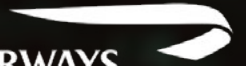


Airways Pension Scheme (APS)

BRITISH AIRWAYS
PENSIONS



Trustee's Report & Financial Statements

For the Year Ended 31 March 2023

Chair's Review

Welcome to my first annual report since being appointed as Chair of the Airways Pension Scheme (APS) by British Airways (BA) in January 2023.

I would like to express my thanks for the support from the BA Pensions team and Roger Maynard in helping me to take on this role. It is clear to me that the Scheme is well run and the APS Trustee Directors are very committed to protecting the members' interests.

Since the last annual report, the APS Trustee Directors have continued to consider a wide range of challenging issues, and we have provided regular updates with news about the Scheme through our News page on the member website. Having completed the Scheme's 31 March 2021 formal valuation in June 2022, the Trustee Directors have been working to review the Scheme's longer-term security.

Funding

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

It is a requirement that the Scheme Actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme. It helps to establish the contributions required by the Scheme in the future and other actions that the Trustee and BA should take. The 31 March 2021 actuarial valuation was finalised in June 2022 and within the required deadline.

The valuation as at 31 March 2021 revealed that the funding level on the technical provisions basis was 104.2%, which had reduced by 4% since the latest formal valuation as at 31 March 2018, and the Scheme's surplus had reduced to £295 million from £599 million. A Recovery Plan was not required because the Scheme was in surplus as at 31 March 2021. Further information is available in our 2021 valuation report.

Since the valuation date, a combination of market changes and favourable investment returns improved the Scheme's financial position. The interim update showed that the technical provisions funding level had improved to 104.8%, and the surplus had increased to £336m. The 31 March 2022 interim update is summarised in our 2022 Summary Funding Statement.

The 31 March 2023 interim update is in progress, and we will provide members with the latest Summary Funding Statement, setting out the details in due course.

Investments

The Scheme's Long-Term Objective (LTO) as at 31 March 2023 is to deliver the guaranteed benefits plus full RPI-based discretionary increases without significant risk, including to the funding position of the Scheme on the Agreed Valuation Basis. An incremental investment into high-quality short-dated corporate bonds was made over the year, which aims to provide additional excess expected returns.

You can read more about your Scheme's investments on pages 5 to 8.



Chair's Review

Discretionary increase award

Pension increases in APS are determined by the Pensions Increase (Review) Orders (PIRO), which are currently based on the Consumer Prices Index (CPI). The standard Scheme increase for eligible pensions in April 2023 was 10.1%. For 2023, the out-of-court settlement with BA permitted the Trustee to award a discretionary increase of up to the full gap between RPI and PIRO. The relevant rise in RPI was 12.6%. After considering all relevant circumstances, we awarded a discretionary increase to eligible pensions of 2.5%, representing the full difference between RPI and PIRO.

Governance matters

In November last year, the Board reviewed and reset its strategic priorities. More recently, we reviewed the Scheme's investment adviser and appointed Redington in June 2023. You can find out more about the Scheme's governance in the Trustee's Report on pages 9-11.

Review of our Outsourced Chief Investment Officer (OCIO)

In June 2021, we appointed BlackRock as OCIO for the assets directly under management for APS and the New Airways Pension Scheme (NAPS). The agreement encompassed the management of c.£2.1 billion assets at the time of the transition for APS (the remainder of APS's assets are insured through insurance 'buy-ins' with Legal & General Assurance Society and Rothesay Life).

The second year of our partnership with BlackRock has continued to meet our expectations in delivering value for the Scheme's investments and members. BlackRock has helped APS successfully navigate the challenges caused by significant geopolitical developments, the gilt crisis, rising inflation, and higher interest rates. I am delighted to report that, against the backdrop of this market turmoil, BlackRock has outperformed its investment benchmarks while also delivering cost benefits and operational efficiencies for the Scheme.

Trustee Directors

Roger Maynard's tenure as APS Chair ended in January 2023. He chaired the APS Trustee since his appointment in October 2018. During his tenure, Roger oversaw several important milestones and innovations for APS. On behalf of the Trustee Directors, I would like to express gratitude for his significant contribution and appreciation for his dedication and commitment to achieving the best outcomes for members.

Except for the change in the APS Chair, there have been no Trustee Director appointments or resignations since October 2020. This continuity and stability, combined with the unique expertise and wide-ranging skills across the Board, stands us in good stead to deliver the best possible outcomes for our members.

I would like to thank my fellow Trustee Directors for their hard work and considerable contributions to the Scheme over the past year. On behalf of the APS Trustee Directors, I would also like to commend the BA Pensions team for their continued outstanding service to our members.

Wayne Phelan
For Vidett Trust Corporation Limited
Chair of the Trustee

27 September 2023



Trustee Directors and Advisers

Appointed by British Airways Plc (BA) (ENDs)

Vidett Trust Corporation Ltd (Chair)
Independent Trustee represented by
Wayne Phelan
Appointed 25 January 2023

Zoe Davis
Director of IAG GBS
IAG

Sarah Hunt
Head of Audit
UK & Ireland
IAG

Timothy Richardson
Head of Property
BA Plc

Elected by pensioners/members (MNDs)

Frances Axford
Pensioner

Paul Douglas
Pensioner

Ian Heath
Pensioner

Philip Hogg
Pensioner

Left office during the year

Roger Maynard (Chair)
Independent Trustee
Ceased 24 January 2023

Administration & investment management

British Airways Pension Services Ltd (BAPSL) – Trustee support and member services

BlackRock Investment Management (UK) Ltd – investment management

Vinny Ehzuvan - Chief Executive Officer, BAPSL

Monica Gupta - Scheme Secretary, BAPSL

Advisers*

Scheme Actuary

Michael Pardoe, Towers Watson
Limited, a WTW company
(until 31 December 2022)
Adam Boyes, WTW
(from 31 December 2022)

Legal Advisers

Sacker & Partners LLP

Investment Advisers

Mercer Limited (until 24 July 2023)
Redington (from 24 July 2023)

Bankers

BNY Mellon

External custodian

State Street Bank
and Trust Co

Auditor

KPMG LLP

* In addition to the Scheme's principal advisers the Trustee has appointed other advisers to provide advice on specific matters as required.

Airways Pension Scheme – Pension Scheme Registry Number: 10057028

For enquiries about the Scheme, members who are registered to manage their pension can enquire via the member website by secure email. Alternatively they can write to British Airways Pensions, PO Box 2074, Liverpool L69 2YL.

Trustee's Report

This report provides information about the management of the Scheme and provides more detail concerning the main activities undertaken during the year. There are sections on the funding position of the Scheme, investments, Scheme governance, Scheme changes and pension administration matters.

The financial statements of the Scheme for the year ended 31 March 2023, as set out on pages 29 to 45, have been prepared and audited in accordance with Sections 41(1) and (2) of the Pensions Act 1995.

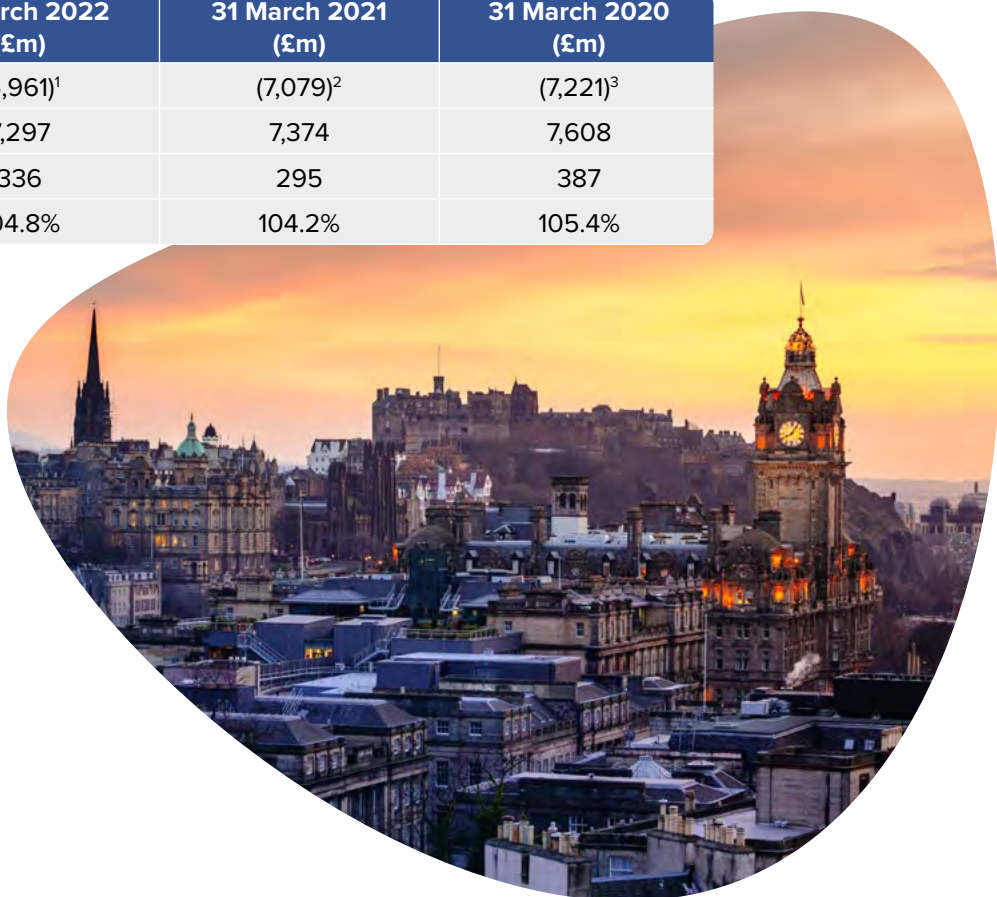
SCHEME FUNDING POSITION

It is a requirement that the Scheme Actuary carries out an actuarial valuation of the Scheme at least every three years. The valuation reviews the financial position of the Scheme and helps to establish the contributions payable to the Scheme in future and other actions that should be taken by the Trustee and BA. The agreement agreed between the Trustee and BA on 8 April 2019 (the Settlement Agreement) sets out a framework, known as the Agreed Valuation Basis, through which the assumptions for each actuarial valuation are set. The latest formal actuarial valuation has an effective date of 31 March 2021 and was finalised in June 2022.

In the years between formal valuations, the Scheme Actuary provides an interim update that shows how the funding position has evolved since the last valuation date. The Scheme Actuary provided an interim update as of 31 March 2022 and the associated Summary Funding Statement was issued to members.

The funding positions are shown below:

	31 March 2022 (£m)	31 March 2021 (£m)	31 March 2020 (£m)
Liabilities	(6,961) ¹	(7,079) ²	(7,221) ³
Assets	7,297	7,374	7,608
Surplus	336	295	387
Funding level	104.8%	104.2%	105.4%



¹ Consistent with the 31 March 2021 Technical Provisions assumptions but updated by the Scheme Actuary to reflect market conditions as at 31 March 2022 and incorporate the latest published CMI Core Projections model (CMI 2021), with its default parameters.

² Based on the Technical Provisions assumptions agreed between the Trustee and BA at the 31 March 2021 valuation, consistent with the Settlement Agreement (amended as part of the 2021 Valuation to update the assumption for the gap between RPI and PIRO).

³ Consistent with the 31 March 2018 Technical Provisions assumptions but updated by the Scheme Actuary to reflect market conditions as at 31 March 2020, updated views on the RPI and PIRO gap, and to incorporate the latest published CMI Core Projections model (CMI 2019), with its default parameters.

Trustee's Report

The increase in the surplus from 31 March 2021 to 31 March 2022 is largely due to stronger returns on the assets compared with the liabilities, mainly caused by the RPI linked investment return and a larger difference between RPI and CPI inflation over the period to the assessment date than previously assumed. The Scheme Actuary is preparing the latest interim annual update as at 31 March 2023 and the associated 'summary funding statement' will be issued to members in due course.

Following the Settlement Agreement, BA is no longer required to make cash sweep contributions and no deficit funding contributions to the Scheme are needed as APS is more than fully funded on the Technical Provisions basis. However, BA will make available a contingent payment of up to £40m on the terms of the Settlement Agreement, should it be required by the Scheme in the future to fund the proposed package of discretionary increases.

Prior to agreeing the Settlement, the Trustee had appointed PwC to advise the Trustee on BA's ability to fund the Scheme. The advice was based on an analysis of confidential financial and management data provided by BA. In July 2019, the Trustee decided that it was no longer a proportionate use of Scheme resources to obtain input from an external adviser, PwC, to provide detailed covenant monitoring advice. This is due to the unique position APS finds itself in, whereby it has a surplus on the Technical Provisions basis, limited reliance on contributions from BA, a very low-risk approach to investment strategy with substantial insurance and high target levels of interest rate and inflation hedging. The Trustee continues to monitor the covenant based on publicly available information and keeps the appropriateness of these arrangements under review.

SCHEME INVESTMENT

Review of the year to March 2023

The year to 31 March 2023 saw unprecedented volatility in fixed income markets as central banks globally struggled to contain inflation. Government bonds – including in the UK - fell sharply in value as interest rates rose. Equity markets, on the other hand, were largely more resilient.

Inflation started to pick up in late 2021, as the global economy re-opened following the pandemic. Supply chains and transport systems creaked as demand rose. Companies struggled to hire new workers. UK retail price increases hit levels not seen since the 1980s.

As a result, in December 2021 the Bank of England increased base rates for the first time since 2018, responding to what it considered at the time to be short-term 'transitory inflation'. Then in late February 2022, Russia invaded Ukraine, sending energy and some commodity prices spiralling.

As we moved into the second quarter of 2022, it became clearer that UK inflation would be heading into double digits. At the same time, consumers were facing a full-blown cost-of-living crisis as food costs and utility bills rose sharply. Strikes and upwards pressure on wages followed.

In response, the Bank of England started raising rates at the fastest pace ever. Between March 2022 and September 2022, it hiked rates four times, from 0.75% to 2.25%.

Although other developed market economies were facing similar issues, the UK economy is particularly exposed to increases in natural gas prices. In September 2022, the UK government responded with a budget that capped utility bills and cut taxes for both companies and individuals.

Faced with both a boost to inflation and an increased supply of government bonds, the UK sovereign bond market sold off sharply. This caused some pension funds - who typically own large quantities of government bonds to hedge their liabilities – to sell bonds and other assets, causing bonds to fall further.

As interest rates spiked higher, the Bank of England made an emergency decision to step into the market and buy bonds. As the scale of the crisis became clear, Liz Truss was first forced to replace her Chancellor of the Exchequer and then to resign as Prime Minister.

With a new Chancellor, a new Prime Minister, and a scaled-back budget in place, the UK government bond market stabilised. By the end of November 2022, bond yields were back to pre-crisis levels.

Since then, however, there has been both good news and bad news. Economic activity was much more robust than anticipated in the first half of 2023. Unemployment remained very low, and consumer spending remained relatively strong. Inflation also, however, remained high.

Trustee's Report

As a result, the Bank of England has continued to raise interest rates, negatively impacting the prices of most corporate and government bonds. Equity markets ended the fiscal year to the end of March down only modestly as the global economy avoided recession.

Over the next 12 months, the market is expecting interest rates to peak and then start falling. The main question for UK will be whether higher rates can contain inflation without causing significant damage to the outlook for medium-term growth.

Scheme perspective and asset allocation over the year to March 2023

The assets of APS fall into two categories - liability matching assets and the liquidation portfolio. The Trustee no longer requires nor mandates its investment manager to make tactical asset allocation decisions on behalf of the Scheme.

Liability matching assets are held to reduce risk and are those which are most aligned with the Scheme's future benefit payments. The liquidation portfolio consists of illiquid return seeking assets that are being run off or sold as the Scheme looks to reduce its risk and further improve its liquidity.

The Trustee Board (and previously its Investment Committee) is responsible for monitoring the Scheme's asset allocation. The Trustee regularly reviews the profile and liquidity of the Fund and may, where appropriate, make changes to the investment strategy with the intention of improving the risk return profile of the Scheme's assets.

An example of such a change that took place over the last year is in relation to the Scheme's corporate bond holdings, where the Trustee took advantage of market conditions in Q4 2022 and increased its allocation to short-dated, high-quality corporate bonds.

The Scheme navigated the UK government bond market volatility in September and early October 2022 with limited impact due to low levels of leverage and sufficient collateral adequacy buffers.

The allocation of the Fund as of 31 March 2023 is shown below.

Asset category	Assets % 31 March 2023	Assets % 31 March 2022
Liability Matching	93.8	94.1
Index Linked Bonds	54.2	70.0
Nominal Bonds	39.6	24.1
Illiquid Assets	4.4	3.9
Private Equity	2.1	1.8
Alternatives	2.2	2.0
Property	0.1	0.1
Cash	1.8	2.0

De-risking and liability hedging

The Trustee has put in place suitable policies to manage risk, to consider further insurance against residual longevity and financial risks and to run off the illiquid assets.

In addition, the Trustee has instructed BlackRock to implement interest rate and inflation rate hedging, which more directly aligns the expected performance of the Scheme's assets with its liabilities. A range of instruments including government bonds, corporate bonds, gilt repurchase agreements and swaps may be used for this purpose.

Of note, the Scheme's target interest rate and inflation hedge ratios were maintained during the gilt market volatility experienced in September and October 2022.

Trustee's Report

Measuring investment performance

The Trustee measures its investment manager's performance against a customised strategic benchmark, net of fees, over a rolling five-year period.

The Trustee monitors the returns achieved by the Scheme's liability hedging assets and its cash holdings against relevant portfolio-level performance benchmarks. All other asset classes are in liquidation and have benchmarks equal to actual holdings.

Fund performance

The table below shows the performance of the Fund. Over the year to 31 March 2023, the Fund returned -16.40%.

Performance				
Fiscal years to 31 March 2023	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
Fund return	-16.40	-2.25	-0.49	2.54
Benchmark	-16.46	-2.33	-0.54	2.52

Additional Voluntary Contributions (AVCs)

In the year to 31 March 2023, the Short-dated Gilts Fund (SGF) returned 2.75%, the Equity Biased Fund (EBF) returned 2.84%, and the Mixed Portfolio Fund (MPF) returned -8.36%.

The MPF is invested in BlackRock-managed passive funds, which are designed to track the performance of different asset classes. The MPF is invested in a mixture of developed and emerging market equities (partially hedged into Sterling), corporate bonds, and UK government bonds.

Further information on the performance of the AVC funds can be found in the annual AVC Investment Commentary on the Scheme documents page of the member website.

Performance returns of the AVC funds

Annualised fiscal year return over the period to 31 March 2023:

Fiscal years to 31 March 2023	1 year % p.a.	3 years % p.a.	5 years % p.a.	10 years % p.a.
MPF	-8.36	9.22	4.78	6.43
EBF	2.84	5.87	6.38	6.85
SGF	2.75	1.07	0.90	0.81

Source: Performance shown is calculated by State Street prior to May 2021, by BlackRock from May 2021 onwards, or BAPSL. External fund comparisons are sourced from Willis Towers Watson.

Trustee's Report

Statement of Investment Principles (SIP)

The Trustee has prepared a SIP in compliance with the requirements of Section 35 of the Pensions Act 1995. The SIP sets out the Scheme's investment strategy, including investment objectives and investment policies. Further detail on these policies and how they are implemented can be found in the implementation statement on pages 14 to 24. The SIP is reviewed regularly, and the SIP is currently being updated to reflect the change in investment adviser.

A copy of the latest version of the SIP can be accessed on the Scheme documents page of the **member website**. In relation to the SIP:

- Representatives from the dedicated Strategic Client Team at BlackRock will regularly attend Trustee meetings to discuss performance, portfolio activity and wider investment issues. The Investment Adviser assists the Trustee's Executive, BAPSL, in monitoring BlackRock. The Trustee will monitor BlackRock's performance over different time horizons against performance objectives but will focus on the long term.
- The Trustee expects BlackRock to, where possible, integrate financially material ESG considerations into the investment decision-making processes at a portfolio level, at asset level, across all asset classes and at all stages throughout the entire investment life-cycle including in the selection, retention and realisation of investments.
- The Trustee does not currently take into account the views of members and beneficiaries in respect of non-financial matters, including environmental and social issues.
- The Trustee expects BlackRock to, where consistent with the Trustee's fiduciary duties and applicable to the Scheme's investment strategies, actively engage and use voting and other rights attached to the Scheme's investments to drive up ESG standards in the organisations in which the Scheme is invested.
- The Trustee requires BlackRock to engage with investee companies and other relevant stakeholders, using a variety of means including collaboration with other investors, to protect or enhance the value of the Scheme's assets including over the medium to long term.
- In exercising the voting and other rights attached to the Scheme's investments, BlackRock will act according to its policy on proxy voting and shareholder engagement.
- The Trustee monitors portfolio turnover and turnover costs on an annual basis through reporting from BlackRock. This includes looking at the level of turnover and the associated costs in absolute terms and relative to various comparators.



Trustee's Report

SCHEME GOVERNANCE

Trustee knowledge and understanding (TKU)

The Trustee has a formal training policy, the foundation of which is the TKU regime developed by The Pensions Regulator (TPR). The Trustee continues to review its approach to training at least annually.

An induction programme is provided for new Trustee Directors on appointment. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the law on TKU, which allows six months for a new Trustee Director to be trained before they are expected to have achieved the required level of knowledge and understanding. Trustee Directors are required to undertake either TPR's toolkit (an online learning programme designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law) or the Award in Pension Trusteeship (a formal pensions qualification).

The content, frequency, and level of ongoing training are related to the business being undertaken by the Trustee Board. The Trustee Board, and previously each of its Committees, produce an annual calendar that identifies the topics and issues that are to be discussed and determined during the year. Appropriate training sessions are then scheduled to support these activities. Standalone training updates cover any important developments in the pensions industry which are relevant to the Scheme. Additional ongoing training may be undertaken to address each Trustee Director's particular learning needs and interests.

Training is provided in a range of formats by a variety of providers. The advisers provide training to some or all of the Trustee Directors either in routine Main Board meetings or in specially arranged sessions. BAPSL also provides bespoke training, and Trustee Directors are actively encouraged to supplement this formal training plan by accessing other resources, including pensions related publications and, where appropriate, industry conferences, seminars and webinars. Records of all training undertaken are maintained in respect of each Trustee Director.

Risk management and reporting

During the Scheme year, the Trustee kept under review the key risks which it had previously identified, as well as discussing relevant arising and potentially emerging matters. The assessment of these risks is supported by input from risk and control owners at BAPSL, using a risk reporting framework.

Conflicts of interest

The Trustee understands that it is in a position of trust and needs to have policies and arrangements in place to identify, monitor and manage conflicts. The Trustee conducted a review of the Conflicts of Interest policy during the Scheme year and adopted an updated version of the policy in December 2022. The policy requires Trustee Directors to complete a Declaration of Interest Form on appointment and notify any changes as they occur. A consolidated register of interests is shared with all the Trustee Directors and consideration of conflicts of interest is a standing agenda item at Trustee meetings. Trustee Directors receive training on managing conflicts of interest and the circumstances in which they may arise.

Trustee's Report

Trustee arrangements

The arrangements for Trustee Director appointments are summarised below:

- Four of the Trustee Directors, including the independent Chair, are appointed by BA.
- Four of the Trustee Directors are elected by active members of the Scheme, pensioner members* and adult survivor pensioners of the Scheme (voting members).
- The Trustee Directors elected by voting members must either be active members or pensioner members* (excluding adult survivors) of APS.
- A Trustee Director may remain in office for a minimum of five years and a maximum of five and a half years and is eligible for re-appointment (provided that he/she still meets the eligibility criteria for the relevant vacancy).
- Nominations for elected Trustee Directors must be supported by at least ten voting members. If there is more than one nomination for a vacancy, a ballot of the voting members is held. The result is decided on a simple majority of the votes cast.
- An elected Trustee Director may be removed from office following a ballot in which two-thirds of the votes cast by voting members are in favour of removal. A ballot may be held on written request to the Trustee by one hundred of the voting members. The other Trustee Directors must also agree to that Director's removal.
- The Trustee may, at any time, use electronic communications to communicate with, give notice to, or ballot members involved in the process.

*For this purpose, pensioner members do not include members whose benefits have not yet come into payment, or pensioners receiving only Equivalent Pension Benefits under the National Insurance Acts.

Committees

A more streamlined Committee structure was adopted in April 2020 and having experienced an improvement in board dynamics and efficiency the Board has further streamlined APS's governance to support its decision-making. The APS Committees were therefore disbanded in July 2022 and all matters are reported to and considered by the Trustee Board directly, across five board meetings and a strategy meeting each year. The Board may establish sub-committees or ad-hoc committees so that a small number of Trustee Directors can give detailed consideration to defined issues. An example of this is a GMP Equalisation Working Group which was established in June 2023.



Trustee's Report

Attendance by Trustee Directors

Attendance records for Trustee and Committee meetings have been maintained and are shown below for the Scheme year to 31 March 2023.

Trustee	Investment Committee	Operations Committee	Discretions Sub-Group	Main Board	Period of Appointment to Main Board
Roger Maynard (Chair)	1/1	1/1	1/1	4/4	Part Year
Wayne Phelan (Chair)	-	-	-	1/2	Part Year
Frances Axford	1/1	-	-	5/6	Whole Year
Zoe Davis	-	-	-	6/6	Whole Year
Paul Douglas	1/1	-	-	6/6	Whole Year
Ian Heath	-	1/1	2/2	6/6	Whole Year
Phil Hogg	-	1/1	-	6/6	Whole Year
Sarah Hunt	-	1/1	-	6/6	Whole Year
Tim Richardson	1/1	-	1/1	6/6	Whole Year

Committee and Main Board meetings have been convened throughout the Scheme year using a mix of video-conferencing and in-person attendance.

On occasions that Trustee Directors are not able to attend a meeting, the Rules provide for them to appoint an alternate to attend and vote for them. During the period under review, this has been standard practice. In addition, some Trustee Directors attended, as observers, meetings of Committees to which they were not formally appointed. Such occurrences are not included in the attendance list.

Security of assets

The Custodian Trustee of the Scheme, British Airways Pension Trustees Limited, holds title to the assets of the Scheme on behalf of the Trustee; however physical custody of the Scheme's securities (i.e. bonds and shares) has been delegated to independent external custodians, State Street Bank and Trust Co.

Defined Contribution governance statement

Additional Voluntary Contributions (AVCs) in the Scheme are considered in some respects to be Defined Contribution (DC) Benefits. In this regard, the Trustee annually reviews and assesses the systems, processes and controls across key governance functions (the controls) to ensure that they are consistent with the Standards of Practice set out in TPR's DC Code of Practice and Regulatory Guidance. The Trustee is satisfied that the controls are consistent with that Code, however, were the annual review to identify any areas where those Standards of Practice are not met, the Trustee would consider the reason for those differences and whether any changes to current practice are required.

SCHEME CHANGES

Change of Scheme Actuary during the year

On 31 December 2022 Michael Pardoe of Towers Watson Limited, a WTW company, resigned as Scheme Actuary, and Adam Boyes, of WTW, was appointed on the same date. Upon leaving, Mr Pardoe confirmed that there were no circumstances that the incoming actuary should be aware of which might significantly affect the interest of Scheme members or beneficiaries.

Trustee's Report

TRUST DEED AMENDMENTS

There were no changes during the year. The consolidated Trust Deed and Rules and the deed implementing the consolidation can be viewed via the Scheme documents page of the member website.

PENSION ADMINISTRATION MATTERS

Cash equivalent transfer values

Transfer values paid during the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993.

Pension increases

The Scheme Rules provide that the annual increase for most pensions shall be the percentage specified in the Pensions Increase (Review) Orders (the Orders). Any increases above those provided for by the Orders are granted on a discretionary basis.

The Orders currently reflect the rise in the Consumer Prices Index (CPI) over a twelve-month period measured up to the end of the preceding September. The 2023 Order was 10.1% and in accordance with the Scheme Rules, qualifying pensions were increased by 10.1% on 10 April 2023. These increases apply to all pensions payable under the Rules of the Scheme (whether in deferment or currently in payment - excluding any guaranteed minimum pension in payment) except where the member remained in active service after 31 December 1973 and did not transfer to Part VI of the Scheme. Broadly speaking, people in this latter category receive increases in payment in line with price inflation, as determined under the Pensions Act 1995 (currently CPI), up to 5% a year in respect of any part of the pension relating to pensionable service after 5 April 1997.

The Pensions Act 2004 reduced increases to pensions in payment for people within this category to inflation up to 2.5% a year in respect of service after 5 April 2005. The Pensions Act 2008 reduced increases to deferred pensions for people within this category, who have not attained their normal pension date, to inflation (currently CPI) up to 2.5% a year in respect of pension accrued after 5 April 2009 (for pension earned before that date the cap is 5% a year). Dependants in receipt of pensions derived from a deceased member within this category receive increases at the rate shown in the Orders, but only up to 5% a year as provided in the Rules.

Discretionary increases under the Settlement Agreement

Under the terms of the Settlement Agreement, the Trustee is permitted, subject to some affordability tests, to award discretionary increases so that eligible Scheme pensions are increased up to the annual change in RPI. The maximum levels of discretionary increases between April 2020 to April 2027 are prescribed under the Settlement. For 2023 the Settlement Agreement permits a discretionary increase of 100% of the relevant gap between RPI and the Orders. After considering all relevant circumstances, the Trustee decided to award a discretionary increase to qualifying pensions of 2.5% (the maximum permitted), bringing the total 2023 pension increase to 12.6%.

Internal dispute resolution procedure (IDRP)

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

Trustee's Report

Tax

The allowances for 2023/24 are:

- Standard Lifetime Allowance: £1,073,100
- Annual Allowance: £60,000
- Minimum tapered Annual Allowance: £10,000
- Adjusted income for Tapered Annual Allowance: £260,000

In the March 2023 budget the Government announced the removal of the lifetime allowance charge from April 2023.

Online communications

The administration team can respond to members who have registered to manage their pension online by secure email. Email responses are issued via Mimecast, which is a cloud-based email messaging service. This is a convenient and faster way for members to receive information securely.

This report was approved by the Trustee Board on 27 September 2023 and was signed on its behalf by:

Monica Gupta
Scheme Secretary



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

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 **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 advisers, and the Schemes' sponsor.

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

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 **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: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

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

5. Monitoring and communication

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

Implementation of the Scheme's RI Policy is delegated to BlackRock. The Investment Manager is charged with integrating ESG considerations where possible and appropriate to the Scheme's investment strategy. It is also responsible for conducting voting and engagement activities on behalf of the Scheme.

BlackRock's portfolio managers are supported by the BlackRock Investment Stewardship (BIS) team. The BIS team provide subject matter expertise, analytical resource and advice on RI implementation. The strategic client team (a team within BlackRock who are focused on the 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 advisers.

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.



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

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
Total	2,795

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 BlackRock voted in line with management	26,524
Proposals where BlackRock voted against management	2,963
Total	29,487

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%
Total	100%

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

BlackRock proxy voting guidelines

All voting that took place on behalf of the Scheme during the relevant year was in line with BlackRock's proxy voting guidelines, since voting was fully delegated to BlackRock.

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

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

<https://www.blackrock.com/corporate/insights/investment-stewardship>

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 set 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:

Company name	Alphabet, Inc
Meeting Date	1 June 2022
Trustee Stewardship Priority	Climate change
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	Units held in MPF Pooled fund.
Highlighted vote	Shareholder proposal I Report on Metrics and Efforts to Reduce Water Related Risk (a vote FOR).
Rationale for vote	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.
Outcome of the vote	This proposal was not approved.

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

Company name	ExxonMobil Corporation
Meeting Date	25 May 2022
Trustee Stewardship Priority	Climate change
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	Units held in MPF Pooled fund.
Highlighted vote	Shareholder proposal Reduce company emissions and hydrocarbon sales (AGAINST).
Rationale for vote	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
Outcome of the vote	This proposal was not approved.

Company name	Netflix, Inc
Meeting Date	2 June 2022
Trustee Stewardship Priority	Remuneration policies
BlackRock Stewardship Priority	Strategy, purpose, and financial resilience. Incentives aligned with value creation.
Approx. Scheme holdings at date of vote	Units held in MPF Pooled fund.
Highlighted vote	Management proposal Say on Pay (a vote AGAINST).
Rationale for vote	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.
Outcome of the vote	The proposal to approve the Company's executive officer compensation on a non-binding advisory basis was not approved.

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

Company name	TotalEnergies SE
Meeting Date	25 May 2022
Trustee Stewardship Priority	Climate change
BlackRock Stewardship Priority	Climate risk
Approx. Scheme holdings at date of vote	Units held in MPF Pooled fund.
Highlighted vote	Management proposal Company's Sustainability and Climate Transition Plan (FOR).
Rationale for vote	<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>
Outcome of the vote	This proposal was approved.

Company name	Barclays Plc
Meeting Date	4 May 2022
Trustee Stewardship Priority	Climate change
BlackRock Stewardship Priority	Climate risk
Approx. Scheme holdings at date of vote	Units held in MPF Pooled fund.
Highlighted vote	Management proposal Approve Barclays' Climate Strategy, Targets and Progress 2022 (FOR).
Rationale for vote	<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>
Outcome of the vote	This proposal was approved.

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

Significant engagement examples:

Company name	Equinor, ASA
Meeting Date	11 May 2022
Trustee Stewardship Priority	Climate change
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	B&M portfolio (£6.0m)
Highlighted vote	Shareholder proposal Introduce a Climate Target Agenda and Emission Reduction Plan (a vote AGAINST).
Rationale for vote	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.
Outcome of the vote	The shareholders' proposal was not adopted.

Company name	Rio Tinto Group
Meeting Date	Rio Tinto plc, 8 April 2022; Rio Tinto Limited, 5 May 2022
Trustee Stewardship Priority	Human rights. Labour standards and Board structure.
BlackRock Stewardship Priority	Company impacts on people.
Approx. Scheme holdings at date of vote	B&M portfolio (£2.1m)
Highlighted vote	Management proposal Re-election of board members (a vote FOR).
Rationale for vote	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.
Outcome of the vote	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.

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

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.

Total company engagements	101
Engagements by region	
Americas	40
EMEA	58
APAC	3
Engagement themes	
Governance	94
Social	44
Environmental	51
Top 10 Engagement topics	
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 capabilities¹

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

¹ The Investment Managers provided oversight of external managers in private equity and alternatives.

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

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
Engagements by region	
Americas	442
EMEA	252
APAC	233
Engagement themes	
Governance	825
Social	392
Environmental	502
Top 10 Engagement topics	
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: <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>

9. Affiliations and initiatives

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

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

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.

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

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 Manager's implementation of their investment principles so far as they related to stewardship by means of written quarterly and annual reports, which are interrogated systematically by BAPSL, the Trustee and advisers.

The Trustee and advisers also had regular access to BlackRock's OCIO and stewardship team. On the basis of the information provided to them and their advisers, 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.



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

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

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

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

Independent Auditor's report to the Trustee of the Airways Pension Scheme

Opinion

We have audited the financial statements of the Airways Pension Scheme ("the Scheme") for the year ended 31 March 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee and inspection of policy documentation, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board meeting minutes.

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

Independent Auditor's Report

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

We did not identify any additional fraud risks.

We performed procedures including:

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

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

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

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

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

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

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

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

We have reported separately on contributions payable under the Schedule of Contributions in our Statement about Contributions on page 48 of the annual report.

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

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

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

Independent Auditor's Report

Other information

The Trustee is responsible for the other information, which comprises the Chair's Review and Trustee's report (including the report on actuarial liabilities, TCFD report, implementation statement and the summary of contributions), and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 25, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Nadia Dabbagh-Hobrow

For and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

Date: 29 September 2023

Fund Account

	Note	31 March 2023 £'m	31 March 2022 £'m
Contributions and Benefits			
Employer contributions	3	1.3	1.0
Employee contributions	3	0.3	0.4
Total contributions		<u>1.6</u>	<u>1.4</u>
Benefits paid or payable	4	(360.4)	(357.7)
Payments to and on account of leavers	5	(6.4)	(18.9)
Administrative expenses	6	(3.4)	(4.0)
		<u>(370.2)</u>	<u>(380.6)</u>
Net (withdrawals) from dealings with members		<u>(368.6)</u>	<u>(379.2)</u>

Returns on Investments

Investment income	7	22.2	24.3
Investment management expenses	8	(0.8)	(0.8)
Change in market value of investments	9	(1,164.5)	278.3
Net return on investments		<u>(1,143.1)</u>	<u>301.8</u>
Net (decrease) in the fund during the year		(1,511.7)	(77.4)
Net assets of the Scheme at 1 April		7,297.0	7,374.4
Net assets of the Scheme at 31 March		<u>5,785.3</u>	<u>7,297.0</u>

The notes on pages 31 to 45 form part of the financial statements.

Statement of Net Assets (available for benefits)

	Note	31 March 2023 £'m	31 March 2022 £'m
Investment assets:			
Fixed interest bonds	9	741.4	601.8
Index-linked bonds	9	3,592.1	5,645.8
Pooled arrangements			
Property	10	2.1	2.2
Alternative investments	10	34.0	40.0
Private equity	10	31.2	37.9
Cash	10	65.7	81.8
Insurance contracts	12	3,362.0	4,213.0
Derivatives	14	97.1	58.4
AVC mixed portfolio fund	16	9.6	12.0
Cash	9	39.9	173.6
Reverse repurchase agreements	9	26.5	78.4
Other investment balances	9	65.0	44.2
		8,066.6	10,989.1
Investment liabilities:			
Amounts due to broker	9	-	(33.4)
Asset and longevity swaps	13	(1,995.8)	(3,535.4)
Derivatives	14	(48.0)	(22.8)
Repurchase agreements	9	(99.9)	-
Other investment balances	9	(128.5)	(85.7)
		5,794.4	7,311.8
Total net investments			
Current assets		0.4	0.1
Current liabilities		(9.5)	(14.9)
		5,785.3	7,297.0
Net assets of the Scheme at 31 March			

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits, which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with in the report on actuarial liabilities on pages 51 and 52, and these financial statements should be read in conjunction with this report.

The notes on pages 31 to 45 form part of these financial statements.

These financial statements were approved by the Trustee Board on 27 September 2023 and were signed on their behalf by:

Wayne Phelan **Trustee Director**
For Vidett Trust Corporation Limited

Paul Douglas **Trustee Director**

Notes to the Financial Statements

1. Basis of preparation

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

The financial statements are prepared on a going concern basis, which the Trustee considers to be appropriate as it believes that the Scheme has adequate resources to meet its obligations as they fall due for at least the next twelve months from the approval of these financial statements. In reaching this conclusion, the Trustee has considered the half year results (six months to 30 June 2023) for International Airlines Group (IAG) (parent of British Airways Plc) which were prepared without inclusion of a material uncertainty over the group's going concern, the employer covenant and the most recent funding position as at 30 June 2023. Based on its assessment the Trustee considers the Scheme to have sufficient resources to continue operating. This assessment supports the Trustee's decision to prepare the financial statements on a going concern basis.

2. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

- i. Employees' contributions, including AVCs, are accounted for when they are deducted from pay by the Employer and in accordance with the Schedules of Contributions in force during the year.
- ii. Employer normal contributions are accounted for on the same basis as the employees' contributions, in accordance with the Schedules of Contributions in force during the year. Employer normal contributions include contributions payable to the Scheme under salary sacrifice arrangements.
- iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.
- iv. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedules of Contributions or on receipt if earlier with the agreement of the Employer and the Trustee.

b. Payments to members

- i. Pensions in payment are accounted for in the period to which they relate.
- ii. Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, the date of retiring or leaving.
- iii. Individual transfers out of the Scheme are accounted for when the member liability is discharged, which is normally when the transfer amount is paid.

c. Administrative and investment management expenses

Expenses are accounted for on an accruals basis.

d. Investment income

- i. Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- ii. Income from cash and short-term deposits is accounted for on an accruals basis.
- iii. Income from pooled arrangements is accounted for when declared by the fund manager, net of any associated management fees.
- iv. Annuity income from the Legal & General buy-in and income arising from the longevity swap are recognised as sales in the investment reconciliation in note 9.

e. Investment change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

Notes to the Financial Statements

2. Accounting policies - continued

f. Investments

Investments are included at fair value as described below:

- i. Quoted securities in active markets are usually valued at either the current bid price or the last traded price as of year-end, depending on the convention of the stock exchange on which they are quoted, at the reporting date.
- ii. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.
- iii. Insurance contracts are valued at fair value. The Legal and General bulk annuity buy-in is valued by the Scheme Actuary by projecting the benefits covered, expected to be paid in each year. The key underlying assumptions are shown on page 51, with the only difference being an update in longevity assumptions to use the CMI 2021 projections model. The resulting projected cash flows are then discounted to obtain a present value.
- iv. Rothesay Life asset and longevity swaps are valued at fair value based on the expected future cash flows taking into account market interest rates, market data at the year end and the risk premium inherent in the contract. The longevity swap is based on realistic assumptions agreed by Rothesay Life and the Scheme based on the experience of the Scheme.
- v. Exchange traded derivatives are stated at market value determined using market quoted prices.
- vi. Over the counter (OTC) derivatives are stated at fair value using pricing models and relevant market data as of the year end date.
- vii. Swaps are valued by taking the current value of future cash flows arising from the swap determined using discounted cash flow models and relevant market data at the reporting date.
- viii. Repurchase agreements are accounted for as follows:
 - For repurchase agreements, the Scheme recognises and values the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.
 - For reverse repurchase agreements, the Scheme does not recognise the securities received as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements.



Notes to the Financial Statements

2. Accounting policies - continued

g. Pooled arrangements

The indirect property, alternative, private equity and some cash investments are invested in externally pooled funds. A proportion of the private equity and alternatives, and all of the property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme.

Direct and indirect investment properties have been valued at the year-end in accordance with the Royal Institution of Chartered Surveyors' (RICS) Valuation – Global Standards, taking into consideration the current estimate of the rental values and market yields. The valuations for the direct properties have been carried out by Cushman & Wakefield, chartered surveyors, who have the appropriate knowledge and experience to value such assets. Indirect properties are valued by the manager of the pooled funds.

Private equity and alternative investments are valued at the best estimate of fair value taking the latest available valuations issued by the managers and adjusting for any cash movements occurring between the date of the valuation and the Scheme year end.

h. Foreign currencies

The Scheme's functional and presentation currency is pound Sterling. Monetary items denominated in foreign currency are translated into Sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in Sterling at the spot exchange rate at the date of the transaction.

i. Accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Net Assets date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

3. Contributions

	2023 £'m	2022 £'m
Employer contributions		
Normal	1.3	1.0
Employee contributions		
Normal	-	0.1
Additional voluntary contributions	0.3	0.3
	1.6	1.4

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Further details regarding contributions are included in the summary of contributions on page 47.

Notes to the Financial Statements

4. Benefits paid or payable

	2023 £'m	2022 £'m
Pensions	355.8	350.7
Commutations and lump sum retirement benefits	3.6	6.2
Lump sum death benefits	0.6	0.3
Taxation where lifetime or annual allowance exceeded	0.4	0.5
	<u>360.4</u>	<u>357.7</u>

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

5. Payments to and on account of leavers

	2023 £'m	2022 £'m
Individual transfers out to other schemes	<u>6.4</u>	<u>18.9</u>

6. Administrative expenses

The Scheme bears the cost of administration. However, the levies required by the Pension Protection Fund are payable by BA Plc. The Airways Pension Scheme bears an allocation of the overall costs of BAPSL except where a cost relates specifically to the Scheme, in which case the cost is met by the Scheme in full. The administrative expenses include the in-house costs of running the BAPSL team that provide member services, finance operations and trustee support. They also include the costs of external advisers engaged by the Trustee, including the auditor, actuary, investment consultants, legal advisers and compliance costs. The split of costs at the year-end are as follows:

	2023 £'m	2022 £'m
BAPSL in-house administration and processing	2.0	2.5
External professional fees	1.4	1.5
	<u>3.4</u>	<u>4.0</u>

Notes to the Financial Statements

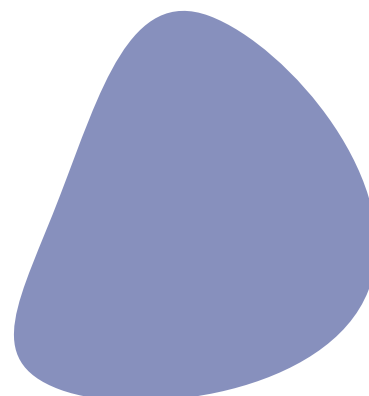
7. Investment income

	2023 £'m	2022 £'m
Income from fixed interest bonds	19.4	19.7
Income from index-linked bonds	3.3	3.0
Net receipt/(payments) from swaps	0.3	-
Interest on repurchase agreements - net	(0.8)	-
Interest on cash deposits - net	(0.5)	0.1
Other income	0.5	1.5
	22.2	24.3

8. Investment management expenses

The Scheme bears the cost of investment management expenses. The investment management was in-house until the transition to BlackRock Investment Management (UK) Limited on 1 June 2021.

	2023 £'m	2022 £'m
BAPIML in-house investment management expenses	-	0.2
External investment management expenses	0.8	0.6
	0.8	0.8



Notes to the Financial Statements

9. Reconciliation of investments

	Value at 31 March 2022 £'m	Purchases at cost & derivative payments £'m	Sales proceeds & derivative receipts £'m	Change in market value £'m	Value at 31 March 2023 £'m
Fixed interest bonds	568.4	714.3	(451.4)	(89.9)	741.4
Index-linked bonds					
- Rothesay Life assets	4,569.0	-	-	(1,770.7)	2,798.3
- Index-linked bonds	1,076.8	259.2	(270.4)	(271.8)	793.8
Pooled arrangements					
- Property	2.2	-	-	(0.1)	2.1
- Alternative investments	40.0	0.4	(10.0)	3.6	34.0
- Private equity	37.9	0.2	(6.4)	(0.5)	31.2
- Cash	81.8	450.0	(467.8)	1.7	65.7
Insurance contracts					
- Legal & General buy-in	4,213.0	-	(200.9)	(650.1)	3,362.0
Asset and longevity swaps					
- Rothesay Life swaps	(3,535.4)	3.2	(79.3)	1,615.7	(1,995.8)
Derivatives					
- Swaps	40.1	271	(27.2)	4.8	44.8
- Futures and options	0.6	21.4	(24.5)	2.6	0.1
- Forward foreign exchange	(5.1)	36.6	(15.8)	(11.5)	4.2
AVC mixed portfolio fund	12.0	0.3	(1.7)	(1.0)	9.6
	7,101.3	1,512.7	(1,555.4)	(1,167.2)	5,891.4
Cash	173.6			(0.6)	39.9
Repurchase agreements	78.4			-	(73.4)
Other investments	(41.5)			3.3	(63.5)
	7,311.8			(1,164.5)	5,794.4

There were four (2022: four) individual investments which comprised greater than 5% of the net assets of the Scheme (in absolute terms); the Legal & General buy-in 58.1% (2022: 57.7%), the Artemis asset swap 34.5% (2022: 48.5%), the 2050 0.5% Treasury index-linked gilt 34.0% (2022: 44.7%) and the 2046 0.125% Treasury index-linked 5.6% (2022: 7.0%).

The investment management of the Scheme's assets was transferred to BlackRock Investment Management (UK) Limited on 1 June 2021.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Due to MiFID II, research costs have been unbundled and are now included within investment management expenses. There were no such reportable transaction costs in the year.

Indirect costs in relation to bonds are incurred through the bid-offer spread. Indirect costs are also incurred in relation to external pooled arrangements through charges made to those vehicles.

Notes to the Financial Statements

10. Pooled arrangements

The indirect property, alternatives, private equity and some cash investments are invested in externally held pooled funds. A proportion of the private equity and property investments (direct and indirect) are pooled internally and held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme. The remainder is held directly on behalf of the Scheme. As of 31 March 2023, the value of these funds are as follows:

Property	% held	2023 £'m	2022 £'m
Externally pooled indirect funds		0.9	1.0
Direct UK property fund		1.2	1.2
Total property unitised	17.80%	2.1	2.2
		2023 £'m	2022 £'m
Alternatives			
Direct investment funds		34.0	40.0
		2023 £'m	2022 £'m
Private equity			
Direct investment funds		31.2	37.9
		2023 £'m	2022 £'m
Cash			
Direct investment funds		65.7	81.8

11. Taxation

The Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income.

12. Insurance contracts

On 13 September 2018, the Scheme entered into a Framework Buy-in Agreement with Legal & General Assurance Society Limited to insure the cost of approximately £4.4 billion of pension benefit liabilities payable by the Scheme. The premium for the buy-in took the form of a transfer of investment assets by the Scheme to Legal & General Assurance Society Limited. The buy-in helps to protect the Scheme against risk, including inflation, interest rate, and longevity risk.

Notes to the Financial Statements

13. Asset swap and longevity swaps

The Scheme uses these instruments to manage exposures to longevity risk arising in the normal course of business.

The Scheme holds an asset swap and two longevity swaps with Rothesay Life. The Artemis contract covers c.24% of the Scheme's liabilities for pensions already in payment by June 2010 and provides protection against the pensioners living longer, and interest and inflation rates movements. The Concerto contract covers c.20% of the Scheme's longevity risk for pensions already in payment by June 2010 and provides protection against the pensioners living longer. For each contract, the Scheme pays a fixed stream of cash flows based on an underlying portfolio of assets in exchange for a floating stream of cash flows.

The total net investment of £1,995.8m shown on the net assets statement includes the Artemis and Concerto swap contract assets that comprise:

Rothesay Life assets and liabilities	2023 £'m	2022 £'m
United Kingdom public sector quoted		
2050 index-linked gilt 0.5%	1,967.1	3,258.6
2052 index-linked gilt 0.25%	171.3	296.4
2044 index-linked gilt 0.125%	212.2	315.0
2046 index-linked gilt 0.125%	279.4	435.0
2047 index-linked gilt 0.75%	168.3	264.0
	2,798.3	4,569.0
Artemis asset swap	(1,830.2)	(3,293.6)
Artemis longevity swap	(94.1)	(137.8)
Concerto longevity swap	(71.5)	(104.0)
	(1,995.8)	(3,535.4)

For collateral purposes, there is a fixed charge agreed at the outset of the Artemis contract, which represents the collateral Rothesay Life, as the insurer, could expect to receive if the Scheme defaulted. This reduces over the life of the contract.

A proportion of the Scheme's UK Treasury index-linked, 0.25% 2052 and 0.5% 2050 positions are held in fixed charge accounts to the order of Rothesay Life to cover their longevity risk exposure and the fixed charge. The value of this proportion for the Concerto contract was £53.0m as of 31 March 2023 (2022: £53.9m). The value of the proportion for the Artemis contract was £66.3m as of 31 March 2023 (2022: £67.8m). The fixed charge values for Artemis and Concerto are included in the Rothesay collateral values, along with the asset swap and longevity swap exposures, in note 15.

Notes to the Financial Statements

14. Derivatives

The Scheme uses derivative instruments for both investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange and liquidity risks arising in the normal course of business.

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics were as follows:

Swaps

Nature	Duration	Nominal amount £'m	Asset value £'m	Liability value £'m
Over the counter (OTC)				
Inflation-linked swaps	5 to 20 years	337.2	54.7	-
Interest rate swaps	2 to 15 years	571.9	22.5	(39.4)
Total OTC		909.1	77.2	(39.4)
Cleared				
Inflation-linked swaps	1 to 40 years	382.0	3.9	(5.8)
Interest rate swaps	<1 to 50 years	376.2	11.6	(2.7)
Total Cleared		758.2	15.5	(8.5)
Total 2023		1,667.3	92.7	(47.9)
Total 2022		1,068.1	57.7	(17.6)

Included within the index linked and fixed interest bond balances, as disclosed in Note 9, are £6.2m (2022: £0.6m) in respect of initial margins arising on open cleared swap contracts.

Futures

The Scheme had exchange traded stock index futures outstanding at the year-end relating to its equity portfolio as follows:

Nature	Economic Exposure £'m	Expires	Asset Value £'m	Liability Value £'m
Fixed income future assets	6.6	Less than 1 year	-	(0.1)
Fixed income futures liabilities	(41.3)	Less than 1 year	0.2	-
Total 2023	(34.7)		0.2	(0.1)
Total 2022			0.7	(0.1)

Included within fixed interest bond balances are £3.5m (2022: index linked bond balances of £1.7m) in respect of initial margins arising on open futures contracts.

Notes to the Financial Statements

Forward foreign exchange contracts

The Scheme holds investments in a number of currencies, and their policy is to hedge within agreed limits.

The Scheme enters into over the counter foreign exchange forward contracts to offset the impact of currency fluctuations in foreign currency. The open FX contracts at the year-end were as follows:

Contract	Maturity date	Nominal value m	Asset value £'m	Liability value £'m
EUR				
Forward to sell EUR	Apr 23-Jun 23	€169.4	1.7	-
USD				
Forward to sell USD	Apr 23-Jun 23	\$226.2	2.5	-
Total 2023			4.2	-
Total 2022			-	(5.1)

Repurchase and reverse repurchase agreements

The Scheme uses these asset types as a source of leverage to hedge the long-term exposure of pension liabilities to interest and inflation. They are traded over the counter and collateralised accordingly.

At the year end, amounts payable under repurchase agreements amounted to £99.9m (2022: £Nil) and amounts receivable under reverse repurchase agreements amounted to £26.5m (2022: £78.4m).

15. Collateral

Collateral is used by the Scheme to manage counterparty risk. The collateral balances at the year-end are as follows:

Counterparty	Collateral type	Pledge £'m	Derivative position
Rothesay Life	UK Gilt	(2,115.0)	Asset swap/Longevity swap
Barclays	Cash	11.2	Swaps and FX forwards
BNP Paribas	UK Gilt	0.2	Repurchase agreements
Citigroup	UK Gilt & Cash	8.3	Swaps and repurchase agreements
Goldman Sachs	UK Gilt	(0.5)	Swaps & FX forwards
JP Morgan	Cash	3.5	Swaps
Merrill Lynch	UK Gilt & Cash	5.5	Swaps & FX forwards
Morgan Stanley	UK Gilt	(1.7)	Swaps & FX forwards
National Australia	UK Gilt	0.5	Repurchase agreements
NatWest	Cash	6.5	Swaps & FX forwards
UBS	Cash	10.3	Swaps & FX forwards
		(2,064.3)	

Collateral pledged with a counterparty is reflected as a negative value. However, these amounts are included in the statement of net assets as part of the Scheme assets.

The collateral balances at the 2022 year end amounted to £(3,472.8)m.

Notes to the Financial Statements

16. Additional Voluntary Contributions (AVCs)

The Trustee holds assets to secure additional benefits on a defined contribution basis for those defined benefit section members electing to pay AVCs. Members participating in this arrangement each year receive an annual statement confirming the amounts held in their account and the movements in the year.

There are three AVC funds. The Mixed Portfolio Fund, which is a separately managed internally pooled arrangement, the Short-dated Gilts fund and the Equity Biased Fund, which are held within the investments. The values of these funds are as follows:

	% held	2023 £'m	2022 £'m
Mixed portfolio fund			
Pooled investment vehicles – equities		7.6	9.5
Pooled investment vehicles – fixed interest		1.7	2.1
Pooled investment vehicles – cash		0.3	0.4
Total Mixed Portfolio Fund	7.76%	9.6	12.0
Short-Dated Gilts Fund		0.4	0.4
Equity Biased Fund		13.2	15.0
		23.2	27.4

Notes to the Financial Statements

17. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level (1)	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level (2)	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level (3)	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been fairly valued using the above hierarchy levels:

	As of 31 March 2023			
	Level (1) £'m	Level (2) £'m	Level (3) £'m	Total £'m
Bonds	3,743.8	589.7	-	4,333.5
Pooled arrangements	-	65.7	67.3	133.0
Insurance contracts	-	-	3,362.0	3,362.0
Asset and longevity swaps	-	-	(1,995.8)	(1,995.8)
Derivatives	0.1	49.0	-	49.1
AVC mixed portfolio fund	9.6	-	-	9.6
Cash	18.4	21.5	-	39.9
Repurchase agreements	-	(73.4)	-	(73.4)
Other investment balances	3.5	(67.0)	-	(63.5)
	3,775.4	585.5	1,433.5	5,794.4

	As of 31 March 2022			
	Level (1) £'m	Level (2) £'m	Level (3) £'m	Total £'m
Bonds	6,212.8	1.4	-	6,214.2
Pooled arrangements	-	81.8	80.1	161.9
Insurance contracts	-	-	4,213.0	4,213.0
Asset and longevity swaps	-	-	(3,535.4)	(3,535.4)
Derivatives	0.6	35.0	-	35.6
AVC mixed portfolio fund	-	12.0	-	12.0
Cash	5.3	168.3	-	173.6
Repurchase agreements	-	78.4	-	78.4
Other investment balances	(6.2)	(35.3)	-	(41.5)
	6,212.5	341.6	757.7	7,311.8

Notes to the Financial Statements

18. Investment risk disclosures

The disclosure of information in relation to certain investment risks are as follows:

Credit (or counterparty) risk: the risk that one party to a financial instrument (including insurance) will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk: the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to investment risks as a result of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment manager and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to certain risks are set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(i) Credit (or counterparty) risk

The Scheme is subject to credit (or counterparty) risk because the Scheme invests in bonds, OTC derivatives, reverse repurchase agreements, holds cash balances, and undertakes stock lending activities.

Credit risk arising on bonds is mitigated by investing predominantly in UK Government bonds where the credit risk is minimal or investment grade corporate bonds which are predominantly rated BBB or above. The Trustee manages the associated counterparty risk by requesting that the Investment Manager diversifies the portfolio to minimise the impact of a default by any one issuer. Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have predominantly investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. Exchange traded derivatives are guaranteed by a regulated exchange whereas OTC is not; therefore, the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC derivatives is reduced by collateral arrangements (see note 15). In March 2022 the Trustee initiated a move to Central Clearing for certain OTC derivatives, bringing the Scheme in line with industry standards and offering potential advantages in terms of the spread of counterparties and associated transaction costs.

Cash is held with financial institutions which are at least investment grade credit rated. This was the position at the year end.

The Scheme lends certain fixed interest securities under a Trustee-approved lending program which is managed at the discretion of and is fully indemnified by the investment manager, BlackRock. The Trustee manages the credit risk arising from lending activities by restricting the amount of overall bonds that may be lent, the term of the loan, only lending to approved borrowers, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. At the year end, the Scheme had lent £197m of bonds (2022: £452m) and held an equivalent amount of collateral in the form of equities and fixed income.

The Scheme invests in private equity, alternatives, cash and indirect property funds through pooled arrangements and some of these investments are exposed to credit risk and leverage. This risk is mitigated through active management of the funds, the regulatory environments in which the pooled arrangements operate, and diversification of investments amongst a number of funds.

The Trustee carries out due diligence checks on an on-going basis and monitors any changes to the management, regulatory, and operating environment of the funds. The Scheme's holdings in pooled investment vehicles are unrated and predominantly held through shares of limited liability partnerships and unit linked insurance policies.

Notes to the Financial Statements

18. Investment risk disclosures continued

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled arrangements. The overseas currency exposure is minimised by the fund manager through a discretionary currency hedging policy.

The Scheme's net unhedged exposure by major currency at the year-end was as follows:

	2023	2022
	£'m	£'m
US Dollar	1.9	5.7
Euro	5.8	10.9
	7.7	16.6

(iii) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in instruments where the price is sensitive to movement in interest rates, such as bonds and interest rate swaps. The Scheme's liabilities are also sensitive to movements in interest rates, specifically government bond yields as these form the basis of the discount rate assumption. The Trustee has set a high interest rate target hedge ratio to mitigate the impact of interest rate movements on the overall Scheme funding level as part of its liability matching investment strategy. Under this strategy, if interest rates fall, the value of liability matching investments will rise to broadly offset the corresponding increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the liability matching investments will fall in value, as will the actuarial liabilities due to an increase in the discount rate.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's liquidation portfolio which includes investments held in pooled arrangements including private equity, alternatives, real assets and property. The Scheme has asked the investment manager to run off these assets and convert all the investments to liability matching assets.

19. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year-end:

	2023	2022
	£'m	£'m
Pooled arrangements		
Property	-	0.1
Alternatives	23.2	18.5
Private equity	10.1	8.8
	33.3	27.4

Notes to the Financial Statements

20. Self-investment

The Scheme holds no direct investment in BA Plc or in International Consolidated Airline Group SA, or any shares or other securities as defined by section 40 of the Pensions Act 1995.

21. Related party transactions

The Corporate Trustee of APS is Airways Pension Scheme Trustee Limited (APSTL). This company is dormant.

BAPTL, a company limited by guarantee, holds the assets on behalf of the Scheme as Custodian Trustee, including the assets of the pooled arrangements. The directors of BAPTL are all Directors of either APSTL or New Airways Pension Scheme Trustee Limited (NAPSTL). The two companies described in the paragraph below are wholly owned by BAPTL.

BAPSL provides administration services, and BAPIML provided investment management services to the Scheme. The Scheme is recharged for these services, as shown in the fund account and in notes 6 and 8. BA Plc provides occasional services to the Scheme (e.g. recruitment, procurement advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

The Trustee Directors of the Scheme are considered to be key management personnel. Roger Maynard and Vidett Trust Corporation Limited were remunerated by BA Plc in respect of their services as Chair of APSTL. Pensioner-elected Trustee Directors were also paid by the Employer.

The out-going Chair is a pensioner of NAPS. Two of the ENDS are deferred members of NAPS. The MNDs are pensioners of APS, and their pension rights are on terms normally granted to members.

22. Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should equalise pension benefits for the effect of unequal GMP so that equal benefits are provided for men and women in respect of GMP earned between 17 May 1990 and 5 April 1997. In November 2020, the Court confirmed that transfers out of pension schemes which had been calculated without equalising for the effect of unequal GMP should in certain cases be adjusted to reflect equalised benefits. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee of the Scheme is aware that the issue will affect the Scheme and has already received advice from its Scheme Actuary to understand the impact on the Scheme. Under the rulings, schemes are required to backdate benefit adjustments in relation to GMP equalisation and may need to provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest, the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.



Independent Auditor's Statement About Contributions

Independent Auditor's statement about contributions to the Trustee of the Airways Pension Scheme

Statement about contributions

We have examined the summary of contributions payable under the Schedules of Contributions to the Airways Pension Scheme in respect of the Scheme year ended 31 March 2023 which is set out on page 48.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid for:

- The period 1 April 2022 to 27 June 2022 at least in accordance with the Schedule of Contributions certified by the Actuary on 28 November 2019.
- The period from 28 June 2022 to 31 March 2023 at least in accordance with the Schedule of Contributions certified by the Actuary on 28 June 2022.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 47, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

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

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

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

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London E14 5GL

Date: 29 September 2023

Summary of Contributions

Statement of Trustee's responsibilities in respect of contributions

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

Trustee's summary of contributions payable under the Schedules in respect of the Scheme year ended 31 March 2023

This summary of contributions has been prepared on behalf of and is the responsibility of the Trustee. It sets out the employer and employee contributions payable to the Scheme under the Schedules of Contributions certified by the Scheme Actuary on 28 November 2019 and 28 June 2022 in respect of the Scheme year ended 31 March 2023. The Scheme Auditor reports on contributions payable under the Schedules in the auditor's statement about contributions.

Contributions payable under the Schedules in respect of the Scheme year	£'m
Employer normal contributions	1.3
Employee normal contributions	-
Contributions payable under the Schedules (as reported on by the Scheme Auditor)	1.3

Reconciliation of contributions

Reconciliation of contributions payable under the Schedules of Contributions reported in the financial statements in respect of the Scheme year:

	£'m
Contributions payable under the Schedules (as above)	1.3
Contributions payable in addition to those due under the Schedules:	
Employee additional voluntary contributions	0.3
Total contributions reported in the financial statements	1.6

This report was approved by the Trustee Board on 27 September 2023 and was signed on their behalf by:

Monica Gupta
Scheme Secretary

Schedule of Contributions

Airways Pension Scheme

Schedule of Contributions (31 March 2021 actuarial valuation)

Period covered by this Schedule: Five years from the date of certification of this Schedule by the Actuary

Previous Schedule being replaced by this Schedule:

For the avoidance of doubt, this Schedule of Contributions replaces the Schedule of Contributions pursuant to the 31 March 2018 actuarial valuation that had a reference date of 28 November 2019.

Level of contributions payable:

By members:

- Salary sacrifice members: Nil
- Members who are not salary sacrifice members:

	% Pay for Contribution Purposes
General Staff	7.25%
Air Cabin Crew	8.50%
Pilots and Officers	8.50%

- In addition, for members under State Pension Age and who are not 2016 Lower Accrual Members, additional contributions of 3.1% of Band Earnings.

All rates subject to detailed variation as specified in the Scheme Rules.

By the Employers:

- From 1 April 2021 until 30 June 2022, contributions at the following rate to cover the cost of accrual as determined by the 2018 valuation:

	% Pay for Contribution Purposes
All categories of staff	53.4%

- From 1 July 2022 contributions at the following rate to cover the cost of accrual as determined by the 2021 valuation (for the avoidance of doubt, as this Schedule of Contributions has come into force after 1 April 2021, arrears will also be due reflecting the difference between the higher rate specified below and the lower rate of 53.4% paid from 1 April 2021, such arrears falling due for payment by at latest the 19th of September 2022):

	% Pay for Contribution Purposes
All categories of staff	69.7%

Schedule of Contributions

- In addition, for salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members.
- In addition, for those members who elect to link increases in their “Pay for Pension Purposes” to increases in their Pay, contributions will be paid at 4.5% of “Pay for Contribution Purposes” from the date the election is effective.
- BA has agreed to pay a contingent payment of up to £40 million to the Scheme in July 2028 under Clauses 5.9.2 and 5.9.3 of an agreement between British Airways Plc and Airways Pension Scheme Trustee Limited dated 8 April 2019 (the “**Settlement Agreement**”) only if the various conditions described in the Settlement Agreement for the relevant amount to become payable have previously been satisfied (including the resolution of any dispute as to whether they have been satisfied in accordance with the terms of the Settlement Agreement).

As a result of the Settlement Agreement, the Trustee and BA have agreed a package of additional measures, which are documented in separate legal agreements.

Due date for payment of contributions:

All contributions (from both members and the Employers except for the Contingent Payment and where noted otherwise above) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.

Note: This Schedule of Contributions relates to the payment of normal contributions to the Scheme payable under Rule 5 of Parts IV-VI and Rule 6 of Parts I-III; it does not relate to payment of any amounts under any separate legal agreement, nor to the payments of additional voluntary contributions (AVCs) under Rule 29 of Part I, Rule 32 of Parts IV and VI and Rule 33 of Part V, nor to contributions payable under Clause 24. Pension Protection Levies are to be paid directly by BA Plc in addition to the amounts specified in this Schedule.

Date of Schedule (for reference purposes): 28 June 2022

Signed on behalf of the Trustee of the Scheme

Signature:

Print name:

Position:

Signed for and on behalf of the participating employer of the Scheme

Signature:

Print name:

Position:

Actuarial Certificate

Actuarial Certificate

Schedule of Contributions

Name of Scheme: Airways Pension 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 could have been expected on 31 March 2021 to continue to be met for the period for which the Schedule is to be in force.
- 2 I also certify that any rates of contributions forming part of this Schedule which the Scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule, the Statement of Funding Principles and any Recovery Plan.

Adherence to Statement of Funding Principles

- 3 I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 28 June 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.

Michael J Pardoe
Fellow of the Institute and Faculty of Actuaries

Date: 28 June 2022

Towers Watson Limited
a Willis Towers Watson company
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Report on Actuarial Liabilities (forming part of the Trustee's Report)

Airways Pension Scheme Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on their pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as of 31 March 2021. This showed that on that date:

- The value of the technical provisions was: £7,079 million
- The value of the assets at that date was: £7,374 million

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Assumption	Value
Discount rate (past and future service)	Term-dependent rates equivalent to the full nominal gilt yield curve
Retail Prices Index (RPI) inflation	Term-dependent rates derived from the difference between the full index-linked and nominal gilt yield curves
Salary increases (in addition to promotional scale) for members who have elected to link their Pay for Pension Purposes to increases in their Pay ¹	RPI
Deferred pension revaluation ²	RPI-0.8% p.a. to 2030 and RPI from 2030
Pension increases in payment ²	
- PIRO ²	RPI-0.8% p.a. to 2030 and RPI from 2030
- APS I-V (cap of 2.5% p.a.) ³	RPI-0.8% p.a. to 2030 and RPI from 2030
- Post 88 GMP (cap of 3.0% p.a.) ³	RPI-0.8% p.a. to 2030 and RPI from 2030
GMP increases before GMP Payment Age	RPI+1.5% p.a.

¹ Pay increases for members who have not elected to link their Pay for Pension Purposes to increases in their Pay are assumed to be in line with PIRO

² With relevant annual caps and floors applied to the forward rates.

³ The income streams in respect of pensions covered by the Artemis buy-in contract and Concerto longevity swap contracts are assumed to increase in line with RPI with no adjustment, subject (where relevant) to the annual floor applied to the forward rates.

Report on Actuarial Liabilities (forming part of the Trustee's Report)

Mortality: the base tables of mortality assumed at 31 March 2021 are summarised below. These are based on standardised tables of mortality rates which are determined by reference to historic experience of occupational pension schemes. The tables have been calibrated, based on the results of a Generalised Linear Model mortality analysis, to reflect the demographic profile of the Scheme (by reference to age, gender, category of membership, category of occupation, pension amount and postcode).

Group	
Male non-pensioners with:	
- Low pensions*	102% of S2PMA
- High pensions*	64% of S2PMA_L
Female non-pensioners	101% of S2PFA_L
Male dependants of non-pensioners	82% of S2PMA_H
Female dependants of non-pensioners	99% of S2DFA
Male pensioners with:	
- Low pensions*	105% of S2PMA
- High pensions*	69% of S2PMA_L
Female pensioners	106% of S2PFA_L
Male dependants of pensioners	84% of S2PMA_H
Female dependants of pensioners	98% of S2DFA

*Low pensions are classed as being lower than £28,300 p.a. at 31 March 2021. High pensions are higher than the specified limit.

At 31 March 2021 an allowance for future reductions in mortality rates has been included based on the 2017 CMI core projections model subject to a long-term improvement rate of 1.5% p.a. up to 2018, followed by the 2020 CMI core projections model subject to a long-term improvement rate of 1.5% p.a.³.

For those benefits covered by the longevity swap contract, the demographic assumptions are based on the assumptions used for the valuation of this contract within the Scheme's Revised Financial Statements dated 29 October 2021.

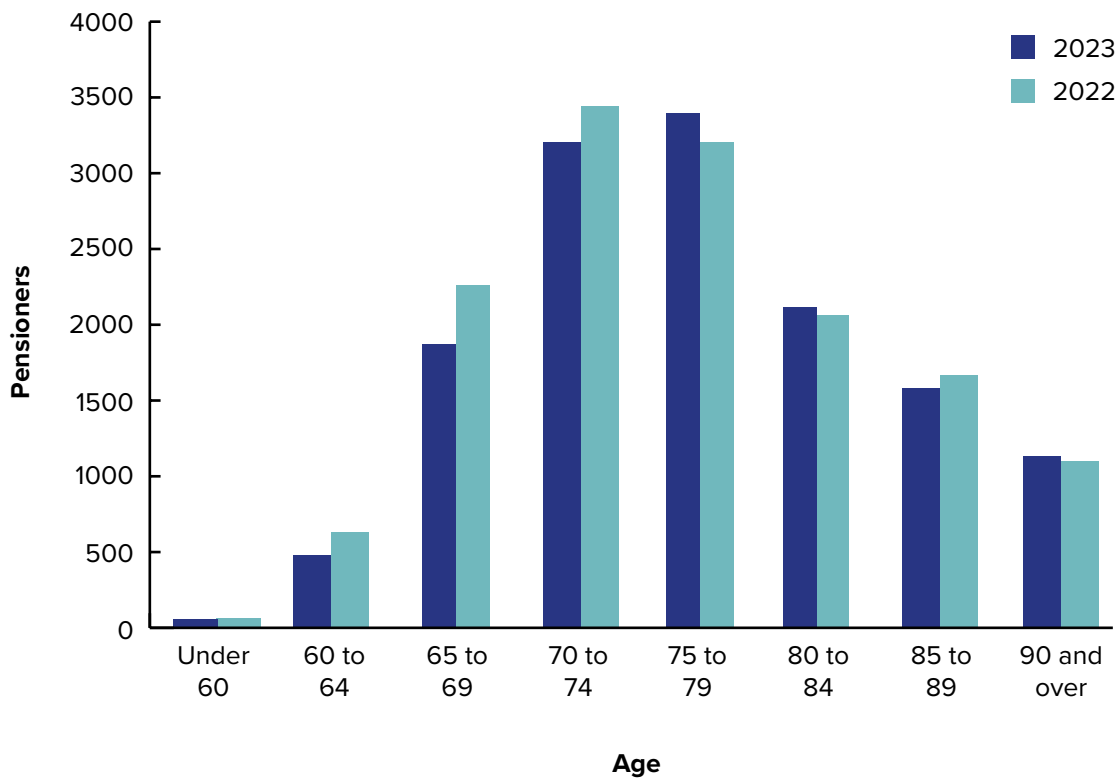
Members are assumed to exchange 15% of their pension at retirement for a lump sum on terms 5% higher than rates based on a 2.5% per annum real (relative to RPI) discount rate.

³ Each CMI core projections model used is applied with its associated default parameters, including zero weighting on mortality data for 2020 under the 2020 CMI core projections model.

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

	2023	2022
Active members	52	59
Pensioners in payment	13,825	14,435
Dependant pensioners	5,441	5,599
Deferred pensioners	352	439
	19,670	20,532

Pensioner Age Analysis 2022/23



In addition to the above, there are approximately 14,200 (2022: 18,100) deferred pensioners with Equivalent Pension Benefits.

Compliance Statement

The Scheme

The Scheme provides retirement benefits for employees of BA and some of its subsidiary and associated companies and benefits for dependants of members and pensioners who die.

The Scheme was established under a Trust Deed dated 8 October 1948 in accordance with Regulations made under Section 20 of the Civil Aviation Act 1946 and was closed to new members at 31 March 1984.

The Scheme was exempt approved by HM Revenue & Customs and is now a registered pension scheme under the Finance Act 2004. Parts V and VI of the Scheme were contracted-out of the State Second Pension (formerly known as the State Earnings-Related Pension Scheme) until contracting-out ceased with effect from 6 April 2016. Part IV of the Scheme was contracted-in to the State Second Pension.

Membership

Membership of the Scheme is voluntary, and members can opt-out by giving one calendar months' notice in writing to the Trustee. Members of the Scheme who opt-out cannot re-join APS and may be auto enrolled into the British Airways Pension Plan, a defined contribution pension scheme offered by BA Plc.

Scheme registered address

Waterside HAA1, Harmondsworth, UB7 0GB, England.

