

# Corporate responsibility continued

## The marketplace – suppliers

### Supplier market

Overall supplier costs, excluding fuel, were held flat over the year, despite significant inflationary pressures on suppliers' own costs.

We had a busy year with our suppliers, with a number of major sourcing projects either started or completed during the period. We placed new aircraft orders with Airbus and Boeing, for 12 Airbus A380 and 24 Boeing 787 aircraft. We have also begun to review our in-flight catering needs at Heathrow, with a new supply contract required by March 2010. Additionally, the launch of our OpenSkies subsidiary in mainland Europe, and direct flights from London City to the US, will mean new work with suppliers.

### Supplier risk

**Our procurement team records and measures risk across our most important suppliers. We have currently identified 25 suppliers who, if they ceased trading or experienced severe operational difficulties, would have a serious impact on our ability to operate. For these suppliers, risk is measured across five dimensions, updated each month and we take mitigating action when any supplier is deemed to be at risk.**

In addition to managing risks relating to key suppliers, we also routinely monitor the financial health of a number of other critical suppliers using monthly Dun & Bradstreet company reports. This information provides an early warning of increased risk.

We use Business Continuity Plans to cover the risks of supply failures from our key suppliers and make sure that we can demonstrate these plans are tested regularly. Equally, we make sure contingency plans are in place to respond to any supply interruption, from securing alternative suppliers, switching to the use of our own resources, or scaling down the services required.

### Payment performance

We have again made good progress on paying suppliers promptly. On average, 88 per cent of payments were on time in the UK for the year ended March 31, 2008. This compares with 84 per cent in the preceding year.

Next year our aim is to maintain this momentum and eventually to achieve a target of 90 per cent on time payment worldwide. Increased use of e-invoicing and purchasing cards will help us in this effort.

We are a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and are committed to the payment to our suppliers on agreed terms. The number of days' purchases in creditors at March 31, 2008 is calculated in accordance with the provisions of the Companies Act 1985 and was 33 days (2007: 34 days).

### Corporate responsibility in the supplier base

We are committed to being fully responsible in our purchasing decisions, and during 2008/09 we will develop our purchasing process to make sure this happens. We will continue to survey potential suppliers to assess their corporate responsibility credentials, and ensure that our staff are familiarised with key issues. In addition, we will look at using independently-held, self-certification data to better inform supplier selection decisions.

### Procurement delivery

We are committed to driving spend through preferred suppliers. In December 2007, 97 per cent of our external spend was with 2,050 suppliers and they have been awarded formal preferred supplier status. We have also focused on ensuring our spend is committed through our approved order-based process, and in December 2007, 99 per cent of spend was through this process.