FOCUSED ON OUTSTANDING CUSTOMER SERVICE

Meeting the rising expectations of our customers remains central to our strategy of transforming British Airways into the world’s leading global premium airline. Our investment in our staff, our fleet and our facilities are all about making sure we provide the very best in customer service. We want all of our customers to enjoy a premium service at every point of their journey, whenever and wherever they travel with us.
Our strategy and objectives

We have lived through unprecedented market conditions over the last 18 months. Throughout this we have remained focused on our strategy to become the world’s leading global premium airline. The actions we are taking now to make our cost base more efficient and our unstinting focus on outstanding customer service are critical parts of this long-term vision. They will determine how strongly we emerge from the current downturn and will help us to create a sustainable and profitable future for the business, benefiting our customers, colleagues and shareholders.

In this section, we explain the strategy in detail and describe the actions we’re taking to pursue it.

GLOBAL
What we offer will appeal to customers across the globe. Wherever we operate, individuals and business travellers alike will want to fly with us whenever they can.

PREMIUM
We will make sure all our customers enjoy a unique premium service whenever and wherever they come into contact with us. Our customers will recognise that the service we offer is worth paying that little bit more for.

AIRLINE
We will remain focused on aviation – moving people and cargo is our core business. We will develop new products and services to complement this.
OUR FIVE STRATEGIC GOALS

1. Be the airline of choice for longhaul premium customers

   Longhaul premium customers are key to our profitability. We will use our deep understanding of what is required to be their airline of choice to drive our design choices on product, network and service. We will also maintain a strong presence in the cargo, economy and shorthaul segments, which play a critical supporting role.

2. Deliver an outstanding service for customers at every touch point

   Our customer-facing staff have long been passionate about delivering outstanding customer service. We want to build on this through a revolution in the way we lead, train and reward, so that all our customers, on all routes and classes, enjoy a premium experience. We will invest both in improvements targeted at our premium customers, such as service style training, and in those benefiting all customers, such as Terminal 5 and ba.com.

3. Grow our presence in key global cities

   We aim to provide the best global connectivity for our customers. We will build our presence in the top tier global cities, either directly or through our expanding network of airline partnerships. Whilst the established global cities such as London and New York remain critical, we will place a special emphasis on developing our position in the global cities of tomorrow.

4. Build on our leading position in London

   London is our home city, the emotional and financial heart of our business. It is also the world’s biggest and most competitive international air market. Ensuring Heathrow remains a world-class hub is vital to give us a strong London base to serve the largest international longhaul markets. To support this, we will look to influence government policy decisions, and work with the airport owners on the continued development of the infrastructure.

5. Meet our customers’ needs and improve margins through new revenue streams

   Airline revenue streams will always be the core of our business. However, we will look to augment this by building profitable ancillary services that offer customers great value and re-enforce our brand. We will explore how we can develop new products and services which exploit our assets and capabilities, and meet the needs of our core customers and enhance loyalty.
Our business plan

Our business plan is built around our Global Premium Airline strategy, and defines in detail both what we need to achieve as a business, and how we need to work together. It encompasses our Compete 2012 change programme. This is linked to our sponsorship of the London 2012 Olympics and Paralympic Games, and is tasked with refreshing our culture. The plan is structured around five key themes – Colleagues, Customer, Performance, Excellence and Partnerships:

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<tr>
<th>BUSINESS PLAN THEME</th>
<th>OUR FOCUS FOR 2010/11</th>
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<tr>
<td><strong>Colleagues</strong></td>
<td>Despite the tough economic environment, and challenging industrial relations, we saw huge commitment to the success of British Airways right across the Company, including high levels of volunteering to support the operation through disruption. In 2010/11 we will look to build on this in a number of ways. We will work to boost the engagement right across the Company, rallying our colleagues with a drive towards ever greater customer service. We will continue to make targeted investments to improve the way we manage our talent, with the focus this year on the development of our front-line leaders. And we will embed our customer-centric outlook into our reward framework, and increasingly use performance-related pay.</td>
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<td><strong>Customer</strong></td>
<td>We will continue to evolve our products, for instance through the roll-out of the restyled First cabin, and through the development of products fit for the Boeing 787s and Airbus 380s we have on order. We will refine the Terminal 5 experience for premium passengers, as well as making targeted investments in overseas lounges. A new in-flight entertainment system is being introduced on our new longhaul aircraft, starting with our Boeing 777-300ERs in 2010. We will continue the targeted development of ba.com that has made it such an important part of the way customers interact with us. We will work to reaffirm our brand in a changing and fiercely competitive marketplace.</td>
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<td><strong>Performance</strong></td>
<td>We will carefully monitor opportunities to adjust capacity as economic conditions allow, and we anticipate less need to reduce flying outside the peak periods. We will ensure structural changes in the cost base are maintained by keeping controllable costs flat even as business conditions improve. We will continue to compete for new slots. We intend to grow our mileage and holiday businesses, and boost revenues from third-party engineering, retailing and the development of non-air partnerships. Our new Boeing 777-300ERs, with their improved fuel efficiency and environmental performance, will begin to arrive in 2010.</td>
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<td><strong>Excellence</strong></td>
<td>We will build on record-breaking levels of operational performance through continuous improvement of the way we plan and control the operation, including laying the foundations for improvements to a number of our operational systems. We will extend the brilliant Terminal 5 experience to more of our services through the development of the second satellite Terminal 5C (opening in 2011), as well as working with the new owners of Gatwick to improve the customer service offering in the North Terminal. We will roll out our Airmanship Programme across our ramp and baggage service community raising ground safety. And we will continue to develop the skills and environment that encourage Lean Continuous Improvement across the business.</td>
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<td><strong>Partnerships</strong></td>
<td>Subject to regulatory approval, we will implement a Joint Business Agreement with American Airlines and Iberia, delivering a range of customer benefits. The agreement will significantly extend the connections we offer, improve flight schedules, and deliver enhanced frequent flyer benefits, improved customer service and better disruption management. We will continue to develop partnerships, such as those announced this year with India’s Kingfisher Airlines and the Russian carrier S7, that will improve our position in the global cities of today and tomorrow.</td>
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ACHIEVEMENTS 2009/10

The start of the year saw us move to a new, leaner organisation, with a third fewer managers, and clearer accountabilities linked to overall Company goals. This is underpinned by a new approach to performance management, backed up by leadership training that has achieved great feedback from our managers.

Despite the downturn, we continued the tradition of innovating to meet the needs of our premium customers, through the highly successful launch of our new longhaul service from London City to New York JFK, and through the start of the embodiment programme for our new First cabin. We have completed the roll-out of our award-winning Club World product to all our Boeing 777s and 747s, and continued our investment in premium service training. We've carried out comprehensive brand positioning and proposition development work over the last 18 months to ensure we remain a relevant and compelling offer for our global customers in the future. In response to customer feedback, we also enhanced the Club Europe seat configuration. We've continued to invest in ba.com, including in this year's developments the ability to claim refunds online in disruption situations.

We adjusted our capacity and network to reflect the downturn, parking eight Boeing 747s, beginning the exit of our Boeing 757 fleet, and rescheduling our Airbus A380 deliveries. We secured significant structural change in our employee costs. While retaining our commitment to providing an excellent value core product, we have delivered savings from standardising shorthaul catering and have delivered additional revenue from changing the economy baggage allowance (to one checked-in bag plus a generous hand baggage allowance); offering customers the option of paying for advance seat reservations whilst still retaining the ability to choose a seat free of charge at check-in, from 24 hours before departure.

We've built on last year's strong operational performance, with Terminal 5 delivering excellent punctuality and a far greater resilience to disruption such as the adverse weather seen this winter. Taken together with the ongoing strong performance of Gatwick and the regions, we've exceeded our targets and delivered record-breaking performance. We've continued to seek continuous improvement through the application of Lean processes, delivering significant productivity gains across the business.

We've continued to take a leading role in the development of the oneworld alliance, not only through sponsoring the membership of the Russian carrier S7, and Kingfisher Airlines of India, but also through active participation in the negotiations to retain JAL's membership. We've worked closely with our key suppliers to adjust contracts to see us through the downturn. We see our One Destination programme (see section on ‘Running a responsible business’) and the development of our role in the wider community as a key part of this theme.
Key Performance Indicators

We track progress against the business plan for the five key themes using a wide range of metrics. Only three of these themes are used to set targets for the basis of remuneration. The three are: customer recommendation, operating margin and network punctuality. Progress against all five themes are detailed below.

MEASURING PROGRESS

Colleagues

Progressive, high-performing organisations are increasingly recognising that engaged employees are more committed to organisational goals and values, and more willing to embrace change and improve customer service. We track opinions via an all-employee confidential Speak Up! survey, conducted and hosted by the independent research organisation Ipsos MORI. This includes a Colleague Engagement Index, which summarises a basket of more detailed measures. We have also built employee responses into the way we measure and manage individual performance.

Customer

We monitor our customers’ views through our Think Customer Survey. This is independent market research involving more than 36,000 customers each month. Our headline measure is customer recommendation. Apart from being extremely important in its own right, we believe that this measure indicates how the customer experience will affect future profitability. We also track customer views on our performance relative to our competitors, as well as general airline customers opinions’ of our brand. These views help us steer our product investment decisions.

Performance

We must achieve a consistently strong financial performance if we are to continue investing in the future success of the business and provide adequate shareholder returns. Operating margin is the main way we measure our financial performance. In 2002, we set ourselves the goal of achieving a 10 per cent operating margin through the economic cycle.

Excellence

Running a robust operation is key to both meeting our customers’ expectations, and to delivering a cost-effective business. We monitor our operational performance via a broad range of measures at a variety of levels. Departure punctuality is our primary measure, as high performance here requires other operational processes to run smoothly, and also because it is a key driver of customer satisfaction. Our headline measure of punctuality is ‘Ready to Go’, which focuses on the aspects of the departure process within our control.

Partnerships

We monitor the performance of our partnerships through a variety of success criteria. We have set challenging goals for our One Destination programme, which include increases in the proportion of waste we recycle, an improvement in building energy efficiency, as well as a 25 per cent reduction (from 2005 levels) in carbon emissions per RPK by 2025. We also track achievement of implementation milestones for our Joint Business Agreement with American Airlines and Iberia.