating the Technical Provisions and the Recovery Plan are set out below.

Actuarial method

Projected unit method.

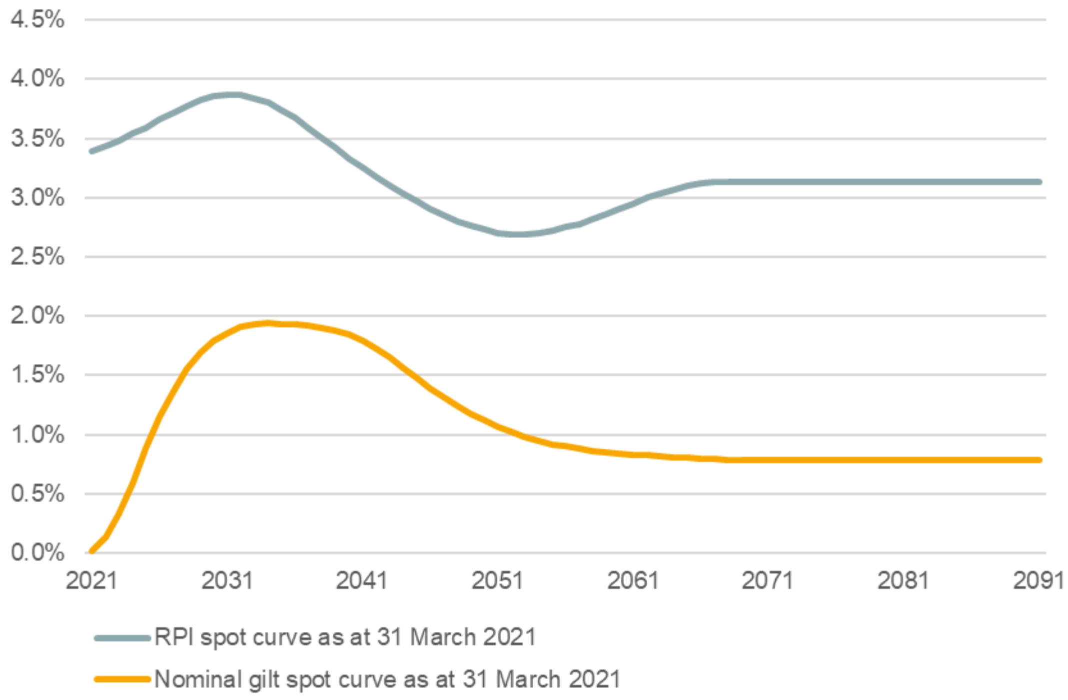
Gilt return and price inflation assumptions

The assumptions for the future return on gilts and price inflation are derived consistently as described below:

- The return from gilts over each future year is taken from the latest available yield curve as at the valuation date for fixed interest gilts as constructed by Moody's Analytics. From 15 December 2022, the return from gilts over each future year will be taken from the LCP gilt yield curve for fixed interest gilts.
- Price inflation as measured by the Retail Prices Index ("RPI") over each future year is as implied by the latest available yield curves as at the valuation date for fixed interest and index-linked gilts as constructed by Moody's Analytics. From 15 December 2022, price inflation as measured by the RPI over each future year will be as derived from the LCP breakeven RPI curve.
- Price inflation as measured by the Consumer Prices Index ("CPI") over each future year is calculated as the corresponding assumption for RPI less a deduction based on a prudent view of the long-term difference between RPI and CPI based on conditions at the valuation date, taking into account the formula effect and pricing of CPI-linked securities.

For illustration, as at 31 March 2021, the assumptions for the return on gilts and RPI inflation were as shown in the chart below:

Gilt returns and implied RPI inflation as at 31 March 2021



For illustration, as at 31 March 2021 the single equivalent average rates (weighted by reference to the projected future benefit cashflows) were:

	Rate
Gilt returns	*1.30% pa*
RPI inflation	*3.45% pa*

For the actuarial valuation as at 31 March 2021, the assumed difference between RPI and CPI inflation was 0.9% pa until 2030, reducing to a gap of 0.1% pa from 2030 onwards.

Investment returns

For the valuation as at 31 March 2021, projected future benefit payments are discounted on rates of return that take advance credit for an additional return over that from gilts (net of investment management expenses) in each future year at the rate of:

- 0.55% pa over gilts from 31 March 2021 to 31 March 2030; and
- 0.45% pa over gilts from 31 March 2030.

- This results in the discount rates set out in the table below, alongside the nominal gilt forward rates as at 31 March 2021 and the accompanying margin applied for each year from 2021 to 2030 (from which point the margin above gilts is assumed to stay at 0.45% pa):

Year commencing 31 March	Nominal gilt forward rate at 31 March 2021	Margin above gilts	Technical provisions forward discount rate as at 31 March 2021
2021	0.02%	0.55%	0.57%
2022	0.14%	0.55%	0.69%
2023	0.33%	0.55%	0.88%
2024	0.59%	0.55%	1.14%
2025	0.88%	0.55%	1.43%
2026	1.15%	0.55%	1.70%
2027	1.37%	0.55%	1.92%
2028	1.55%	0.55%	2.10%
2029	1.69%	0.55%	2.24%
2030	1.79%	0.45%	2.24%

(Note – rates shown above are rounded to the nearest 0.01% pa)

- As at 31 March 2021 the resulting single equivalent average discount rate is 1.79% pa or gilts + 0.49% pa.

Other assumptions

Future benefit payments are projected using the assumptions set out below.

- Pension increases to pensions in payment as follows:

Increase	Assumption
Fixed	At the rate specified in the Rules.
Inflation-linked	Over each future year at a rate reflecting the provision of the Rules, the assumption for RPI / CPI inflation in that year and the volatility of CPI inflation of 1.5% pa.

For illustration, as at 31 March 2021 the resulting single equivalent average assumed rates of pension increase were:

Pension increase	*Assumption*
CPI subject to a minimum of 0% pa and a maximum of 5% pa	*2.95% pa*
CPI subject to a minimum of 0% pa and a maximum of 3% pa	*2.40% pa*
CPI subject to a minimum of 3% pa and a maximum of 5% pa	*3.55% pa*

- No allowance for discretionary pension increases.
- Co-pilots who elected the transitional option to retain a link to promotional / incremental salary increases are assumed to reach captain before 31 March 2023 or earlier retirement
- Revaluation of deferred pensions as follows:

Revaluation rate	Assumption
Guaranteed minimum pensions (GMPs)	• Escalation of S148 rates assumed to be in line with RPI + 1.5% pa. • Fixed rate revaluation as specified.
Pension Increase Review Orders (PIRO) – CPI capped at 5% pa, subject to statutory revaluation underpin	As at 31 March 2021, based on CPI forward curve over each future year.

- All retirements of deferred pensioners are assumed to take place at the earliest Normal Pension Age across their benefit tranches, with other tranches reduced for early payment using cost-neutral terms.
- Commutation at retirement
    - Members who became deferred pensioners of the Scheme on the closure date (31 March 2018) are classified in accordance with the size of their Additional Voluntary Contribution (AVC) / BAPP fund value as at the closure date. Members assessed to have high, medium and low AVC / BAPP fund values are assumed to commute 10%, 13% and 18% of pension on retirement respectively.
    - Other deferred members are assumed to commute 20% of pension on retirement.
    - Commutation is assumed to take place on the following terms:
        - for known retirements and exits up to 30 June 2022 and assumed retirements up to 31 March 2023, on the terms in force at 31 March 2021; and
        - for other non-pensioners, on factors which are consistent with a 22% increase to those in force as at 31 March 2021 for a NAPS member retiring at age 60, representing updated terms assumed to be effective from April 2023. The Technical Provisions will reflect the actual updated commutation factors determined by the Trustee for implementation following completion of the actuarial valuation as at 31 March 2021.

- No allowance for future transfer values.
- Mortality post-retirement and pre-retirement
  - Base table

Member	Base table assumption
Non-pensioners	
• Males with pensions < £25,100 pa as at the valuation date	94% of S3PMA
• Males with pensions > £25,100 pa as at the valuation date	73% of S3PMA
• Females	87% of S3PFA
• Male dependants	108% of S3PMA
• Female dependants	96% of S3PFA
Pensioners	
• Male with pensions < £25,100 pa as at the valuation date	107% of S3PMA
• Male with pensions > £25,100 pa as at the valuation date	87% of S3PMA
• Females	91% of S3PFA
• Male dependants	108% of S3PMA
• Female dependants	96% of S3PFA

  - Future improvements in longevity
    - Base tables are projected from 2013, in line with the latest CMI model available (up to and including the CMI 2022 Extended Model when available) in a consistent format and with same modelling parameter structure as the CMI 2021 Extended Model with the core smoothing parameter ("S") for that latest CMI model, a long term rate of 1.5% pa, an initial addition to mortality improvements parameter ("A") of 0.5% pa, allowance for 2020 data ("w2020") of 0%, allowance for 2021 data ("w2021") of 5%, and allowance for 2022 data ("w2022") of 0%, where relevant. For the avoidance of doubt, the Technical Provisions will not reflect the CMI 2023 Extended Model, unless agreed otherwise by the Trustee (having taken advice from the Scheme Actuary) and BA. Also for the avoidance of doubt, if the CMI 2022 Extended Model, when available, is not in a consistent format and with the same modelling parameter structure as CMI 2021, the Trustee and BA agree to retain the CMI 2021 Extended Model but with parameters adjusted as decided by the Trustee (having taken advice from the Scheme Actuary) such that the Technical Provisions as at 31 March 2022 would reduce by 0.5% all else being equal.
    - *As at 31 March 2021, the CMI 2021 model was used from 2013 with core smoothing parameter ("S") of 7, ie CMI_2021_M [1.5%; S=7; A=0.5%; w2020=0%; w2021=5%] and CMI_2021_F [1.5%; S=7 A=0.5%; w2020=0%; w2021=5%]*.
- Proportion married
  - For pensioners, based on actual marital data at the valuation date where available with 10% of unmarried members assumed to have a dependant's pension payable.
  - For non-pensioners, broadly 90% of males and 80% of females are assumed to have a spouse or civil partner on retirement at age 55 or earlier death. Assumptions reduce in accordance with spouse mortality assumption post-retirement.
- Non-pensioner members are assumed to be 3 years older and 1.5 years younger than their spouse for male and female members respectively. Actual data used for current pensioners where available, otherwise non-pensioner assumptions are adopted.
- Investment management expenses are assumed to be met out of future investment income. The valuation discount rate is therefore net of such costs.

- An expense reserve of 1% of the Technical Provisions has been included to meet administrative and other non-investment expenses. It is assumed that BA will continue to pay any Pension Protection Fund levies in respect of the Scheme.
- An approximate allowance for the cost of adjusting benefits to remove any inequalities arising from Guaranteed Minimum Pensions has been made by increasing the Technical Provisions. As at 31 March 2021, the allowance was £40m.

Recovery Plan

New Airways Pension Scheme

Name of Employer: **British Airways plc ("BA"), the Principal Employer for and on behalf of the Participating Employers of the Scheme**

The actuarial valuation of the Scheme as at 31 March 2021 revealed a deficit of £1.65bn.

In accordance with Section 226 of the Pensions Act 2004, the Trustee of the New Airways Pension Scheme ("the Scheme") has prepared this Recovery Plan, after obtaining the advice of Aaron Punwani, the Scheme Actuary.

Steps to be taken to ensure that the statutory funding objective is met

The Trustee and BA have agreed to eliminate the funding shortfall by the payment of deficit reduction contributions to the Scheme as set out in the table below.

Deficit reduction contributions payable by BA

Timing	Amount	Frequency
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.

In addition, 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. 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.

Period in which the statutory funding objective should be met

The deficit is expected to be eliminated by 31 May 2032. This is based on the following assumptions:

- the Technical Provisions are calculated according to the method and assumptions set out in the Scheme's Statement of Funding Principles dated 15 December 2022.
- the return on existing assets and new contributions during the period are as adopted for the calculation of the Technical Provisions; and
- no further account is taken of any payments that may arise under the package of additional security and other measures agreed by BA and the Trustee.

Agreement by the Trustee and BA

This Recovery Plan was prepared on 15 December 2022.

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

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.

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: …………………

Actuary's certification of Schedule of Contributions

New Airways Pension Scheme

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: **New Airways Pension Scheme ("the Scheme")**

Adequacy of rates of contributions

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

   I also certify that the rates of contributions shown in this Schedule are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule of Contributions, the Statement of Funding Principles and any Recovery Plan.

Adherence to Statement of Funding Principles

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

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

Signature: ……………………………………………. Date:

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

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

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.