

Corporate responsibility

The workplace

People and organisational effectiveness

A new change programme

We have recently embarked on a culture change programme that will transform British Airways into an organisation where innovation, growth and clear customer focus are the defining qualities.

The programme has five main themes:

- Colleagues – engaging our people to make British Airways a high performance workplace;
- Customers – focusing all our people to deliver consistent customer service;
- Partnerships – developing and maintaining world-class partnerships with all key stakeholders, both internal and external;
- Performance – creating a performance-based culture; and
- Operational efficiency – driving continuous improvement, short and long-term.

This work, led by the Leadership team, involves and engages employees right across our business.

Training

We delivered 235,000 days of training during the year, including 30,000 training days to staff at Heathrow to support our move to Terminal 5.

We have invested significantly in the development of our customer service training portfolio and have developed a programme for those working in our Club and First cabins. Developed as part of a brands refreshment exercise, the programme aims to make sure cabin crew deliver the highest standards of service to our customers.

Over the past year, some 3,100 people have joined our Company. This has required a high level of induction training. We have refreshed our new entrant training programmes to make sure they reflect the priorities in our business plan.

External accreditation of our training programmes

Following the government review of vocational education, led by Lord Leitch, we have explored how we can invest more effectively in the development of our employees to build both their skills and educational standards. We have become the first national airline recognised as a training centre by the City & Guilds and, from February 2008, all new entrant cabin crew will achieve an NVQ Level 2 qualification on completion of their training. It is envisaged that further internal training programmes will become accredited and that employees undertaking courses will achieve nationally recognised qualifications.

Colleague involvement

Employee involvement continued to be a key focus during the year. Employees are asked to give their views and opinions on a wide range of topics every year via the Speak Up! opinion survey, administered by Ipsos MORI. The results from the survey are communicated widely and all departments are required to produce action plans to address areas of concern.

Results from the last survey showed significant improvements over the 12-month period in the perception of the effectiveness of line managers. However, despite these positive trends, the overall response rate to the survey – at just 35 per cent – was low. Employees expressed concerns about our ability to provide excellent customer service, reflecting some of the difficulties over the summer caused by increased security arrangements at UK airports.

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One of our main aims this year is to increase the number of people responding to the survey. We also want to speed up our action planning and, in support of the corporate change programme, identify issues that would improve our perception of British Airways as a 'great place to work'.

Leadership development

Leadership was a significant priority during the year. We have developed a number of programmes to improve the capability and performance of our leaders. These included a one-day programme for all managers, called 'Leading the Business', which focused on the challenges of managing change, engaging employees and delivering results to support our business strategy. As a result of this programme, a leadership website has been developed which provides information and training materials to help managers with all aspects of their roles.

Other development programmes included a three-day 'Leadership Matters' programme aimed at developing world-class leaders throughout the airline including our pilot and cabin crew communities.

There will be increased focus on talent and leadership development over the coming year as we build the capability we need for growth.

British Airways values

We have defined our corporate values as part of the business planning process. All training programmes now contain a module which helps customer service colleagues understand how they can demonstrate commitment to our values in the work they do. Our recruitment processes have been redesigned to make sure we select people who can clearly demonstrate these essential values.

Employee relations

During the year, we consolidated our UK operations in six regional airports, and transferred ground roles to third-party ground handlers. This affected some 1,000 employees. Those affected were helped to find alternative employment both inside and outside the airline.

As part of our transition to Terminal 5, a work practice and technology change agreement was reached in early 2007 for our customer service and ramp employees. Following this, the Terminal 5 change programme entered its implementation phase.

Since May 2007, we have held 113 full day, change implementation forums with employees represented by trades unions. As a result, a further 55 key implementation agreements were completed delivering extensive change to working practices, industrial agreements, operational processes and support systems in readiness for the consolidation of our operations in Terminal 5. As Terminal 5 comes into full operation, we are committed to working closely with the trades unions in this next phase.

A new system of performance pay has been implemented in our Heathrow terminals, linking pay to performance across many job functions.

Following the threatened cabin crew strike of early 2007, we committed ourselves to a fresh start. Since then we have continued to implement the settlement that was reached and to develop a better relationship with our cabin crew trades union.

Within Flight Operations, we have agreed radical changes with the trades union in a far-reaching agreement on work coverage. This has involved changes to rostering rules, work bidding practices, overtime payments and reserve establishment.

Corporate responsibility continued

The workplace

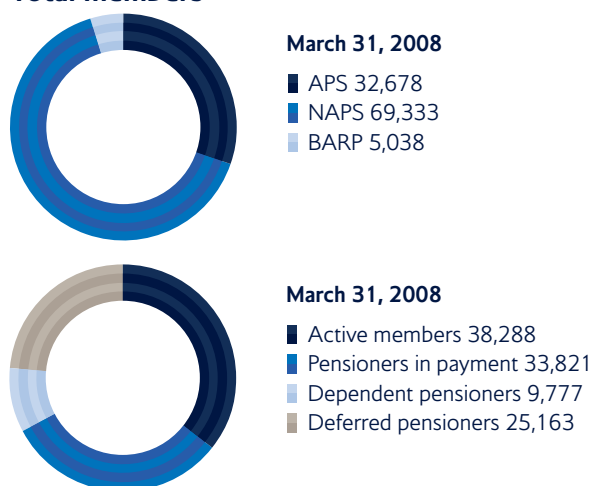
In early 2008 the pilots' union, BALPA, balloted its members for strike action over our plans to set up a new subsidiary, OpenSkies, flying between continental Europe and the US. We notified BALPA that we thought strike action would be unlawful, and BALPA did not call a strike. Instead it issued legal proceedings against British Airways in the High Court to clarify the position. A trial will start on May 19, 2008.

Our Industrial Relations Change Programme is continuing. This brings together trades union representatives and managers in specific training and action planning events, to help us find ways to solve problems together and involve colleagues across the business.

Reward

We operate two funded principal defined benefit pension schemes in the UK, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS). Both are closed to new members. From April 1, 2003 we commenced a new defined contribution scheme, the British Airways Retirement Plan (BARP).

Total members



In April 2007 we introduced changes to future service benefits as part of a 10-year programme to fund the deficit in NAPS. The changes provided people with choices about their level of future pension savings and benefits.

In February 2008, we also introduced a SmartPension arrangement, which allows our UK-based employees to make their pension contributions in a more tax-efficient way. The changes were introduced with trades union support and around 90 per cent of those eligible are now benefiting from this arrangement.

We operate an Employee Reward Plan (ERP) allowing our non-management workforce to share in the success of the business. The plan, introduced in 2005, awards amounts to employees based on our performance against a balance of financial and non-financial measures. These measures cover operational, customer and financial performance and the plan helps to reinforce the importance of all the various factors that affect our overall performance.

Management bonus schemes use the same financial and non-financial performance metrics as the ERP, but also include employee involvement as a further measure. Our managers are also rewarded for their individual contribution towards achieving the Company's goals and targets.

We also operate a recognition scheme, known as Bravo. The scheme enables people across our business to be recognised for their efforts and achievements. The Bravo scheme was reviewed and revised during the year, resulting in a significant increase in the number of awards being made.

In November 2007, we concluded consultations and announced a revised staff travel package, which will be launched in April 2009. The changes will make this employee benefit simpler, fairer and more flexible, and is designed to give greater choice.

Headcount

As at March 31, 2008, we employed 42,377 manpower equivalents (MPE). There has been an increased level of attrition during the year, particularly within the Contact Centres and Gatwick cabin crew. Average attrition is still low at 8 per cent. Our employment costs have reduced year on year, due to the pension changes, reduced severance costs and higher productivity achieved through changes in working practices.

Baggage and loading staff have completed their manual handling training with cabin crew, flight crew, engineering and cargo scheduled to start training later in the year. Each training programme will focus on risks associated with the specific roles and we will do a root cause analysis with employees who report an injury.



Diversity and inclusion

Our Diversity team launched a new Diversity and Inclusion Strategy during the year. This has two simple aims. Firstly, to ensure that everyone understands why and how diversity is important to us and, secondly, to ensure that diversity is integrated into every part of the business.

We are committed to creating an inclusive working culture in which all our employees feel valued, respected and motivated.

We try to promote types of behaviour, values and working practices which recognise and support individuals. We want to reflect the wide cultural diversity of our customers so that we can deliver the best products and services to them.

In the first phase of the strategy we used a survey, interviews and focus groups to find out and discuss what harassment and bullying meant, and how awareness about this could be raised. A booklet and film were produced and these have been distributed across the business. Further work on how bullying cases are resolved and on the role mediation might play in tackling harassment are also being explored. This work will continue to be a priority for the coming year and will be measured through the Speak Up! employee survey.

We are working with key members of our major trades unions on a joint Dignity at Work project. As a result, we have delivered joint training for senior trades union representatives across the business and run sessions on harassment and bullying with trades union representatives in the ramp areas at Heathrow.

We focused on religion and belief throughout the year and successfully defended an employment tribunal in November 2007 in this regard. We have become a steering group member of a new organisation called 'Employers Forum on Belief' and we have established a new interfaith network group which meets to discuss all aspects of religion in the workplace such as prayer rooms, catering and uniforms.

We also sponsored Gay Pride in London in July 2007. As well as having positive commercial impact, there was also an opportunity for our people to show their solidarity by marching together. We were proud that many of them chose to wear their uniforms for the parade.

As a responsible Company we take disability very seriously. We welcome applications from people with disabilities as we aim to employ the most talented people, and we support individuals with disabilities in reaching their full potential by making reasonable adjustments in the workplace.

We consult with our disabled employee group to identify disability issues and they help us to ensure that we are making all our products, services and training fully inclusive and accessible. All front line employees are trained in disability awareness to increase their knowledge about disabled customers and employees.

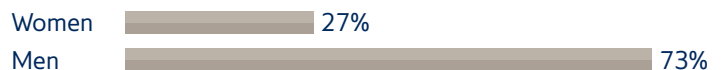
We are also constantly looking at how we can improve our journey experience for disabled travellers. We have put into place a disability strategy for the next four years, called 'Building Ability towards 2012', which covers many areas and will ensure that we can meet the needs of all our paralympic athletes.

Gender profiles

Total employees



Senior managers



Managers



Absence

We have continued to manage absence carefully and the latter part of 2007/08 has seen the previous decline in attendance start to improve, despite some trades union unrest and a challenging operating environment. Overall this recovery has resulted in the annual headline absence figure holding at 11.7 average days per person per annum.

Recent focus on the poorest attendees in each month is bringing results. Proposals for a revised world-class approach, supported by accountable managers in the new People and Organisational Effectiveness department, are targeted to achieve a minimum 15 per cent improvement during the coming year.

Corporate responsibility continued

The workplace

Due to improvements in the way we manage ill health retirements we are continuing to achieve a 40 per cent reduction in ill health pensions, halting inappropriate awards and saving more than £10 million per annum.

Absence – average days per person per annum



Health and safety

In 2007/08, there were a total of 23 major injuries recorded across our business. The majority of these injuries related to employees slipping or tripping.

But within this total, there was an increase in reported injuries involving engineers suffering fall injuries while working on aircraft both in the hangars and on the line. As a consequence of these incidents, we launched a review of the access equipment used by our engineers. Following trials and a significant investment, we started taking delivery of new equipment in March 2008 and will continue this replacement programme up to September 2008. A combined communication and supervision process is being introduced to ensure that the correct equipment is used for the many tasks that are carried out and we expect to see a reduction in fall-related injuries as a result.

Manual handling injuries continue to be the most common injury. In conjunction with our employer's liability insurers, we are introducing a series of focused training programmes across our business. Baggage and loading staff have completed their training with cabin crew, flight crew, engineering and cargo scheduled to start training later in the year. Each training programme will focus on risks associated with the specific roles and we will do a root cause analysis with employees who report an injury.

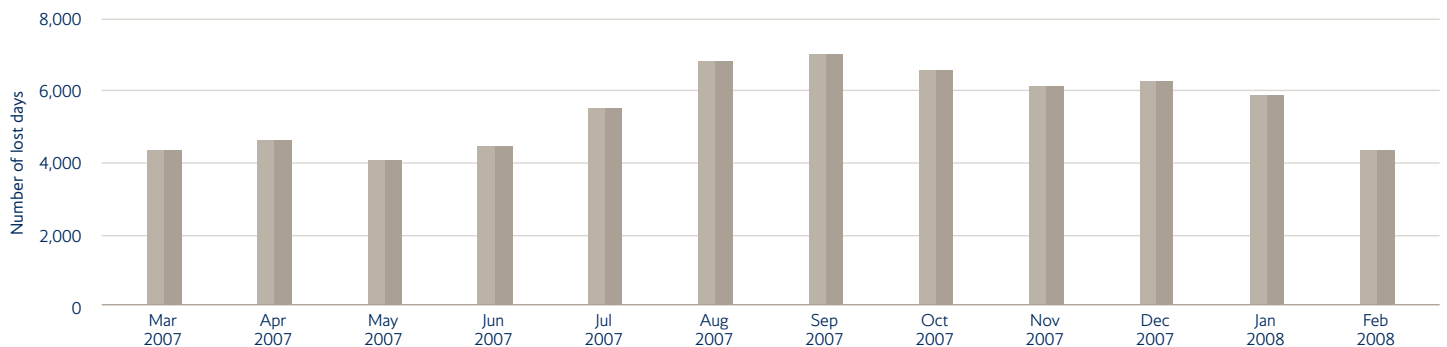
Employees injured whilst at work are able to benefit from a company-sponsored rehabilitation programme. This benefit has been extended to employees who are injured away from work to help them return to work as soon as possible.

During the year, British Airways Maintenance Cardiff received a Prohibition Notice from the Health and Safety Executive for a piece of access equipment that was deemed unsuitable. The piece of equipment was immediately removed from service and the Notice closed.

Moving a huge number of vehicles and pieces of equipment into Terminal 5 – safely and efficiently – required a considerable amount of planning. This involved closing a runway and moving convoys of equipment from both Terminals 1 and 4 to Terminal 5 throughout the night. The migration was completed successfully and safely.

Our behavioural safety programme, Rampsafe, continues to deliver safety improvements with a reduction in damage to aircraft and equipment.

Working days lost from work-related injury and ill health per 100,000 employees



Employment tribunals

During 2007/08, the Group was served with 69 new proceedings in the Employment Tribunals.

British Airways Plc was the Respondent in all but six of the 69 proceedings. The other six are one each in BA Avionic Engineering and BA CityFlyer, and two each in BA Interiors and BA Regional.

Of the 69 proceedings, the following points are noted:

1. Eight claims were multi-applicant proceedings, i.e. there is more than one claimant. Of these eight, five were groups of fewer than 100 claimants. Of the remaining, two related to how holiday pay should be calculated under the Civil Aviation (Working Time) Regulations, and were brought by pilot and cabin crew trades unions on behalf of all their (respectively) over 3,000 and 10,759 members who are British Airways employees and the third was a claim for a payment under the Employee Reward Plan by 114 employees of BA Regional Limited.
2. 17 of the claims were for unfair dismissal, or unfair dismissal plus other claims of which none were discrimination claims. Of these, seven remain ongoing, two were settled and the other eight were withdrawn, won by British Airways or struck out by the Tribunal.
3. 30 of the claims were for discrimination, or discrimination plus other claims. Of these, 17 remain ongoing, three were settled and the other 10 were withdrawn, won by British Airways or struck out by the Tribunal.
4. For the first time, therefore, the number of claims including a discrimination element outweighs the number of claims for unfair dismissal.