

New Airways Pension Scheme

Implementation Statement
Statement of Investment Principles

2023



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Statement of Investment Principles (SIP) – Implementation Statement

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual implementation statement, setting out how the policies described in the Scheme's Statement of Investment Principles (SIP) have been followed. The 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 March 2023, following finalisation of the 31 March 2021 actuarial valuation. 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 and RI sections of the Scheme's SIP were updated in December 2022 and March 2023 respectively. The main changes across both the RI policy and RI section of the SIP focused on including the Trustee's priority theme of climate change that came out of the 2021 review of the Trustee's ESG beliefs, in addition to noting the publication of the Trustee's first TCFD report. In addition, the RI policy now also includes 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 Scheme's Investment Committee (IC).

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

2. Assets held and managed

The New Airways Pension Scheme (NAPS) is a defined benefit scheme that is closed to new members and future accruals. As of 31 March 2023, NAPS had a total of 60433 members, of which 43% are deferred, and 57% are pensioners in payment or dependent pensioners.

NAPS's assets are categorised as being either return seeking or liability matching. Return seeking assets are those which are expected to generate long-term returns in excess of the Scheme's liabilities, which compensates for the higher risk. Liability matching assets are held for risk management purposes and are designed to match the movements in Scheme's liabilities to protect against deterioration in the Scheme's funding position.

As of 31 March 2023, BlackRock managed around £15 billion in assets for the Scheme. As part of the 31 March 2021 actuarial valuation agreement, the Trustee updated its Long-Term Funding Target (LTFT) and the Trustee agreed an updated investment framework with BA.

This requires the Trustee to work towards an overall asset allocation with an agreed modest expected return, rather than a strategic benchmark allocation. An investment strategy consistent with the agreed framework, was adopted by the Trustee in March 2023. Further information on this is available in the Statement of Investment Principles.

The Scheme has an investment portfolio with a balance of liability matching and return seeking assets, consistent with the agreed framework. 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.

NAPS 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 NAPS and APS Trustee Directors and members. BAPSL also acts as the Schemes' executive, coordinating the interaction between the Schemes' Trustee Boards, their investment and actuarial advisors, and the Schemes' sponsor.

3. Policies and practices

The Scheme's RI Policy and SIP were most recently reviewed and updated in December 2022 and March 2023 respectively. Both of these documents can be found on the [NAPS website](#).

The NAPS 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 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. (NAPS 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 interests. Engagement also aims to bring about change to the investee company's ESG practices and performance. BlackRock is required to keep records of each engagement and outcome. (NAPS SIP 7.9)
- 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. (NAPS SIP 7.11)
- The Scheme's RI activities, annual voting and engagement will be captured through the Scheme's Annual SIP Implementation Statement and TCFD report, made available on a publicly accessible website. (NAPS SIP 7.13)

4. Stewardship priorities

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

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

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

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

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

5. Monitoring and communication

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

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

The Investment Manager's representatives attend regular IC meetings to report on integration and stewardship activities. The relevant IC will, from time to time, also call on individual asset-class fund managers to present their views and activities for review by the Trustee Directors and their advisors.

In addition, the Trustee also receives written reports detailing stewardship activities and outcomes. These include the following:

- Vote Summary Report (semi-annually)
- Investment Stewardship and Engagement Report (semi-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 Trustee Directors do not currently take the views of members and beneficiaries into account in respect of non-financial matters, including environmental and social issues, when setting the investment strategy of the Scheme.

The Scheme's SIP, RI Policy and BlackRock's Stewardship Code Report are made available on the [Scheme's website](#).

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

Over the period from 1 April 2022 – 31 March 2023, BlackRock voted at 2,044 shareholder meetings on 28,043 individual proposals and voted against management's recommendation on 1,882 occasions, equivalent to 6.7% of all proposals.

BlackRock had votes rejected for administrative reasons at 14 shareholder meetings on 202 proposals over the period. There were no missed ballots during the period.

The table below shows the 2,044 meetings, broken down by geographical area:

Number of meetings voted by geography	
United Kingdom	82
North America	583
Developed Europe ex-UK	352
Developed and Emerging Asia Pacific ex-Japan	612
Japan	196
Emerging Markets	219
Total	2,044

The table below shows the 28,043 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	26,161
Proposals where BlackRock voted against management	1,882
Total	28,043

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	41%
Shareholder Proposals	3%
Remuneration	21%
Capital Structure and Dividends	17%
Audit, Report and Accounts	6%

Amend Articles	4%
Board Structure and Responsibilities	5%
Other Business	3%
Total	100%

7. 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%

BlackRock proxy voting guidelines

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

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

Most significant votes

BlackRock's stewardship team voted on behalf of the Scheme at 2,044 shareholder meetings over the 12 months to March 23. BlackRock also engages on an on-going basis with companies with the intention of promoting or protecting long-term shareholder value, as described in their Global Engagement Priorities.

The table below sets out 5 of the most significant votes for the Scheme over the year to 31 March 2023. 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.

Company name	Alphabet, Inc
Meeting Date	1 June 2022
Trustee Stewardship Priority	Climate change and biodiversity
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£26.8 million
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.

Company name	Equinor, ASA
Meeting Date	11 May 2022
Trustee Stewardship Priority	Climate change and biodiversity
BlackRock Stewardship Priority	Climate and natural capital
Approx. Scheme holdings at date of vote	£16.4 million
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	Diversity, equity, and inclusion. Human rights. Labour standards. Modern slavery.
BlackRock Stewardship Priority	Company impacts on people
Approx. Scheme holdings at date of vote	Rio Tinto plc, £0.6 million; Rio Tinto Limited, £0.9 million
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 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

Company name	New World Development Company, Limited (“NWD”)
Meeting Date	22 November 2022
Trustee Stewardship Priority	Board structure
BlackRock Stewardship Priority	Board quality and effectiveness
Approx. Scheme holdings at date of vote	£0.002 million
Highlighted vote	Management proposal To re-elect Mr Lee Luen Wai, John as Director (a vote FOR)
Rationale for vote	In response to concerns raised by BlackRock and other shareholders, NWD took proactive steps in 2021 to refresh the composition of its Board, replacing three out of four long-tenured independent non-executive directors (INEDs) with female candidates. BlackRock supported re-election however of the fourth long-tenured INED believing that some continuity was warranted. It firmly believes however that this renewal will give NWD’s board fresh and diverse perspectives, as well as enhance its decision-making processes.
Outcome of the vote	Re-election of director was approved.

Company name	Netflix, Inc
Meeting Date	2 June 2022
Trustee Stewardship Priority	Shareholder concerns
BlackRock Stewardship Priority	Strategy, purpose, and financial resilience. Incentives aligned with value creation.
Approx. Scheme holdings at date of vote	£7.0 million
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

8. NAPS Engagement (1 April 2022 - 31 March 2023)

During this period, BlackRock had 1,526 engagements in total across the listed equity and credit portfolios. 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 2,795 discussions on ESG themes across all engagements.

The table below summarises the amount of times BlackRock priority topics were discussed at the 1,526 engagements.

Total company engagements	1,526
Engagements by region	
Americas	687
EMEA	485
APAC	354
Engagement themes	
Governance	1,379
Social	644
Environmental	772
Top 10 Engagement topics	
E-Climate Risk Management	681
G-Board Composition and Effectiveness	660
G-Remuneration	656
G-Corporate Strategy	604
S-Human Capital Management	440
G-Business Oversight/Risk Management	406
G-Governance Structure	367
G-Sustainability Reporting	258
G-Executive Management	244
S-Social Risks and Opportunities	221

External capabilities¹

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

¹ The Investment Manager provided oversight of external managers in private equity, alternatives, real assets and illiquid income.

9. 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

10. 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.

11. 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

12. Task Force on Climate-Related Financial Disclosures (TCFD)

This year the Scheme is also required to produce its second 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](#).

13. 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 the BAPSL, the Trustee and advisors.

The Trustee and advisors also had regular access to BlackRock's Strategic Client team and stewardship team.

On the basis of the information provided to them and their advisors, the Trustee is of the opinion that the stewardship components of the Scheme's SIP have been implemented as envisaged in the 12 months to 31 March 2023.