To create a really high-performing business we need to build an inspiring and rewarding workplace where talented people can work to the best of their ability to meet our customers’ needs and our wider social responsibility.
We are re-inventing the way we work at British Airways. We are creating a leaner organisation with a distinctive, high-performing culture through our flagship change programme, Compete 2012.

Over the next three years this programme, described in detail on page 28, will help us to achieve our vision of becoming the world’s leading global premium airline.

It will affect the way we interact with each other, how we measure individual performance and how we promote, develop and reward talent. Coupled with our commitment to be a responsible airline, it will also help us achieve our ambitious environmental targets, put our relationship with key suppliers on a new footing and continue our tradition of supporting communities in useful and imaginative ways.

Restructuring management

While Compete 2012 is a long-term change programme, current market conditions have made it imperative to move fast to create a leaner, more agile structure starting at the very top of our business.

In December 2008, a third of our managers left the business under a voluntary severance scheme. At the same time we redesigned the organisation to promote greater customer focus and better governance and leadership.

This restructuring effort has made us more efficient. It has also helped us identify and draw on new talent in the business, helped by the fact that we are now encouraging more people to move between functions to gain wider experience and find new outlets for their skills. To support greater

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Chief Executive
Willie Walsh

Customer and Operations Executive
Silla Maizey

Management Board

Reporting to the Chief Executive

Investments
Roger Maynard

Legal and government and industry affairs
Maria Da Cunha

Safety and security
Tim Steeds

Communications
Julia Simpson

Customer
Silla Maizey

Engineering
Garry Copeland

Finance and performance
Keith Williams

People and organisational effectiveness
Tony McCarthy

Sales and marketing
Andrew Crawley

Strategy and business units
Robert Boyle

Flight operations
Stephen Riley

Operations
Andy Lord

Customer
Silla Maizey

Engineering
Garry Copeland
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“Change must start at the top and during the year we reorganised our top management team, comprising nine directorate heads, led by the Chief Executive.”

mobility, we have clarified individual and collective roles and responsibilities and now publish accountabilities for all of our top managers on our intranet.

Leadership development
We need great leaders to help us contend with current trading conditions and achieve our long-term vision. A leading global premium airline must be bold and highly effective in developing present and potential leaders.

This is why we introduced our High Performance Leadership (HPL) system during the year. This is an integrated system, linking business strategy, objective setting, performance assessment, development and reward. Focused initially on the senior leaders, HPL has rigorous assessment mechanisms to identify talented leaders and to provide them with the right tools and support to continue developing.

We have also defined, communicated and begun to measure individual performance against three capabilities we think we need in our leaders, in addition to operational excellence:

• Communicating a common vision;
• Agreeing accountabilities; and
• Motivating and inspiring others.

For each capability, specific behaviours have been developed so that leaders understand exactly what is expected of them and we are supporting them with a range of development programmes, including executive coaching, networks, forums and external courses. We are also using new techniques to measure performance. These will allow us to monitor individual progress and track our own overall success at managing talent.

Among the other leadership initiatives we launched were:

• Behaviours for Success – a leadership development programme for the HPL community, focusing on understanding and developing personal leadership performance;

• Leadership Matters – a scheme to identify and develop leaders who have pivotal roles in the Customer and Operations areas of our business; and

• A Leadership Development Portfolio that will be introduced this year with the aim of supporting current and potential leaders at every level of the business, including emerging leaders, those on a fast track to senior positions and those with strategic roles at the very top of our organisation.

The management of our business
Change must start at the top and during the year we reorganised our top management team, comprising nine directorate heads, led by the Chief Executive. It is now split into two groups – the Management Board and the Customer and Operations Executive.

The Management Board, which meets weekly, is responsible for the vision and strategic direction of the Company.

The Customer and Operations Executive is accountable for day-to-day customer service, operational performance and ensuring the highest standards of safety. This group also meets weekly.

Legal, director of safety and security and director of investments also report to the Chief Executive.
Our restructuring effort has made us more efficient. It has also helped us identify and draw on new talent in the business, helped by the fact that we are now encouraging more people to move between functions to gain wider experience and find new outlets for their skills. To support greater mobility, we have clarified individual and collective roles and responsibilities and now publish accountabilities for all of our top managers on our intranet.
People and organisational effectiveness

In transforming the way we work, we remain focused on creating a diverse, challenging and rewarding workplace which people across the airline can feel proud to be a part of, despite our expectation that the number of people employed will need to reduce as we seek to streamline our business.

Headcount

As at March 31, 2009, we employed 40,627 MPE.

Average attrition remains low at 7 per cent, with the exception of management grades where a voluntary redundancy programme contributed to a significant increase in attrition for this group.

Reward

We operate two principal funded 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, new employees were entitled to join the British Airways Retirement Plan (BARP).

SmartPension arrangements, which allow our UK-based employees to make their pension contributions in a more tax-efficient way, were introduced in early 2008. Around 90 per cent of those eligible are now benefiting from this arrangement.

Since 2005 our Employee Reward Plan (ERP) has allowed non-management employees to share in the success of the business based on the achievement of corporate measures and targets. However, due to our losses in the year, the scheme did not operate in 2008/09.

Instead we used local incentive plans to offer rewards for improved performance, assessed against a range of operational, customer and financial measures. The first plan was introduced in Terminal 5 and has led to significant improvements in performance, with targets being exceeded frequently. This approach is now being considered in other areas to drive continuous improvement in our performance across the business.

Management bonus schemes, using a mix of financial and non-financial performance metrics, are designed to improve overall performance and to reward individual effort. Given the deterioration in trading conditions during the year, no bonuses will be paid.

However, we have replaced our grade-based reward scheme for managers with a new broad band system which links rewards more closely to individual performance and capability. Separately, our Bravo recognition scheme allows us to recognise people across our business for their efforts and achievements.

Diversity

We are proud to be a business that welcomes and nurtures difference. Diversity and inclusion are a way of life for us.

Our diversity initiatives are all about dignity and respect. They are designed to promote good relationships between colleagues, irrespective of their background, religion or culture. As part of our annual diversity week, a series of events was held to raise awareness and promote a more
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The way we run our business
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positive and productive work environment. These included an inter-faith panel discussion focusing on five key religions and a presentation from a member of the Board of the British Paralympic Association.

The focus this year has been on developing our Dignity at Work strategy to reduce harassment and bullying in the workplace. We have appointed and trained Harassment Advisors, drawn from across the business, in response to colleagues’ requests for people they can approach confidentially about any issues they may have. The advisors act as a listening ear and provide practical advice and guidance. Our intention is to adopt a more informal approach to resolving potential conflicts using internal mediators.

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 for them 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 frontline employees are trained in disability awareness to increase their knowledge about disabled customers and employees.

We introduced a Building Ability strategy to identify and promote the needs of disabled customers and colleagues. We constantly look at how we can improve the journey experience for disabled customers and for the first time we conducted specific customer research to identify areas for development. In July 2008, 522 members of the British Paralympics Association travelled to Beijing for the Paralympic Games, providing us with important lessons we can translate into day-to-day practice.

Overall, our Dignity at Work strategy involves training, communications and workshops across the business. All departments have targets to achieve and all employees must now complete the online ‘Expect Respect’ training course, introduced during the year.

Absence
We saw a modest improvement in attendance throughout the year. The headline annual absence level has improved by one day per person. At December 2008 it stood at 10.8 average days per person per annum, with some areas of the business meeting top quartile absence levels. While there has been a modest improvement overall this year, we still compare unfavourably with similar sized businesses in the UK. To remedy this we are creating a new programme to help managers deal with attendance issues.

Absences – days per person per annum

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<td>December 2008</td>
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<td>2003 baseline</td>
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Employee relations
We negotiate with a total of three trade unions representing colleagues across the business. We seek to work constructively with colleagues and their representatives to improve productivity and performance.

Despite the challenges we faced in the early days of Terminal 5, we went on during the year to achieve significant improvements in our operational performance. This was partly down to the agreements we reached for new working practices at the terminal. A major feature of these agreements was direct colleague engagement with the involvement of our recognised trade unions. Another key aspect was the introduction of local incentive plans for many terminal-based jobs as discussed above.

We continue to work hard to foster good relations with the representatives of our flying community. These relationships will remain key as we tackle the challenges ahead.
We carried out consultations with a number of groups within the business to see where we could improve efficiency and this has led to some beneficial changes in work practices and roles. The areas affected by restructuring included:

• Customer relations;
• Gatwick ramp and customer services;
• British Airways World Cargo;
• Glasgow cabin crew base; and
• Manchester engineering base.

During the year we fundamentally changed the way we organise our human resources (HR) management. We introduced HR Business Partners who now focus on good people management and employee relations and are responsible for day-to-day industrial relations matters. The central industrial relations team was consequently scaled back and given a more strategic role. To support this change we ran a number of bespoke industrial relations training courses to improve understanding and practice.

Engaging our colleagues

We ensure that colleagues are kept well informed about our Company, customers and industry by using comprehensive internal communications. Face-to-face communication is our priority and we run regular briefings across the Company so that as many people as possible can meet, question and share ideas with senior and line managers. We run workshops to support managers in communicating key announcements and also online forums and an online Ideas Exchange to encourage wider dialogue. Other communication channels include a personalised intranet, mobile SMS messaging, video and a range of Company-wide and local newsletters.

In 2008/09 we saw a sea change in the way people within our business think about working here. Our Speak Up! attitude survey in the autumn of 2008 recorded significant improvements in scores for pride, service and product advocacy, and satisfaction with basic conditions.

The results reflect the positive way colleagues feel about our move to Terminal 5 and our improved performance. Encouragingly, the number of people responding to the survey rose too, indicating that more employees regard this as an important means of expressing their opinions.

To make the survey more effective, we want to ensure that changes are implemented as a result. All managers are now being given a clear responsibility to plan actions based on survey findings in an open and transparent way. Next year we will run the survey more frequently during the year, so that managers get regular feedback on changes in colleague opinion.

2009/10 will also see the launch of an Engagement Index. Building on Speak Up! results, this will help identify how managers can increase levels of engagement within their teams.

Employment tribunals

During 2008/09, the Group was served with 74 new proceedings in employment tribunals. British Airways Plc was the respondent in all but three of the proceedings. The other three are against BA Avionic Engineering, CityFlyer and BA Maintenance Cardiff. This remains a low figure given our relative size. Of the 74 proceedings:

• We lost no tribunal claims in the year;
• We did lose a preliminary hearing, currently being appealed, concerning the rights of staff employed and resident in Hong Kong to pursue discrimination claims in the UK;
• Six claims involved multiple claimants, including two, on how holiday pay should be calculated under Civil Aviation (Working Time) Regulations, brought on behalf of some 13,000 pilots and cabin crew members;
• Claims including a discrimination element outnumbered those for unfair dismissal for the second year. There were 19 unfair dismissal claims, about the same as in 2007/08; and
• A total of 47 claims for discrimination or discrimination and other matters were lodged, a 60 per cent increase on the year before. Of these, 31 are ongoing, 12 were settled and four withdrawn, won by British Airways or struck out.

“We negotiate with a total of three trade unions representing colleagues across the business. We seek to work constructively with colleagues and their representatives to improve productivity and performance.”