

## THE BA WAY IN THE WORKPLACE

### TERMINAL 5

T5 is bringing “the BA Way” to life. Our planning has one objective: to deliver the best airport customer service in the world. Customers want speed through the airport and punctual departure with their bags. Our operation is designed to deliver these goals, using simple, safe and standard processes assisted by technology. Our people want fulfilling and secure jobs, a good working environment, fair reward and personal development. We want them to come to work, do the job well and be flexible. This vision remains.



The move in March 2008 will be the largest in BA’s history and is a once-in-a-lifetime opportunity to transform the travel experience for customers and working conditions for employees.

#### Preparation

As preparation, customer service staff are attending “Fit for 5” communication days to learn more about the new facility and workplace changes.

The Transition Programme is presently structured into workstreams covering safety and security, baggage and equipment, passenger preparation, employees, planning and control. Included in the workstreams is a focus on the cultural change required to make Heathrow a safer place to work and the requirement to ensure all passenger gate requests for seat, meal or other changes are eliminated in order to remove the adverse effect on punctuality. Another workstream is planning methods which will reduce waste including duplication of effort, queuing and unnecessary movement around the airport by both people and vehicles.

In order to engage fully with our people (including trade union representatives) the T5 programme has a number of strategies. These include:



#### T5 Business Change Team

A dedicated team focusing on the delivery of a clear industrial relations plan to communicate, consult and negotiate the change required with representatives from our trade unions. Initiatives such as best practice visits to observe the implementation of planned changes in other companies have been used as part of the consultation process.

#### Fit for 5 events

These annual briefings attended by all HCS staff aim to develop their understanding of how T5 will change and improve the customer experience and the working experience.

## DIVERSITY

The objective of BA's diversity programme is to ensure greater awareness of diversity issues (disability, age, race, religion, gender and sexual orientation) amongst all employees.



In 2005, some of our key activities included:

### Re-launch of diversity training for managers

A new diversity training programme for managers has been designed and delivered. This is made up of a bespoke e-learning module and a longer workshop. The course analyses behaviours, stereotypes and prejudices and equips managers to deal with practical examples of diversity in the workplace.

### Audit of work on age compliance

Last year we committed to implement and communicate the Employment Equality (Age) Regulations 2006. An audit of our existing practices has been completed and an action plan developed. We have been evaluating alternatives to find the best way forward to comply with the legislation, which is due to be implemented in October 2006. We have participated in the Government's consultation process and are embarking on a cultural change programme for employees. We expect to see the over-50 age group increase over the next few years as the legislation is implemented.

### Sharing learning through the Diversity Champions Network

Each department has an active champion as the focal point of diversity communication. The group meets every two months and shares learning from previous cases with legal input and cross-departmental discussion. In addition employee groups on disability and race meet regularly to discuss progress and a

management group on work-life balance reviews part time working, maternity return rates, the right to request flexible working issues and the impact of elder care for employees.

### Launch of diversity monitoring categories

We have been involved in a reclassification of the workforce to 2001 census standards. We are asking all employees to complete online information about their ethnic minority status and disability using the new diversity monitoring categories.

### Launch of a new diversity booklet

"Your Guide to Diversity in the Workplace" was launched and endorsed by the CEO, Willie Walsh, and published on our website. It sets out to explain what diversity is and why it is important to the business. It helps employees to understand that diversity should be an integral part of everyday working life at British Airways.

### Religion

We want to ensure that our employees from different faiths and denominations feel included in the workplace and regularly consult with the British Airways Religious Societies. Every month a guide to religious festivals is produced to help our people understand and respect the customs and practices of different religions. We have also communicated regularly on aspects of catering and uniform.

### Civil partnerships

There has been a lot of interest from employees in the new legal and financial rights for same-sex couples contained in the Civil Partnership Act. Couples can choose to register their details on our Peopleonline database

### Diversity targets

Diversity targets have been agreed in principle by our Corporate Responsibility Board and implementation will proceed in 2006.

### Harassment and bullying

We recently signed up to a joint partnership with our four main trade unions as part of a national initiative led by Amicus and the Department of Trade and Industry aimed at eradicating workplace harassment and bullying. We are reviewing communication and training on all aspects of this issue.

## CURRENT EMPLOYEES



### Pay and reward

British Airways needs a competitive cost base and employment costs are a focus of the 2006-08 Business Plan. The company uses a variety of indicators to benchmark pay and other rewards against the external labour market. This process provides information on market rates and enables us to plan the future in a way that ensures we retain and attract key people.

### Pension Fund

BA's New Airways Pension Scheme (NAPS) pension fund represents most serving UK staff, with just under 34,000 active members and 35,000 deferred members and pensions. The 2003 actuarial valuation showed a deficit of £928m and, despite additional BA contributions since January 2004, the deficit and cost of funding future service within the scheme are both expected to rise at the next actuarial review (March 2006) due to lower long-term interest rates and increased life expectancy. For this reason BA is seeking to make changes to future benefits within NAPS.

In October 2005 BA started a three-month face-to-face communications programme with staff, to ensure that all were aware of the background to the pensions issue. In March 2006 the company proposed that, subject to members agreeing to increasing the retirement age, lowering the accrual rate, capping pensionable pay awards in line with inflation and lowering the capping on pension growth in retirement, it would inject an additional £500 million into the pension fund. Discussions with the trustees, trade unions and workforce on this proposal are still proceeding.

### Management reductions

Last year we committed not to grow our employee numbers overall and in November 2005 we announced a programme to reduce the number of managers in our business. Our target is to reduce the number of senior manager by 50% by March 08, and our middle managers by 30% by this date. The objective of this programme is to remove duplication and complexity, provide greater accountability and to reduce costs. The initial phase for this programme will see a 23% reduction in our senior managers by March 06 with 93 senior managers departing by 31 March 2006. This should enable us to achieve our overall target by March 08.

EMPLOYEE TARGET March 2006	ACTUAL EMPLOYEES March 2006
Department manpower 42,415 MPE <sup>1</sup>	BA Departments 42,625 MPE
Group manpower target 46,390	BA Group, 46,242 MPE

Table showing number of employees as at March 2006

### Internal employment

BA has been downsizing its workforce, with some displaced employees moving to the Careerlink register. Through Careerlink, we manage the internal job market to ensure that individuals who are displaced are considered first for BA vacancies. Careerlink provides a pool of experienced employees who are available for redeployment but are also eligible for redundancy. While waiting for a suitable position they are redeployed in a variety of tasks. We provide career coaching and advice for securing a new role, and proactively "match" individuals for vacancies to help facilitate the process. During the period April 2005 to March 2006, we have seen the number of people registered with Careerlink reduce from 110 to 62. A total of 119 people have found alternative roles within the business or decided to leave the company.

### Industrial relations

In summer 2005 BA received the backlash of the Gate Gourmet catering dispute when some of our ground support staff took part in unlawful industrial action affecting the operation at Heathrow for two days. Subsequently a "Focus on Fact" enquiry was

<sup>1</sup> Manpower Equivalent (MPE)

launched to investigate the events and to determine the actions leading up to the disruption. The cost of the disruption to the business was approximately £40m.

In 2005 the Industrial Relations Change Programme (IRCP) was launched. This was a programme for company managers and Trade Union (TU) representatives to reduce communication barriers and improve understanding. Over 1800 managers and 220 TU representatives attended the workshops. Joint work will continue in 2006-2007 to improve relationships.

### Tribunal claims and outcomes

During 2005 British Airways group received new Employment Tribunal claims in respect of 39 matters and one breach of employment contract claim in the County Court. Of the 40 cases, BA Plc is the Respondent in 32 whilst the remaining eight cases were brought against BA Connect (two claims), BA Maintenance Cardiff (five claims), BA Clubs (one claim) and BA Holidays (one claim).

Eleven of the 40 cases are ongoing. Of the 29 other matters, BA has won in Employment Tribunal in two cases and 13 cases have either been withdrawn by the complainant or struck out by the Employment Tribunal. Another 11 cases have been settled either with no payment or with a payment of no more than £5,000, whilst three cases were settled for a sum over £5,000.

Two of the ongoing claims are multi-claimant cases brought against BA Plc. The first of these (with 15 claimants) is a claim under the Sex Discrimination Act. This relates to the terms of employment applicable to employees whose roles have become redundant and whom BA has redeployed to new positions.

The second multi-claimant matter is a claim relating to holiday pay entitlements under the Civil Aviation (Working Time) Regulations 2004. The claim is brought by the Transport & General Workers Union (TGWU) on behalf of all its members who are employed by BA as ground staff. The exact number of claimants is yet to be confirmed by the TGWU but the company estimates that this will be in the region of 10,076. BA faced a similar claim in 2004 in respect of which it is waiting for the Court of Appeal to issue its judgment.

### Absenteeism

A new absenteeism policy was introduced in October 2004 when our absenteeism ran considerably above

the industry average. The policy was reviewed during 2005 assisting us to approach our target of 10 days average absence per employee. The average stood at 10.5 days in January 2006. (NB: A time-lag in compiling absence data will mean full year data 2005-2006 is not yet available.)

### General training

The British Airways Training Department delivers in excess of 200,000 training days per annum worldwide. The majority of our expenditure is on mandatory and job essential training to ensure that we continue to meet our objective of being the safe and secure airline of choice.



Investment in developing the skills and capabilities of our people has continued this year with a focus on involving employees in the business thinking of the airline. The 'Owning Our Future' programme has been attended by more than 53% of our employees. The workshops have helped to create a common understanding of the challenges facing our business, outlined the direction we must take to be competitive and profitable, and helped people to understand their role within the company's strategy.

More than a third of all training is now available online, reflecting the need for cost-effectiveness. More of our employees can now access learning in their own time.

Terminal 5 will be a focus for the training team during the next two years. By February 2008 over 5000 Heathrow-based staff will have received training in preparation for the opening of the new terminal.

BA also runs specialised training programmes.

**Passengers with reduced mobility (PRM) staff training programmes**

We developed "Disability Confident" – an e-learning module that supports BA's commitment to create a more inclusive environment for both employees and customers, increase awareness of disability issues and communicate changes to legislation.

All existing customer-facing staff will have completed the training over a three-year period by 2008 and it is included in new entrants' induction programmes. Our third-party suppliers (e.g. catering staff, wheelchair contractors and facilities management staff) also undertake this training. New employees attending our Ramp Induction courses (loaders and baggage handlers) have an additional disability awareness session which raises some of the issues passengers have when traveling with their wheelchair. One of our employees (a wheelchair user) attends these courses as a speaker to explain the importance of careful handling of mobility aids. The Diversity team and Product Management team work together to progress disabled customer issues e.g. carrying out trials at Heathrow of equipment to enable passengers to use their own wheelchairs until time of boarding. They are also working to make our website, [www.ba.com](http://www.ba.com) more accessible.

**Tax Free Scheme**

Starting in April 2006, the company introduced two government initiatives for BA UK mainline employees, providing them with the opportunity to gain tax and National Insurance relief on the cost of childcare and home computer equipment. These schemes supported our commitment to working parents and our wish to increase the availability of home computers for employees and their families. The schemes use Inland Revenue rules called 'salary sacrifice', enabling employees to use their salary before tax to pay towards the cost of childcare or a home computer. Registration for the computer scheme was high at more than 12% of employees. Unfortunately the company will not be able to replicate this scheme as the Government withdrew the tax exemption in April 2006.

**Smoking**

Our smoking policy is currently under review from a corporate perspective as a result of the impending change in government legislation. Work is being carried out to assess the impacts and determine what course of action should be taken to support this legislative change for both current work locations and T5.

**BA Clubs**

BA Clubs is a licensed members' club set up to provide sports and leisure facilities to BA employees, pensioners, families and affiliates. There are clubs throughout the UK where BA employees are based: Heathrow, Gatwick, Birmingham, Belfast, Cardiff, Newcastle, Aberdeen, Edinburgh and Glasgow. They offer high quality sports facilities, cost-effective conferencing, and venues for BA charities' events. The Clubs plan to investigate co-operation possibilities with BA Health Services to offer rehabilitation programmes at the fitness gyms. They also run a monthly lottery, with the top prize regularly exceeding £20,000.



The biggest site is the Concorde Club near Heathrow with 36 acres of sports facilities and a licensed clubhouse. There are approximately 50 sports and leisure sections, monthly club functions and weekly social events. The sections range from sports such as athletics, rugby, cricket, football, tennis, squash and badminton to chess, bridge, sequence dance and drama.

Regular annual events include the Happy Child Fun Day, the Classic Vehicle Day and the November Fireworks. In 2005 Clubs also held special events including the Tsunami Appeal charity event.

## FUTURE EMPLOYEES

### Recruitment

Our aim is to ensure we attract sufficient numbers of people, at the required standard to meet our external recruitment needs. Because of reductions in management staff, we are closely monitoring recruitment to ensure that it is only authorised if we are confident that the business need is critical, and there are no suitable internal candidates available. Despite the restrictions, we have recruited 2,300 people since April 2005 from 41,000 applications.

On average there are over 5,000 visits every day to our job web site: [www.britishairwaysjobs.com](http://www.britishairwaysjobs.com)

In 2005 we introduced a new IT system that aims to speed up the recruitment process for individuals; provide detailed information about the company and specific career opportunities and offer greater control for prospective candidates. For example, candidates invited to interview can now select an interview slot at a time and date that suits them.

## HEALTH AND SAFETY

### Employee health and safety

We are committed to creating a safety culture that uses behavioural risk management. We are engaged in a number of initiatives to reduce the risk of employees being injured at work. In preparation for our move to T5 we have contracted external training company Marsh to assist in further improving the safety culture of our Heathrow ramp staff through the introduction of a Behavioural Risk Improvement programme – RAMPsafe.

The overall aim of the programme is to reduce lost time, injuries, aircraft damage and vehicle damage and to enhance risk awareness on the ramp areas. It will also aim to improve communication of the safety message within all areas of BA.

Specific manual handling training is being provided to our ramp staff. On completion of the training we can expect to see a 25% reduction in the risk of injury to each ramp employee. Completion of training for the initial targeted population will occur in 2007-2008.

To complement the training initiatives British Airways is also leading the industry by reducing the maximum permitted weight of a single piece of checked-in baggage. In 2003 British Airways introduced a maximum bag weight of 32kgs which has been adopted by BAA and IATA as the industry standard. We are seeking to persuade airport authorities, other airlines and health and safety authorities to follow suit.

### Employee safety key performance indicators

	Minor	Serious	Major	Fatal
2002/03	6271	454	40	0
2003/04	5677	405	22	0
2004/05	5248	594	24	0
2005	5461	741*	15	0

Table showing number of employee safety incidents by severity

\* We are continuing to see a steady reduction in the number of major injuries. The rise in the number of serious injuries is attributed to changes in the way that injuries of this type are recorded. A "serious injury" is one that has the ability to cause an absence. With our focus on reducing absenteeism the accuracy of recording of injury severity has become even more

important because absence associated with a work related injury is typically discounted from an employee's absence record. Incidents are investigated and analysed for trends. There is no evidence to suggest that the increase in serious incidents reflects a reduction in the personal safety of our employees.'

Issue	No'
Fatalities involving BA employees or contractors at work	0
Health and Safety offences	0
Enforcement notices	0

Table showing the number of fatalities, health and safety offences and enforcement notices issued

Working days lost due to work related injuries for 2005 average 4214 per month per 100,000 employees (see graph below for detailed breakdown). The 2004 average was 4300 days per month. The Health and Safety Executive has set a target for reducing the number of major injuries by 10% by 2010. The number of major injuries at BA has now reduced from 40 since 2002-2003 to 15 and we continue with our drive to reduce this number to zero.

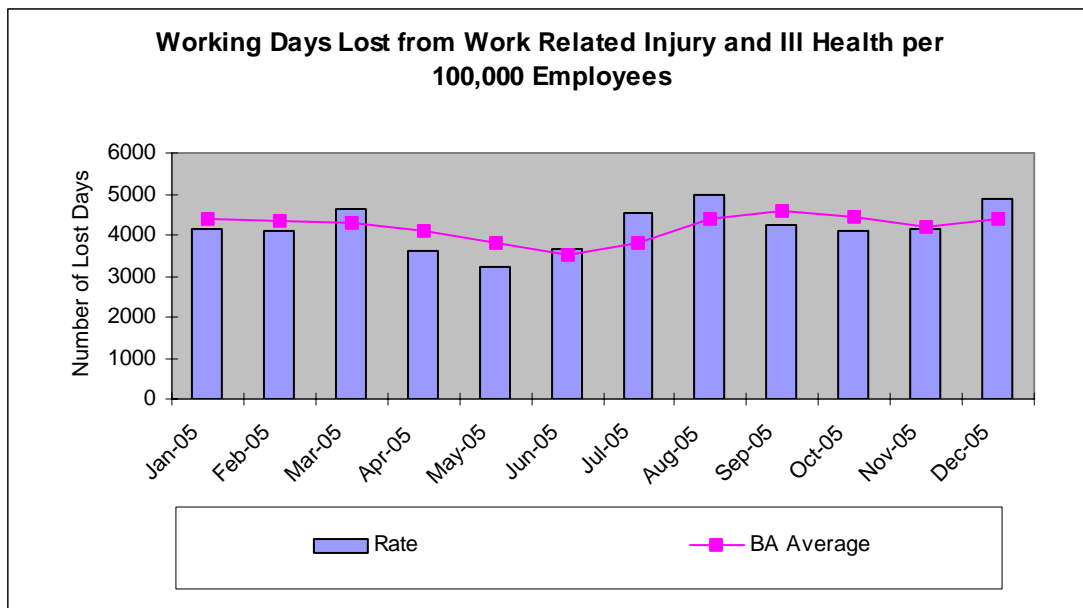


Chart showing working days lost from work related injury and ill health per 100,000 employees

Our target is for the number of working days lost due to all causes of injuries is to be reduced by 30% by 2010 and the total number of major injuries to be reduced by 10% by 2010. (These are targets set by the Health and Safety Executive with the baseline set at 2001.)

#### Employee motivation

The Employee Feedback Programme (EFP) launched in November 2004 is a programme of employee research to track employee satisfaction and motivation. We appointed the leading independent research agency MORI to run the EFP for us. The first piece of research, conducted in December 2004, was an online survey (fully hosted by MORI in order to guarantee confidentiality) in which a representative sample of almost 6000 employees took part.