

Stewardship Code 2020 Report

Introduction

This report has been written by British Airways Pension Investment Management Limited (“BAPIML”) on behalf of its two pension scheme clients - Airways Pensions Scheme (“APS”) and New Airways Pension (“NAPS”).

The report covers the 12 months to March 2020, a period in which the two schemes jointly updated their investment beliefs and adopted a common Responsible Investment (“RI”) Policy. As the two schemes (together “the schemes”) also received common reporting on the implementation of their RI Policy over the period, the 2020 Stewardship Code Report is written on behalf of both schemes.

Although the schemes are not formally required to report under the Financial Reporting Council’s updated Stewardship Code for the financial year to March 2020, the Trustees of both schemes requested that BAPIML draft a report meeting the new standards issued in January 2020. The schemes have confirmed that, as asset owners, they expect to remain signatories of the UK Stewardship Code.

1. Purpose, strategy and culture

APS and NAPS are defined benefit schemes, and both are closed to future accruals. As of March 2020, APS has a total of 22,337 members, 99% of those members being pensioners in payment, dependent or deferred pensioners with 1% of active members. NAPS has a total of 63,342 members of which 52% are deferred and 48% are pensioners in payment or dependent pensioners.

Members as at March 2020	APS	NAPS
Active members	219	-
Pensioners in payment	15,583	25,655
Dependent pensioners	5,918	4,471
Deferred pensioners	617	33,216
TOTAL	22,337	63,342

APS and NAPS Trustees’ overarching objective is to ensure that the schemes each hold sufficient and appropriate assets to meet the schemes’ liabilities as they fall due and that all beneficiaries receive the benefits they are entitled.

As the schemes are at different stages of their life cycles and face different funding situations, they have different investment strategies. They do however share similar investment beliefs, particularly with respect to stewardship and active ownership.

Airways Pension Scheme

APS' Long-Term Objective ('LTO') is to reach full insurance on an RPI basis before 31 March 2027. Having insured c £4.4bn of liabilities through a pensioner 'buy-in' with Legal & General during 2018, the assets managed by BAPIML on behalf of the scheme have declined.

As at the end of March 2020 BAPIML managed a total of c £3.15 billion in assets for APS. 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 which BAPIML manages on behalf of the scheme are predominantly invested in government bonds (fixed and inflation linked) and corporate bonds, with a small allocation to illiquid return-seeking assets (private equity, alternatives and property). The scheme's assets also include investments in a number of AVCs, one of which has a substantial allocation to listed equity.

The scheme's investment strategy does not set explicit allocation percentages to each portfolio, rather there are overarching objectives to run off the illiquid assets quickly and to maintain the 100% target hedge ratios for interest rates and inflation. Further progress towards the LTO is planned through sales of the scheme's remaining illiquid assets and the purchasing of additional insurance policies.

New Airways Pension Scheme

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

NAPS' assets are categorised as being either return seeking or liability matching. Return seeking assets are those where long-term returns are expected to exceed liability matching assets, which compensates for them being higher risk. Liability matching assets are those most aligned with the scheme's future benefit payments and are held to reduce risk.

As at the end of March 2020 BAPIML managed a total of £17.80 billion in assets for NAPS of which 55.5% were liability matching assets, 44.5% were return seeking assets. Liability matching assets include government bonds (fixed and inflation-linked), corporate bonds, diversified illiquid income and cash. Return seeking assets include listed equities, private equity, alternatives and property.

Investment beliefs

The APS and NAPS Trustees adopted a new, common Responsible Investment Policy in July 2019. The policy describes the Trustees' position on Environmental (including climate change), social and governance (ESG) issues:

"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 will actively engage and use our voting rights to drive up ESG standards in the organisations in which we invest.”

More detail on the schemes’ investment approaches is contained in the schemes’ respective Annual Report and Accounts, their Statements of Investment Principles (SIPs) and their Responsible Investment Policies which are available on the ‘Scheme Documents’ page of the APS and NAPS websites. (<https://www.mybapension.com>).

2. Governance, resources and incentives

In 2018 the APS and NAPS Trustees established a joint Environmental, Social and Governance Committee (“the ESG Committee”). The ESG Committee is supported by independent investment experts and strategic investment advisers and is responsible for supporting the Main Board in the development of its ESG policy, strategy and initiatives.

As a result of the work conducted by the schemes’ ESG Committee, the schemes’ Responsible Investment approach has been based on the following framework.



The schemes’ vision is described in the schemes’ RI Policy which was adopted by both schemes’ Main Boards in July 2019. There is strong support for RI amongst Trustee Directors, but they recognise best practice will not happen immediately and the schemes will need to continuously evolve their RI approach over time. The schemes’ ESG Committee is therefore charged with ensuring the schemes’ policies remain in line with regulatory and industry standards.

Implementation of the schemes’ RI Policy is delegated to BAPIML as the schemes’ in-house investment manager. BAPIML’s investment managers are charged with integrating ESG considerations where possible, and where appropriate to the schemes’ investment strategy. They are also responsible for conducting voting and engagement activities on behalf of the scheme.

Ensuring that ESG (including climate change) considerations are integrated into investment decision making is one of BAPIML's corporate objectives. BAPIML's portfolio managers' annual bonus plan has been designed to encourage behaviour supportive of the Trustees' long-run objectives. Appropriate implementation of the schemes' RI Policy is included as a personal and/or team objective for most asset classes. Internal oversight of this is provided by means of a quarterly BAPIML ESG Oversight meeting which is chaired by the BAPIML CIO.

BAPIML's investment managers are supported by two responsible investment specialists (the "ESG team"). The ESG team provides subject matter expertise, analytical resource and advice on responsible investment implementation. The team manage and track BAPIML's voting activity and help fund managers coordinate engagement opportunities where appropriate. They are also responsible for producing internal and Trustee-facing ESG reporting, evidencing BAPIML's implementation of the schemes' RI Policy.

3. Conflicts of interest

The potential for conflicts of interest between APS and NAPS and their investment manager is reduced thanks to BAPIML's ownership structure.

BAPIML is a limited company which is wholly owned by the Custodian Trustee (British Airways Pension Trustees Limited or "BAPTL") of the APS and NAPS Management Trustees (Airways Pension Scheme Trustee Limited or "APSTL" and the New Airways Pension Scheme Trustee Limited or "NAPSTL"). As BAPIML provides investment management services exclusively to APS and NAPS, BAPIML's stewardship policies and processes are designed specifically to ensure appropriate implementation of the schemes' RI Policy.

The Trustees do however recognise that there is still the potential for conflicts of interest to arise in conducting stewardship activities in accordance with APS' and NAPS' Responsible Investment Policies.

Generically, conflicts may arise in the following ways:

- BAPIML vs. Client
- Client (mandate) vs. Client (mandate)
- Employee vs. Client
- Employee vs. BAPIML
- Vendor vs. Client
- Employee vs. Employee
- BAPIML vs. BAPSL vs. BAPTL
- FCA vs. TPR (The Pensions Regulator)

To address the potential for conflict of interest in these areas APS, NAPS and BAPIML all have individual conflicts of interest policies designed to ensure that Trustee Directors, investment managers and other persons of influence act at all times in the best interests of the schemes' members.

As the Trustees are corporate entities, the Trustee Directors additionally have obligations under the Companies Act 2006, which are reflected in the Trustees’ Articles of Association. BAPIML is a regulated firm under the Financial Conduct Authority and complies with the FCA Principles and Rules on conflicts of interest.

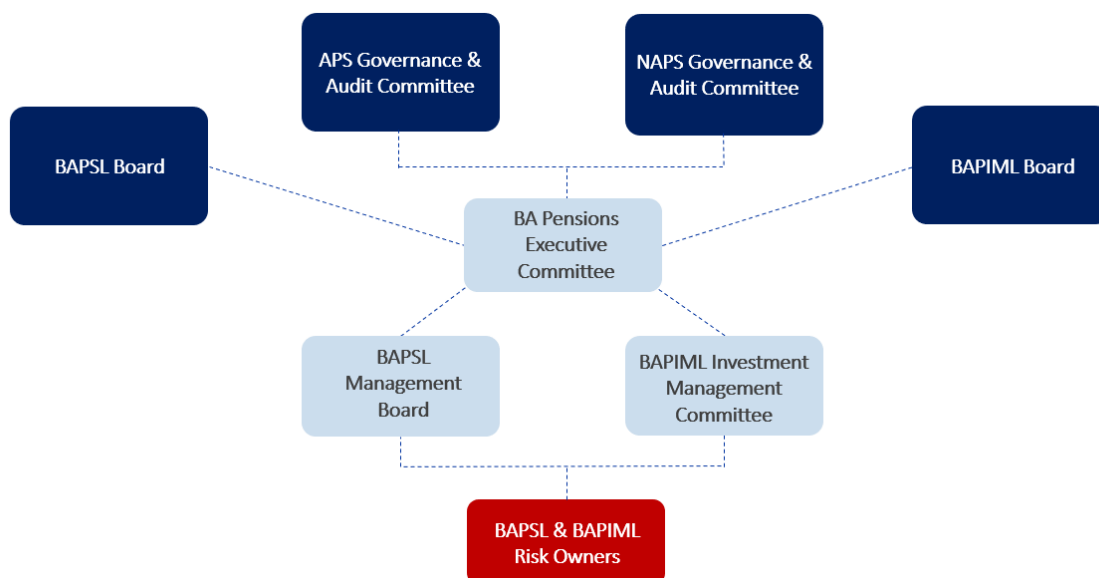
4. Responding to risks

The Financial Reporting Council (FRC) expects signatories to the Stewardship Code to individually identify market wide and systemic risks, and to respond where possible by working with other stakeholders to promote well-functioning markets. Market wide risks are those which might affect the performance of an entire asset class. Systemic risks are those, like climate change, that might have a significant impact on the functioning of an industry or economy.

Identifying and managing risks

In early 2020 the schemes reviewed and revised their approach to risk identification, management and reporting. The framework developed enables APS and NAPS to evaluate the risks deemed by the Trustees to be most relevant to the delivery of their individual scheme objectives.

Each identified risk is assessed in terms of the probability of occurrence and the potential impact on the scheme, and is evaluated on an intrinsic and residual (post mitigation) basis. Each risk is allocated to a “risk owner” in BAPIML or British Airways Pension Services Limited (“BAPSL”) who is responsible for evaluating each identified risk on a pre-controls and post-controls basis. Risks are reviewed by risk owners on a monthly or quarterly basis (as appropriate) and moderated by either the BAPSL Management Board (for BAPSL-owned risks) or the BAPIML Investment Management Committee (for BAPIML-owned risks). Risk reporting lines are as shown in the diagram below.



The Trustee receives risk reporting quarterly. Typical reporting shows a heat-map of the status of all relevant risks, as well as a summary of changes and/or issues by risk area. Current mitigations, developments and ongoing actions are provided in more detail.

While the scheme's risk taxonomy is intended to be relatively stable, it is recognised that new risks may emerge at any point. Both schemes keep a register of "emerging" risks which are perceived to be potentially significant but which may not yet be fully understood or developed. Where emerging risks are identified they are evaluated in terms of time scale, potential impact, potential actions and/or mitigants and allocated a "RAG" (red, amber, green) status.

Working with other stakeholders

BA Pensions, comprising both BAPIML and BAPSL, aims to increase its impact by working alongside other stakeholders, and through participating in surveys and direct consultations.

BAPIML, for example, is an active member of the International Corporate Governance Network (ICGN) and over the period in question has had investment managers participate in working groups at the Pensions and Lifetime Savings Association (PLSA), CFA Society of the UK (CFAUK), The Investment Association (IA) and the British Venture Capital Association (BVCA).

During the course of the fiscal year to March 2020 BA Pensions has engaged with market participants and other stakeholders on various issues identified as potential market or systematic risks. The most significant are as follows.

- Disclosure of climate-change financial information. The Trustee recognises climate change as a long-term systemic risk. As such the Trustee has approved BAPIML working with CDP to improve the availability of climate-change related data. BAPIML is currently supporting CDP in approaching 127 of BAPIML's investee companies, pushing for greater clarity on companies' climate change, forestry or water security exposures. Companies have until September 2020 to respond, after which point an assessment of the campaign's impact will be made.
- RPI reform where BAPSL participated in a number of PLSA forums on the schemes' behalf.

5. Policy review and assurance

APS and NAPS conducted a substantial review of their investment beliefs with respect to ESG and climate change related issues in late 2018. At the same time, they commissioned a third-party to conduct a gap-analysis of BAPIML's internal processes and reporting against relevant UK pension scheme peers and against best practice.

As a result of the review the Trustees of both schemes approved a joint Responsible Investment Policy in July 2019. The policy describes the schemes' desired approach to ESG integration as well as their expectations with respect to voting, engagement and reporting. At the same time the Trustees have supported BAPIML in implemented updated processes particularly with respect to portfolio-level analysis and evidencing of stewardship activities.

The APS and NAPS Trustees recognise however that best practice is continually evolving and are committed to continuously improving their policies and practices. The Trustees therefore commit to formally reviewing their Responsible Investment Policy annually with input from external and internal advisors.

On a more on-going basis however the Trustees have a number of ways of ensuring that the schemes' RI Policy is fit for purpose and is delivering the outcomes they expect.

- BAPIML provides the Trustees with a quarterly update on upcoming regulatory and legislative changes. This horizon-scanning exercise will from time to time identify new requirements which will be incorporated where appropriate and when necessary into the schemes' policies.
- The Trustees receive quarterly and annual reporting describing BAPIML's voting and engagement activities including case studies of individual interventions. They also have direct access to BAPIML portfolio managers should they wish to evaluate the impact of their Policy in more detail.
- Finally, BAPSL's Investment Team, the schemes' Independent Investment Experts and the schemes' Investment Advisors all provide on-going challenge through participation in the schemes' bi-annual ESG Committee meetings.

6. Member communications

The Trustee Directors do not currently take into account the views of members and beneficiaries in respect of non-financial matters, including environmental and social issues when setting the investment strategy of the schemes. Members can however email member services with any ESG-related queries they may have. Questions are passed to the relevant BA Pensions parties to answer, with a summary of member queries being provided to the Trustee each quarter.

Scheme members receive an update annually on the schemes' stewardship activities in the form of the RI Annual Report which is posted on the schemes' member websites. The annual report is intended to provide an overview of schemes' approach, any changes made to that approach during the year as well as examples of active ownership from each relevant asset class.

The RI Policy itself is also made available along with the schemes' Stewardship Report and a complete voting record for the most recent fiscal year.

7. Stewardship and investment approach

The schemes' investment mandates are predominantly actively managed. An individual managers' approach to engagement will vary depending on the asset class and investment strategy employed, but engagement can be an important factor in managers' decisions to buy, maintain and sell assets.

The schemes' asset managers engage with investee companies to:

- protect or enhance the value of the schemes' assets by aiming to bring about a change to the investment's ESG practices and performance; and
- to build long-term relationships with management as part of their ongoing monitoring and scrutiny of the schemes' assets.

Where consistent with the Trustee Directors' fiduciary duties, and applicable to the schemes' investment strategies, asset managers will actively engage and use voting and other rights attached to the schemes' investments to drive up ESG standards in the organisations in which the schemes are invested.

8. Monitoring investment managers

BAPIML as the schemes' in-house investment manager attends the schemes' bi-annual ESG Committee meetings to report on on-going integration and stewardship activities. The Committee will from time to time also call on individual asset-class portfolio managers to present their views and activities for review by the Committee and their advisors.

The Trustees also receive a meeting brief from BAPIML's ESG Oversight Meeting which is held quarterly. The Oversight Meeting is chaired by BAPIML's CIO and is intended to provide internal peer-group review of BAPIML's implementation of the schemes' RI Policy. It also serves as a forum for the coordination of BAPIML's engagement activities across asset classes.

Aside from the meeting brief, the Trustees also receive a number of written reports, detailing stewardship activities and outcomes. These include the following.

- Proxy voting report (quarterly)
- Engagement report (quarterly)
- Responsible Investment Policy Implementation Report (annually)¹
- Annual Responsible Investment Report (annually)

Where BAPIML provides oversight of external managers in asset classes such as private equity and alternatives, an assessment of the third-party manager's approach to ESG integration and stewardship forms part of BAPIML's on-going due diligence process.

9. Engagement

BAPIML defines engagement as any two-way conversation between BAPIML as investor and the management of investee or potential investee companies². Engagement may be conducted through

¹ From March 2021, the schemes will also receive and publish a SIP Implementation Report which will focus predominantly on stewardship

² Stakeholder engagement activities related to BAPIML's development and other directly held property assets are not currently within the scope of this report. The BAPIML property team tracks engagement activity and outcomes as part of its on-going management process, with external consultants Avison Young providing additional support on ESG-related governance and reporting. There is additional

calls, emails, letters, virtual or face to face meetings with management or through collaborative initiatives.

Global equities

BAPIML manages active equity mandates for NAPS and for the Mixed Portfolio Fund (“MPF”) which is a money purchase AVC in which both APS and NAPS members can be invested. BAPIML’s portfolio managers are long term investors combining fundamental analysis of an investee company’s business model with an understanding of the motivation, incentives, and skill of company management.

Portfolio managers recognise that industry conditions, management teams and the regulatory environment can change over their typical holding period, which makes effective engagement an integral component of their investment process. BAPIML also encourages timely and open two-way dialogue with companies on capital allocation, governance and culture, environmental and social issues and corporate accountability with a consistent focus on shareholder returns.

BAPIML investment managers may also decide to engage thematically, if they believe there are material, financial or non-financial risks present at a portfolio level. In this case, the managers’ engagement priorities are likely to be driven by quantitative or qualitative analysis of portfolio exposures and may be coordinated between managers and/or teams.

Current examples include disclosure of physical, financial and reputational risks associated with tailings dams in the mining and extractive industries and the alignment of corporate lobbying activities with stated corporate goals.

Corporate bonds

BAPIML manages a range of active corporate bond mandates for its clients, analysing the economy, fiscal and monetary policy, sectors and issuers with the aim of outperforming a designated benchmark. Issuer selection is an important part of the team’s approach, requiring stringent fundamental analysis of an issuer’s business model, strategy and financial wellbeing. It also typically requires the portfolio manager to form a judgement on management’s ability to execute.

Engagement forms a key part of the team’s investment process, offering the portfolio manager an opportunity to fully understand a company’s prospects, challenge a company’s strategy, and to assess management’s competence. Discussions will typically focus on issues that materially impact on key credit metrics such as leverage, and interest cover will form the bulk of engagements. The

information provided on the property team’s approach to ESG integration and stakeholder management in the schemes’ Annual Responsible Investment Report which is available on the APS and NAPS websites (<https://www.mybapension.com>).

team does however use a checklist to ensure that material non-financial risks are consistently evaluated.

Although corporate bondholders do not vote at company meetings, their importance in determining a company’s access to capital markets and their cost of capital ensures that bondholders are considered key stakeholders. This mutual benefit ensures that companies remain interested in engaging with asset owners across the capital spectrum.

Activity and examples

Over the 12 months to the end of March 2020 BAPIML’s equity and corporate bond investment managers conducted 377 engagements with company management.

Meeting type	Number of engagements
Small group meeting	233
1-on-1 meeting	65
Call	25
Letter/email	20
Investor site visit	17
Capital markets day	12
Annual meeting	5
Total	377

Managers engage across a wide range of topics. The chart below shows the numbers of times different issues were raised or addressed in speaking with company management.

Topics addressed	Number of times
Strategy	375
Environmental	106
Social	85
Governance	96

Single issue discussions may also span numerous interactions and play out over more than one reporting period. An example is the discussions BAPIML has had with Lloyds Bank about their senior management remuneration policies.

Lloyds Bank remuneration

In May 2018 BAPIML voted against the Remuneration report at Lloyds Bank’s Annual General Meeting. BAPIML’s decision to vote against was triggered by a lack of transparency in the bonus structure, an overcomplicated bonus framework and excessive benefits packages for the executive directors. The resolution was passed although 20% of the Bank’s shareholders dissented.

Rather than let the issue lie, BAPIML wrote a letter to the chair of Lloyds' remuneration committee explaining our concerns, and subsequently met with Stuart Sinclair, chair of Lloyd's remuneration committee in early 2019.

At the meeting with Mr Sinclair, discussions covered the structure of the management's bonus scheme, as well as senior management pension contributions. Mr Sinclair confirmed Lloyds are addressing investor concerns by gradually cutting executive pension contributions and see this as a multi-year journey.

On the back of reassurances about the direction of travel, BAPIML voted in favour of the remuneration report at Lloyd's AGM in May 2019. The report was also backed by ISS and 92% of those shareholders voting.

External capabilities³

BAPIML engages with the schemes' external fund managers on an on-going basis for monitoring and due diligence purposes. The main purpose of these engagements is to ensure that investee funds are managed in line with the agreed investment process, and to monitor portfolio exposures on a more granular basis than otherwise possible.

BAPIML also systematically engages with its third-party managers to ensure appropriate stewardship and other ESG-related policies and/or procedures are in place. In doing so BAPIML uses a questionnaire based on UNPRI best practice. BAPIML recognises that different managers in different asset classes will reasonably take different approaches. BAPIML aims however to understand the rationale behind each investment manager's approach to stewardship and any ambitions they might have to strengthen their procedures over time.

10. Collaboration

Occasionally BAPIML may collaborate with other shareholders to resolve a specific issue or achieve desired disclosures where this could have material impact on shareholder value. This may include joining class actions to hold management to account or joining investor initiatives to encourage a change in corporate or industry behaviours.

Formal affiliations are approved and reviewed by the Trustees. Over the past 12 months BAPIML entered into two medium-term collaborative initiatives on behalf of the schemes, signing up to and participating in the Mining and Tailings Dam Safety Initiative and joining the CDP's (previously the "Carbon Disclosure Project") Annual Non-Disclosure Campaign.

Collaborative activity may also however be entered into in advance of specific events. The example which follows, of BAPIML working with other shareholders ahead of a companies' AGM is one such scenario.

³ BAPIML selects and provides oversight of external managers in private equity, alternatives, real assets, illiquid income and property.

Climate change lobbying

At the beginning of December 2019, the Church of England shared details with BAPIML about its intention to file a shareholder proposal on climate change lobbying at Anglo American's AGM in 2020. The proposal was intended to challenge Anglo American's memberships of industry associations whose record of climate change and energy related advocacy is inconsistent with the goals of the Paris Agreement.

At the Church of England's request, BAPIML wrote to Anglo American expressing BAPIML's support for the proposal and asking them to engage with shareholders in addressing the issue. BAPIML subsequently had a call with Anglo American management to discuss their lobbying activity.

As a result of shareholder intervention, Anglo American has committed to greater transparency including providing a rationale for all their memberships. Going forwards, they will note where there is misalignment between themselves and the associations in which they are members and will conduct an audit of their industry associations every two years.

The shareholder resolution was withdrawn ahead of the AGM.

11. Escalation

BAPIML aims to ensure financially material engagements or voting items are escalated on a consistent basis. The appropriate course of action will however depend on the severity of the issue, the potential impact on the investment's performance and the likelihood of success.

Actions will typically include:

- holding additional meetings with management specifically to discuss concerns;
- expressing concerns through the investee company's advisers;
- writing a formal letter to the company's investor relations representative and/or Board;
- meeting with the company's chair or other board members; or
- intervening jointly with other institutions.

Escalation activity is tracked in BAPIML's engagement log, which records all interactions with company management. In addition, however, to raising issues directly with management, BAPIML sent 11 formal letters to companies' management and/or Board Directors following contentious votes in the 12 months to March 2020.

In extreme cases, if an issue is not resolved and is deemed to be sufficiently detrimental to the investment's long-term performance, a decision to divest from the investment may be taken.

12. Exercising rights and responsibilities

BAPIML's policy is to exercise its clients' voting rights in all geographies, for all relevant asset classes, wherever possible.

In exercising voting rights associated with the schemes' holdings BAPIML's over-riding priority is, to the extent possible, to ensure that the value of the schemes' assets is enhanced over the long run. BAPIML will also use the voting rights associated with the schemes' holdings to drive up ESG

standards in the organisations in which the schemes are invested, where BAPIML believes this is consistent with the schemes' fiduciary duties and applicable to the investment strategy.

In exercising the voting and other rights attached to the scheme's investments, BAPIML are required to consider recommendations on voting from specialist service providers. The scheme's proxy voting advisor is currently Institutional Shareholder Services ("ISS").

The relevant asset class portfolio manager is however ultimately responsible for deciding how to vote. They are encouraged to vote each corporate event on a case by case basis, with reference to a common but non-binding set of priorities and their specific knowledge of the company.

Over the 12 months to the end of March 2020 BAPIML voted at a total of 801 meetings on a total of 10,726 proposals.

Number of meetings voted by geography	
United Kingdom	176
North America	83
Developed Europe ex-UK	94
Developed and Emerging Asia Pacific ex-Japan	94
Japan	202
Other emerging markets	152

BAPIML voted against management's recommendation on at least one proposal at 38% of meetings. In all, BAPIML voted against management's recommendation on just over 8% of proposals.

Number of meetings voted by outcome	
Meetings where BAPIML voted in line with management on all proposals	493
Meetings where BAPIML voted against management on at least one proposal	308

Number of proposals voted by outcome	
Proposals where BAPIML voted in line with management	9,841
Proposals where BAPIML voted against management	885

Where BAPIML votes against management's recommendation, the decision will be informed by research from the scheme's proxy voting advisor, the ESG team's subject matter expertise, and the portfolio manager's understanding of the company's specific situation. BAPIML most commonly votes against management in matters of director elections.

Proposals where BAPIML voted against management by proposal category	
Director Election	470
Shareholder Proposals	116
Remuneration	111
Capital Structure and Dividends	93
Audit, Report and Accounts	40

Amend Articles	23
Board Structure and Responsibilities	21
Other Business	9
Company meeting formalities	2

One driver of the focus on director elections has been BAPIML’s equity team concern about director independence as in the example given below.

Kingspan Group Plc director independence

Kingspan Group Plc is a building materials company based in Ireland.

At Kingspan’s AGM, on 3 May 2019, BAPIML was asked to vote on a number of director appointments, including to approve the appointments of John Cronin and Linda Hickey to the board as independent directors.

At the time of the AGM, John Cronin was a partner at one of the company’s legal advisers and already sat on Kingspan’s audit and nomination committee. Linda Hickey was head of corporate broking at one of the company’s stockbrokers and was chair of Kingspan’s remuneration committee and a member of the audit committee. Given their professional relationships with Kingspan, BAPIML deemed the directors to be non-independent.

The UK Corporate Governance Code recommends that at least half of the board, excluding the chair, should comprise of independent directors. The Code also recommends independence levels for the nomination, remuneration and audit committee. Kingspan did not meet the Code’s independence levels for the main board or the committees.

BAPIML voted against the two directors on the grounds of insufficient independence. Linda Hickey’s and John Cronin’s appointments were however approved, since only 12.82% and 13.35% of Kingspan’s shareholders voted against the proposals.

Note that a full record of BAPIML’s voting activity for the 12 months to March 2020 is available on the APS and NAPS websites (<https://www.mybapension.com>).

The Stewardship Code Report 2020 was reviewed and approved by the relevant APS and NAPS Trustees in November 2020.



Roger Maynard
 Chair of Airways Pension Scheme Trustee Limited
 Chair of New Airways Pension Scheme Trustee Limited

END NOTE: In June 2020 the APS Trustee took steps to simplify its committee structure with oversight of ESG and Responsible Investment matters falling to the APS Investment Committee. Since then the schemes’ ESG Committee has met as a NAPS only committee. Reporting for the year to March 2021 will reflect these governance changes.