BRITISH AIRWAYS

Corporate Responsibility Report 2008/09



Where we fly to as at May 21, 2009

Principal activities

The main activities of British Airways Plc and its subsidiary undertakings are the operation of international and domestic scheduled air services for the carriage of passengers, freight and mail and the provision of ancillary services. Our mainline network is shown below.



Americas		UK	Europe			Africa	Middle East and South Asia	Asia/Pacific
	Philadelphia	Aberdeen	Alicante	Gibraltar	Paphos	Abuja	Abu Dhabi	Bangkok
	Phoenix	Edinburgh	Amsterdam	Hamburg	Paris	Accra	Bahrain	Beijing
	Port of Spain	Glasgow	Antalya	Helsinki	Pisa	Algiers	Bangalore	Hong Kong
Barbados	Providenciales	Jersey	Athens	Istanbul	Prague	Cairo	Chennai	Shanghai
Bermuda	Rio de Janeiro	London (City)	Barcelona	Izmir	Pristina	Cape Town	Doha	Singapore
Boston	San Francisco	London (Gatwick)	Bari	Kiev	Rome	Dar es Salaam	Dubai	Sydney
Buenos Aires	Sao Paulo	London (Heathrow)	Basle	Krakow	Salzburg	Entebbe	Hyderabad	Tokyo
Calgary	Seattle	Manchester	Belgrade	Larnaca	Sofia	Johannesburg	Kuwait	
	St Kitts	Newcastle	Berlin	Lisbon	St Petersburg	Lagos	Mumbai	
Dallas	St Lucia		Bologna	Luxembourg	Stockholm	Luanda	Muscat	
Denver	Tampa		Bordeaux	Lyon	Stuttgart	Lusaka	New Delhi	
Grand Cayman	Toronto		Brussels	Madrid	Thessaloniki	Mauritius	Tel Aviv	
Grenada ´	Trinidad & Tobago		Bucharest	Malaga	Tirana	Nairobi		
Houston	Vancouver		Budapest	Malta	Toulouse	Tripoli		
	Washington		Cagliari	Marseille	Turin	Tunis		
Los Angeles			Catania	Milan (Linate)	Varna			
Mexico City			Copenhagen	Milan (Malpensa)	Venice			
Miami			Dubrovnik	Moscow	Verona			
Montreal			Dusseldorf	Munich	Vienna			
Nassau			Faro	Naples	Warsaw			
New York (JFK)			Frankfurt	Nice	Zurich			
New York (Newark)			Geneva	Oslo	Zurien			
Orlando			Geneva	Palma				

Who we are

British Airways is the UK's largest international scheduled airline, flying to 148 destinations at convenient times, to the best located airports.

We are one of the world's leading scheduled premium international airlines. Our principal place of business is Heathrow, one of the world's premier airport locations, which serves a large geographical area with a comparatively high proportion of point-to-point business. We also operate a worldwide air cargo business, largely in conjunction with our scheduled passenger services. Operating one of the most extensive international scheduled airline route networks, together with our codeshare and franchise partners, we fly to more than 300 destinations worldwide. In 2008/09, we carried more than 33 million passengers.

Our airline network generates economic value by meeting the demand for business travel, by offering vital arteries for trade and investment, as well as providing leisure travel opportunities for individuals and families. In 2008/09, we earned nearly £9 billion in revenue, up 2.7 per cent on the previous year. Passenger traffic accounted for 87.1 per cent of this revenue, while 7.5 per cent came from cargo and 5.4 per cent from other activities. We carried 777,000 tonnes of cargo to destinations in Europe, the Americas and throughout the world. At the end of March 2009 we had 245 aircraft in service.

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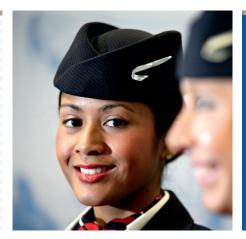
Highlights and achievements

This has been an exciting year for British Airways. We have continued our work on a wide range of Environmental, Community, Marketplace and Workplace initiatives while bringing these together under our One Destination programme.

Air Quality

191 aircraft engines

modified on our Boeing 747 and Boeing 777 aircraft to reduce NOx and improve fuel efficiency



Energy

10.9% reduction

in CO₂ emissions across our UK property portfolio



Training

215,211 days

of training delivered during the year

Noise

new aircraft

12 Airbus A380 and 24 Boeing 787 aircraft are considerably quieter than the aircraft they replace

CO₂

net reduction target by 2050 announced **Established**

One Destination Foundation

our charitable giving programme in partnership with the Thames Community Foundation





Reputation

ranked in the top 50

of the UK's leading companies by the Reputation Institute

Projects

120

community and conservation projects supported in 2008/09

Waste

35% recycled

across Heathrow and Gatwick with amount to landfill reducing by 7.2 per cent

Donations

£5.4m

in-kind charitable donations with £444,000 in direct donations



Fuel

55

fuel-saving initiatives implemented saving over 20,000 tonnes of fuel



Corporate Responsibility
Seminar

over 200

delegates attended, including our key corporate customers and NGOs

Chief Executive's message

"As an airline we recognise the vital importance of Corporate Responsibility. The challenges to our business have never been greater. The world faces an uncertain economic future but it is my sincere belief that companies will be judged on the consistency of their approach to Corporate Responsibility through the bad times as well as the good. Our customers, staff and stakeholders all expect and deserve this of British Airways. I am fully committed to our wide-ranging work to support our ambition to become the world's most responsible airline."

Willie Walsh Chief Executive

Willie Walsh on our Change For Good field trip, Tanzania, August 2008.



Vision

Our vision is to become the world's most responsible airline and we recognise that this is best achieved by ensuring our flying activity is sustainable. We have developed a series of strategic goals and plans to deliver this vision.

It is clear that the key issue facing British Airways and the aviation industry as a whole is climate change. We take this issue very seriously and we will do all we can to ensure we play our full and fair part in reducing global greenhouse gas emissions. We support the recommendations coming from the Stern report*, which is why we have developed a goal to reduce our net carbon dioxide (CO₂) emissions by 50 per cent by 2050. Our priority is to achieve this through operating efficiencies and adopting new technology but we recognise that we will also need to acquire carbon permits from emissions trading schemes to meet this overall target.

We believe that this is a target that should be adopted by the global airline industry, so enabling the industry as a whole to play its full and fair part in reducing global greenhouse gas emissions. This is why we strongly support the inclusion of aviation in a post-Kyoto international framework with tough targets to reduce CO_2 emissions. We also support the adoption of a comprehensive global, sectoral 'cap and trade' emissions trading scheme to be applied to the sector to enable us to meet these CO_2 reduction targets in the most economically efficient manner without competitive distortion.

Hence, to maximise our opportunity to achieve these objectives, a key focus for us this year is supporting all the inter-governmental and sector activity in the lead-up to the global climate change summit in December 2009.

British Airways governance

In November 2007, we created a new Corporate Responsibility department, led by the Head of Corporate Responsibility. In January 2009 we created a Wellbeing department, bringing together Community Investment, Diversity and Health Services.

The team's activities are overseen by our Corporate Responsibility Board (CRB), which I chair and is attended by Baroness Kingsmill, a non-executive director. In addition, the CRB includes representatives of health and safety, as well as people with responsibility for issues such as climate change, responsible procurement and fuel efficiency. The CRB, which meets quarterly, is supported by the Corporate Responsibility team and Corporate Responsibility sponsors drawn from across the business.

Our approach

We have organised the Corporate Responsibility programme under four streams – Environment, Community, Marketplace and Workplace.

Environment We recognise that in providing the economically vital service of air transport, we have an impact on the planet, so our strategy is to ensure we minimise these environmental impacts. This includes consideration of climate change, air quality, noise and waste.

Community Our strategy is to support community and conservation projects, enabling them to become self-sustaining. These projects are based in the countries we fly to and from.

Marketplace Our strategy is to encourage and facilitate our customers to be responsible and so help us build a more sustainable business.

Workplace Our strategy is to encourage and facilitate our colleagues to be responsible and so help us build a more sustainable business.

To deliver these strategies we have developed a programme plan containing over 30 programme level activities with over 100 individual projects. We have also developed specific performance goals for each of these four areas.

We truly believe we now have all the vital elements in place to deliver our overall vision of becoming the world's most responsible airline.

Willie Walsh Chief Executive

^{*} Stern report November 2006 – The Economics of Climate Change.



Our Vision

There is a paradox... customers love to fly but are concerned about the impact on the environment.

Our vision is that our customers fly, confident that together we are acting responsibly for the world we live in.

We have only one destination... responsible air travel.

Our Plan

To achieve our vision and deliver against the goals for One Destination, we have developed a plan containing over 30 programme level activities and 100 individual projects.

Our plan to deliver this strategy looks at:



How we fly

The people and processes

How we harness the energy of our colleagues and customers to deliver our goals.



What we fly

Our technology and infrastructure

Making a conscious, informed decision about the equipment we use, building sustainability into our products and diversity into our teams.



What we buy

Our investments and partnerships

Working with our stakeholders, community partners and suppliers to invest wisely and achieve our One Destination goals.



To truly deliver our vision we have adopted an approach, combining all areas of our organisation, divided into four main pillars:

environment

Reduce our carbon emissions, waste and noise and improve air quality.

community

Support charities and communities in the countries we fly to and from.

marketplace

Encourage and facilitate our customers and suppliers to be responsible.

workplace

Encourage and facilitate our colleagues to be responsible.

environment

We recognise that in providing the socially and economically vital service of air transport, this has an impact on our planet. That is why in the last year we have developed a commitment to reduce our carbon emissions that will enable us to play a full part in the global reduction in greenhouse gas emissions. This commitment is to reduce our net CO_2 emissions by 50 per cent by 2050 which aligns directly with the globally identified (Stern report*) emissions reduction target.



^{*} Stern report November 2006 – The Economics of Climate Change.

Environment – our focus is on:



How we fly

The people and processes: How we harness the energy of our colleagues and customers to deliver our goals.



What we fly

Our technology and infrastructure: Making a conscious, informed decision about the equipment we use, building sustainability into our products.



What we buy

Our investments and partnerships: Working with our stakeholders, community partners and suppliers to invest wisely and achieve our One Destination goals.

Our targets

Carbon efficiency

25 per cent reduction in grammes of CO_2 per passenger kilometre (g CO_2 /paxkm) by 2025 from 111g CO_2 /paxkm to 83g CO_2 /paxkm.

Carbon emissions

To reduce our net CO_2 emissions by 50 per cent by 2050 through operating efficiencies, adoption of technology and emissions trading.

Noise

To reduce our average noise per flight by 15 per cent by 2015. This will enable us to support meeting the overall noise limits set for Heathrow.

Air quality

Through continued improvement of operating procedures and modernising our fleet, we will fully support meeting the overall air quality targets set for Heathrow.

Waste - recycling

Achieving our goal of increasing our level of waste recycling to 50 per cent by 2010.

Waste - zero landfill

We will ensure we send zero waste to landfill by 2010 across Heathrow and Gatwick.

Overview

2009 represents an important year in the challenge of addressing climate change, culminating in the global summit on climate change in December in Copenhagen. As well as addressing our own carbon efficiency, much of our effort this year has focused on ensuring that aviation will be appropriately covered by the post-Kyoto framework that will be discussed at the Copenhagen summit.

As part of this process, we have adopted an industry leading target of reducing our net CO_2 emissions by 50 per cent by 2050, which we also believe is a target that should be adopted by the global airline industry.

We very much welcomed the Government's decision in January 2008 to approve the construction of the third runway at Heathrow. To support the subsequent planning process for the third runway we will continue to support BAA to demonstrate that we can meet the local air quality and noise conditions that have been set for Heathrow.

Finally, as it has been confirmed that aviation will be included within the EU Emissions Trading Scheme from 2012, we continue to develop our plans to ensure we can comply with all the monitoring, reporting and verification requirements.

By delivering on this commitment and our other environment targets, this will provide a key element of delivering on our strategy to become the world's most responsible airline.

environment continued



Carbon Trust Standard Award

British Airways Property Division in the UK has been awarded The Carbon Trust Standard, which is awarded to those companies who can demonstrate their commitment to measuring, monitoring and reducing their carbon footprint. We are the first airline to achieve the Standard.

British Airways Engineering operation has been working with British Airways Property Department to improve energy efficiency and this has resulted in a reduction of 10.3 per cent between April 2007 and February 2009, saving 2,800 tonnes of CO₂ emissions. Improvements made included new hangar heating controls, upgrades to the aircraft painting hangar, improved boiler monitoring and an employee awareness campaign.

Climate change

Climate change is an issue of significant importance to us and we have a long-term commitment to address it. Globally, aviation produces around 700 million tonnes of carbon dioxide per year, representing approximately 2 per cent of total man-made emissions, and this share is projected to grow in the future. The solutions we seek will balance the important contribution made by a sustainable, competitive and healthy aviation sector to the global economy with the urgent challenge of combating climate change.

Our climate change programme is focused in five main areas: long-term CO_2 targets, aviation emissions post-Kyoto, EU Emissions Trading Scheme, voluntary carbon offset scheme and carbon efficiency.

1. Long-term CO₂ targets

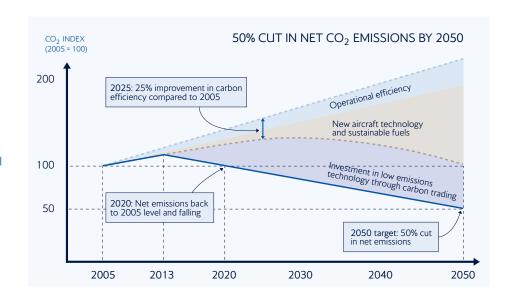
The overall objective of climate policy, guided by the scientific community, is to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous interference with the climate system. To achieve this, the latest science indicates that global man-made greenhouse gas emissions must peak no later than 2020 and progressively reduce to be at least 50 per cent lower by 2050.

To ensure we play our full part in meeting this requirement we have established a long-term target to reduce our net CO_2 emissions by 50 per cent by 2050, relative to 2005. This target is illustrated in figure 1 below.

Achieving this target will require improvements in operational efficiency, investment in new aircraft technology, development of sustainable aviation fuels and investment in low emissions technology in other sectors of the economy through carbon trading.



The upper dotted line represents estimated emissions should the industry do nothing. The shaded areas below this represents emissions reductions that will be achieved through operational and technological improvements. The solid blue line illustrates emissions that will need to be purchased from carbon markets to meet our 2050 target.



2. Aviation emissions post-Kyoto

In December 2009, governments will meet in Copenhagen to negotiate and agree an ambitious, equitable and effective global deal to address climate change. British Airways believes that CO_2 emissions from international aviation must be integrated within this agreement at a sectoral level, in a way that ensures equal treatment in air transport markets. A global approach should meet the following requirements:

Environmental integrity: We believe that a successful solution must reduce international aviation's net CO_2 emissions by 50 per cent by 2050, relative to 2005. The policy approach must not create 'carbon leakage' whereby emissions transfer between countries or carriers leading to market distortions.

A global policy: Policy measures must be developed at a global sectoral level covering all emissions from international aviation, to avoid competitive distortion and avoid creating a patchwork of conflicting and potentially overlapping national and regional policies. This approach necessitates replacement of any national or regional policy mechanisms, such as the EU Emissions Trading Scheme and the UK's Air Passenger Duty (APD), to ensure there is no layering and double counting of aviation emissions policy.

Maintain competitiveness: Airlines must face equal treatment in air transport markets. In many of these markets, journeys can be made from origin to destination by a range of routing options, both direct and indirect. Climate change policy must be equal for all carriers in any given origin-destination market regardless of routing, intermediate journey points or operator nationality.

Equity between countries: At the same time as it delivers equal treatment between airlines, any agreement must also respect the United Nations Framework Convention on Climate Change (UNFCCC) principle of Common But Differentiated Responsibilities (CBDR) amongst countries. Achieving this will require enlightened political leadership and a willingness to consider innovative solutions.

Economic efficiency: Aviation must be integrated within the overall climate framework with open access to cost-effective market-based instruments including carbon trading, Clean Development Mechanism (CDM) credits and potentially credits from Reducing Emissions from Deforestation and forest Degradation (REDD) in developing countries.

Operational capability: The system must be simple, universally applicable and straightforward to implement. Compliance by both operators and states must be enforceable through an appropriate legal structure.

British Airways is playing a leading role within the aviation industry in developing and promoting proactive solutions for post-Kyoto aviation policy, through the International Air Transport Association (IATA), Association of European Airlines (AEA) and a dedicated group of companies called Aviation Global Deal (AGD).

The AGD proposal is a sector-wide policy based on carbon trading that requires all airlines to participate on an equal basis. Carbon allowances are allocated in part by auctioning, with the resulting revenue being collected by a UN body and directed to specific environmental projects in developing countries. In this way the proposal meets both the competitiveness and Common But Differentiated Responsibilities (whereby developed countries agree to take the lead on addressing climate change) principles.



Fleet Modernisation

A large proportion of our carbon efficiency will be delivered through our fleet modernisation programme. Environmental performance is a key factor in the choice of new aircraft. At the end of 2007, we announced the purchase of new aircraft to replace some of our Boeing 767-300 and 747-400s. The Boeing 787 and Airbus A380 aircraft, powered by Rolls-Royce engines are both considerably quieter than the aircraft they will replace.

In May 2008 we were notified of delays to the delivery of 24 Boeing 787 aircraft ordered in the previous financial year. Our actions to mitigate the consequential shortfall in future capacity included making firm purchase and lease commitments to a total of six Boeing 777-300ER aircraft plus a further four optional purchase aircraft. Delivery of the 777-300ERs will commence in 2010. We remain committed to our order for 787 aircraft and expect deliveries to commence in 2012.

In April 2008 we ordered two Airbus A318 aircraft that will be used to offer transatlantic services from London City Airport. In December 2008 we ordered six E190SR and five E170 aircraft from the Brazilian manufacturer Embraer to replace the RJ85 and RJ100 aircraft currently operated from London City Airport.

Our response to current trading conditions has included the temporary parking of two Boeing 747-400s and the deferral of three Airbus A320 deliveries from 2009 to 2011.



Carbon Offset Project Progress

New Project: Bayin'aobao wind farm

The Inner Mongolia autonomous region is one of the poorer regions in the country, situated on the southern edge of the Gobi Desert. Here, the average local farmer earns just \$44 per month as the area suffers from cold and dry weather with annual rainfall of only 250mm. Historically, exploitation of the region's coal resources has been a central focus.

Bayin'aobao wind farm has 33 wind turbines, supplying 119,311 MWh of electricity per year to local businesses and communities in the area as well as providing up to 30 jobs for local people. The farm has been built in accordance with the Chinese National Urban Environmental Noise Standard meaning that the wind farm has been built 5km away from the nearest homes. This project avoids the need to burn coal and will prevent the release of harmful emissions that cause acid rain.

This new project has replaced the Ningxia wind farm which we originally selected, as the project has been subject to unavoidable development delays.

Bayin'aobao aims to offset 121,757 tonnes of CO_2 per year, equivalent to:

- 22,300 passenger cars not being driven per year;
- 27,670 acres of pine or fir forests storing carbon per year; and
- 16,130 households' electricity use per year.

Since the project was selected in mid-2008, all the turbines have been installed. The final step is to build a substation so that the farm can be connected to the electricity grid. The first annual monitoring report is expected to be issued in the second half of 2010 with CER (Certified Emission Reduction) credits issued soon after.

environment continued

3. EU Emissions Trading System

Airlines will be fully covered by the EU's Emissions Trading System (EU ETS) from January 2012, and preparatory reporting requirements commence during 2009. The aviation emissions target has been set at 97 per cent of average annual emissions in the reference period from 2004 to 2006. From 2013 the target is tightened to 95 per cent of these reference emissions. Tradeable carbon allowances will be made available through both an efficiency benchmark system and auctioning. 15 per cent of aviation allowances will be auctioned.

We are making good progress in preparing to meet the monitoring, reporting and verification (MRV) requirements of the EU ETS.

British Airways supports the concept of carbon trading as the most environmentally effective instrument to control emissions from aviation. However, we have consistently proposed that the EU ETS should initially only apply to intra-EU flights, prior to reaching a global multilateral agreement on aviation emissions. The EU decision to apply the system to all flights in and out of the EU will distort competition in many of our markets leading to carbon leakage. Carbon leakage occurs when emissions are transferred to competitors outside the regulated system, for example by passengers connecting through hub airports outside Europe.

4. Voluntary carbon offset scheme

British Airways has continued to develop the voluntary carbon offset scheme for passengers, allowing customers to offset the carbon dioxide emissions generated by flying as they book their tickets on ba.com. Take-up has been steady, with 157,719 passengers offsetting during 2008, equivalent to a carbon volume of 55,318 tonnes. Schemes operated by British Airways subsidiaries, including the British Airways Mileage Company (previously Airmiles) and OpenSkies, offset an additional 2,357 tonnes.

The scheme uses high-quality UN-certified emissions reductions to help finance new clean energy projects in developing countries. Working with our provider, Morgan Stanley, we search for projects that in addition to delivering carbon reductions, provide additional benefits to local communities and economic benefits.

The Quality Assurance Scheme for Carbon Offsetting is a UK Government-led initiative aimed at increasing consumers' understanding of the role of offsetting in tackling climate change and helping them to make informed purchases of good-quality offsets. In March 2009 we became the first airline to have an offset product accredited under the scheme.



5. Carbon efficiency

One of our corporate goals is a company-wide target to improve our carbon efficiency, expressed in grammes of CO_2 per passenger kilometre (gCO₂/paxkm), by 25 per cent from 111 gCO₂/paxkm in 2005 to 83 gCO₂/paxkm in 2025.

In 2008 our efficiency was 107.3 gCO $_2$ /paxkm. With effect from 2008, British Airways traffic statistics now include data related to customers who have flown on 'frequent flyer' mileage redemption tickets. This change brings the Group into line with industry standards, and also into line with all major scheduled carriers.

Carbon efficiency (grammes of carbon dioxide per passenger kilometre)

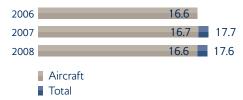


British Airways continues its focus on fuel efficiency and during the year established a new Steering Group on Carbon Efficiency, bringing together key departments from across the airline. Over 600 individual projects were assessed – most of these were generated from ideas schemes run throughout the company. Of these, 55 have been implemented, delivering 65,633 tonnes of CO_2 savings, equivalent to 20,836 tonnes of fuel and we continue to develop many more.

Our carbon footprint:

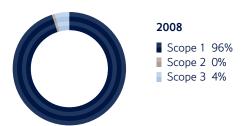
Our carbon footprint was 17,583,853 tonnes of CO_2 in 2008. This is measured using the Greenhouse Gas Protocol corporate standard guidelines to calculate our emissions from both direct and indirect sources.

Carbon dioxide emissions* (million tonnes)



^{* 2006} data represents aircraft CO_2 emissions only. 2007 and 2008 data represents the total British Airways Group carbon footprint, including aircraft CO_2 and emissions from ground sources.

Carbon footprint by scope (as a percentage of total emissions)



Scope 1 emissions are those derived from the burning of fossil fuels, eg aviation kerosene, natural gas, diesel and petrol;

Scope 2 are from the use of electricity at the point of consumption; and

Scope 3 are those emissions that are not directly attributable to British Airways but which we have chosen to include as part of our footprint.



Carbon Offsetting Project Progress

Faxinal dos Guedes hydroelectric (run-of-river) power plant, Brazil

This small hydroelectric power plant started operations in February 2007 and is now undergoing the final validation stage of the CDM regulatory process. This is a unique project for the Santa Catarina region of Brazil using the Chapecozinho River to generate clean, renewable electricity. It is expected to produce 21,725 MWh of electricity per year. The plant uses the natural river flow with little or no alteration (often described as 'run-of-river') to generate power and aims to reduce CO_2 emissions by 5,672 tonnes annually.

Xiaohe hydroelectric (run-of-river) power plant, China

The largest project in the portfolio of emission reductions is a run-of-river hydroelectric power plant in Xiaohe province. It is forecast to generate 54,000 MWh of electricity per year and will help reduce regional shortages of electricity by supplying a reliable source of clean, renewable energy. The project, located on Daxia River in the Xiaohe County of Gansu Province, uses little or no alteration to the natural river flow to generate electricity. During November 2008 the plant became fully operational. Therefore, the first annual monitoring report is expected to be issued in early 2010, with Certified Emission Reductions (CERs) issued soon after.



The Converging World

British Airways has supported The Converging World (TCW), a UK-based charity providing carbon reduction projects in developing countries that have a strong focus on community involvement. The charity invests in renewable energy systems from the UN CDM. All profits from the wind turbines are channelled into local community development projects and qualify for the Gold Standard.

The charity's first project, two large wind turbines situated in Tamil Nadu, southern India, has been designed with the participation of local stakeholders. From the outset, the local population has been consulted on how the initiative could be run in their best interests. As a result, TCW now funds vital health and micro credit schemes, directly addressing local development needs.

This development work will be carried out by TCW's local NGO partner SCAD (Social Change and Development). This flow of funds into the local community supports sustainable development for the 20-year lifetime of the turbines

environment continued

Global ground emissions footprint:

British Airways global ground operations generated a footprint of 164,535 tonnes of carbon dioxide emissions, arising from our buildings, vehicles and ground equipment.

Global ground emissions footprint (tonnes of CO₂)

FEGP (Fixed Electrical Ground Power)
7,118
Ground vehicles
16,347
Land surface transport
35,262
Overseas engineering buildings
8,079
Overseas passengers buildings
11,594
UK & JFK buildings

Overseas cargo business | 720

Since April 2007, energy use across British Airways UK properties has been steadily falling as a result of company-wide initiatives to achieve a 10 per cent reduction by April 2009. The British Airways Property team achieved the energy target six months ahead of schedule. A new target has been set to reduce energy use by a further 10 per cent by April 2012. In addition, CO_2 emissions measured across all UK buildings dropped 10.9 per cent during 2008.

Biodiversity

We remain committed to protecting and enhancing Harmondsworth Moor, the parkland surrounding our Head Office. Since last year we have continued to develop the Biodiversity Management System which was put in place to achieve The Wildlife Trust's Biodiversity Benchmark for Land Management.

Enhancements to the parkland's biodiversity this year included the planting of a new five-acre woodland of 2,500 native hardwood trees in cooperation with the Forestry Commission and Groundwork London under the London Tree and Woodland grant scheme.

Harmondsworth Moor once again achieved the standard for the Green Flag Award, which is recognised as setting the national benchmark for parks and open spaces in England and Wales. This standard has been retained by British Airways for a number of years, with the objective to encourage the provision of good-quality public parks and green spaces that are managed in environmentally sustainable ways.

Noise

To grow our business we need to expand the airport infrastructure that we fly from. In so doing we are aware of the local environmental impacts, in particular noise, which is of critical importance to local residents. Specifically for Heathrow this will be a major consideration for the third runway debate, where we will support the planning process to demonstrate that we can meet the planning conditions around airport noise restrictions.

We are currently investing in new quieter aircraft and technology. We also continue to operate our aircraft using best practice for our arrivals and are taking part in industry efforts to find further ways of reducing noise from our operations. We have set a target to reduce our average noise per flight by 15 per cent by 2015.

Our noise energy has remained the same over the last three years despite an increase in the use of our aircraft fleet.

At Heathrow our Continuous Descent Approach adherence (for fuel efficiency and noise reduction) was 95 per cent for both day and night for the last calendar year, compared to 82 per cent for day and 88 per cent for night for the airport average.

Last year at Heathrow we reduced the number of times we exceeded departure noise limits by 23 per cent to a total of 36 occasions. This was principally due to a number of our Boeing 747-400 departures being delayed into the more stringently regulated night period.

Total noise energy from British Airways aircraft (million 'quota count' equivalents)



Air quality

The decision to approve the third runway at Heathrow also included strict conditions around Local Air Quality and we are committed to playing our part in meeting those limits.

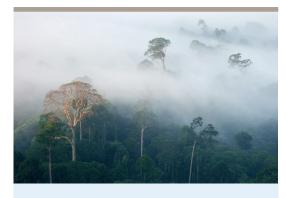
We have a number of operating initiatives to improve our air quality performance. We have already achieved a reduction in NOx emissions through the modification of Boeing 747 (RB211) engines and Boeing 777 (GE90) engines. We plan to further modify our Boeing 737 engines delivering a 20 per cent reduction in NOx.

For all routine take-offs we use reduced take-off thrust, which significantly reduces NOx emissions. At Terminal 5 and other airports worldwide, we are able to use aircraft stands with fixed ground power and preconditioned air which means we will rely less on aircraft auxiliary power units (APUs), reducing atmospheric emissions, fuel consumption and noise.

We have developed procedures for aircraft to shut down an engine for the taxi-in after landing. We are also developing procedures for our aircraft to taxi-out to the runway with an engine shut down wherever possible. This reduces fuel burn, CO_2 and NOx emissions.

Total NOx emissions from British Airways aircraft operations below 1,000ft at London Heathrow airport (tonnes)





A Duty Travel Carbon Fund

Accelerating solutions to avoid tropical deforestation and supporting climate research

British Airways has established a Duty Travel Carbon Fund in recognition of the carbon footprint associated with our own staff business travel. Through this fund, we have established a programme to accelerate solutions to avoiding tropical deforestation. A key objective is rational valuation of the world's forests, including the development of market mechanisms to realise this value. As part of this programme we will attempt to assess the 'forest footprint' of our operation.

Scientific research

We are also supporting research into the non- CO_2 climate change effects of aircraft in the atmosphere. One example is the IAGOS (Integration of routine aircraft measurements into a global system) project, which aims to use aircraft to take in-flight measurements of the non- CO_2 gases in the atmosphere. It is hoped that this data will provide the basis for better understanding of these complex interactions in the atmosphere. We have also given support to OMEGA, a government funded body investigating aviation sustainability issues with a nine-strong UK university partnership.

environment continued



Development of Future Sustainable Fuels

Lower carbon fuels produced from sustainable, second and third generation feedstocks such as jatropha, algae or biomass waste could make a significant contribution to reducing CO_2 emissions. In order to have any significant impact by 2050, sustainable fuels will need to be compatible with existing engine, airframe and fuel supply systems and infrastructure. The life cycle CO_2 footprint should be an improvement on those of current aviation fuel.

In July 2008, Rolls-Royce and British Airways launched a scientific test programme to investigate the viability of alternative fuels for the aviation industry. This study will test alternative fuels on a Rolls-Royce RB211 engine taken from a Boeing 747 on an indoor engine test bed at the Rolls-Royce facility in Derby. The study will add to data already collected during on-wing tests and trials. A number of suppliers were interested in taking part, although only one could provide the 60 tonnes of fuel required for the intensive trial. The timescale for the study has now been extended to provide the alternative fuel industry sufficient time to provide the volumes required for testing.

Ground fleet

We are also improving our performance on the ground. In Terminal 5, we invested in new vehicles, including buses specified to the future Euro 5 exhaust emission standard and a fleet of electric baggage tugs. Remote monitoring by telematics technology is being used to manage fleet efficiency. An automatic fuel management system has been fitted to refuelling equipment at Heathrow. We continue to be a member of the Heathrow Clean Vehicles Programme which aims to improve the environmental performance of our ground vehicle fleet.

Waste

We aim to minimise waste, reduce disposal to landfill and increase reuse and recycling. Where we cannot prevent waste disposal, we will manage our waste responsibly, seeking means to recover energy and resources.

The total amount of waste managed through contracts at Heathrow and Gatwick has increased overall by 3 per cent during the year, reflecting the increased volume of our operations.

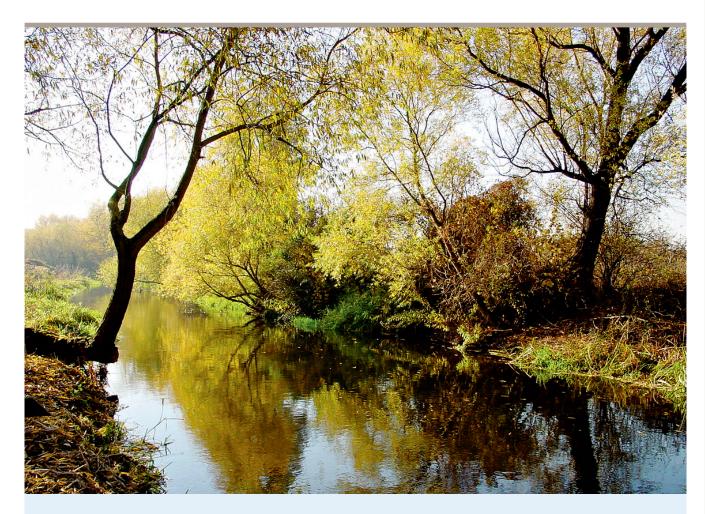
In 2007 we recycled 35 per cent of our waste at Heathrow and Gatwick (up from 30 per cent last year). We have set ourselves the target of recycling 50 per cent of our waste by 2010. We will achieve this through the provision of more recycling centres across a wider range of materials and by encouraging better segregation of waste. For example, we have provided more extensive recycling facilities and we now recycle unwanted uniforms. We have started a recycling trial on our inbound longhaul flights into Heathrow with dedicated waste trolleys to collect drinks cans and plastic drinks bottles for recycling.

The amount of annual waste managed through our contracts at Heathrow and Gatwick disposed to landfill reduced by 7.2 per cent from 3,688 tonnes to 3,424 tonnes. We continue to work towards a target of zero waste to landfill by 2010. We will achieve this through a combination of waste minimisation, reuse, recycling and recovery. Where we are not able to prevent waste being generated, we will seek cost-effective treatment such as incineration at a local waste to energy facility. We expect our non-recyclable waste at Heathrow and Gatwick to be processed through a waste to energy plant before the end of the year, allowing us to meet our zero waste to landfill for our main activities.

Waste minimisation and recycling is an important criteria in our procurement process and forms part of a full-life cost assessment. We have continued to work with our furniture management partner Amaryllis, to reuse and recycle unwanted office furniture. Our information technology partner SCC provides a similar service for our computer and communications equipment. Both companies are able to recycle the majority of equipment that cannot be reused and manage to divert most waste away from landfill.

Waste management methods Heathrow and Gatwick (tonnes)





What next?

- Provide input into the Copenhagen Climate Change Conference in December 2009;
- Continue our preparations for the inclusion of aviation into the EU Emissions Trading Scheme;
- Work with the BAA to meet the environmental performance required for the third runway at Heathrow;
- Support further environmental research into alternative fuels and the non-CO₂ effects on the upper atmosphere;
- Continue to develop our programme on avoidance of deforestation;
- Further develop aircraft operating procedures to minimise noise and NOx; and
- Provide additional recycling facilities on the ground and on board our aircraft.

community

We strongly believe in supporting local communities in the countries in which we operate. Over 120 international community and conservation projects as well as many smaller individual programmes and charities have benefited from the partnership. We offer support in the form of funding, flight bursaries, excess baggage, merchandise, cargo space and fundraising events. Our investment priorities are education and youth development, supporting our colleagues, environment, conservation and heritage.



Community – our focus is on:



How we fly

Education for our industry's future workforce.



What we fly

Support charity partnerships.



What we buy

Investing in community and conservation projects.

Our targets

London 2012

Enable up to 500 applicants a year to realise their dreams through the London 2012 Great Britons programme.

Change for Good

Celebrate 15 years of Change for Good through a number of fundraising initiatives which will fund projects in communities that British Airways flies to.

Aim to raise a further £1.5 million for Change for Good to help vulnerable children around the world in 2009/10.

Charitable donations

Increase the number of colleagues who donate to payroll giving by 50 per cent by 2012.

Comic Relief and Children in Need

Continue to work with Comic Relief and Children in Need.

Youth education

Celebrate reaching our target of 50,000 children who have participated in educational activities at the Community Learning Centre since its opening in 1999.

Aim to increase the number of young people participating in educational activities to 8,000 per year.

Work experience

Aim to increase the number of departments who offer work experience from 6 to 10.

Work with London City Airport to increase the number of visitors to its Open Day on July 4, 2009 from 22,000 to 24,000.

Overseas partnerships

Prepare for the official handover of the South African Partnership Programme in readiness for the football World Cup in 2010.

Overview

We continue to be committed to developing strong community partnerships. Our priorities for investment include education and youth development, supporting our colleagues, environment, conservation and heritage.

In 2008/09 we supported over 120 community and conservation programmes in the communities we fly to offering flight bursaries, cargo, excess baggage, merchandise and funding for community programmes.

We work closely with a range of international organisations including Kew Gardens and the Natural History Museum. Our colleagues benefit from free access to special events and young people from local schools and colleges benefit from the partnership through the education programmes that are on offer through our work at the Community Learning Centre at Waterside.

Business in the Community reported our total direct and in-kind donations for 2008/09 as £5.4 million. Of these, our direct charitable donations amounted to £444,000.

We continue to be a member of both the London Benchmarking Group (LBG) and Business in the Community's (BITC) Percent Club. The LBG's benchmarking model is used to assess our total contribution to the community.

community continued



Over 750 colleagues participated in the British Airways Fun Run for Cancer Research UK, raising over £55,000. The total raised over the past 15 years is in excess of £780,000.

Employee Fundraising

Although the number of present and retired colleagues donating to charity through our Payroll Giving scheme has declined from 4,000 to 3,500, donations have increased from £611,000 in 2007/08 to £630,000 in 2008/09.

The top three charities listed by our payroll giving partner, The Charities Trust, include Cancer Research UK, Highflight and Sreepur Village. Highflight is a charity for young people with disabilities as well as those who are terminally ill who either want to learn to fly or have a flight experience. Sreepur Village in Bangladesh is a project for abandoned women and children who have created a sustainable business model by designing and selling cards and other goods throughout the UK. We have provided them with flights and cargo space for over 20 years.

We hosted three fundraising events which raised over £84,000. The DePaul Trust benefited from a major event organised by British Airways Community Investment Team at Wentworth, raising over £64,000 to support homeless and disadvantaged young people in the UK.

The British Airways Community Learning Centre

Situated adjacent to Waterside, the centre offers interactive and airline focused activities relevant to the school curriculum for children and young people from primary, secondary and special schools. They include customer service, information and communication technology (ICT), languages for primary and secondary students and global education weeks focusing on the communities that we fly to.

Over 50,000 children and young people have participated in educational activities at the Community Learning Centre at Heathrow since 1999. This year alone saw almost 7,000 students visit the centre, which was a record year. We hosted the Spelthorne Junior Citizenship event in September 2008 and over 1,200 primary school children attended from all of the Spelthorne borough primary schools.

Through our environmental education programme, we marked National Tree Week with the help of pupils from Heathrow and Harmondsworth Primary Schools; pupils planted trees for their schools, with the aim of giving them a sense of ownership of their local landscape. This activity was the start of the transformation of a five acre area of Harmondsworth Moor, our 260 acre site surrounding our Waterside head office. Woodland saplings were funded by the Forestry Commission in association with Groundwork London, under a grant application made by the ranger team from Glendale Countryside. More than £5,000 was granted to plant a five acre wood, and the children, British Airways volunteers and the parkland Friend's Group planted over 2,500 trees.

Our environmental education programmes include working with the Natural History Museum. Scientists which have visited our learning centre have included a leading lichen expert who came to talk to children during our tree planting programme; a mosquito specialist enthralled a class by showing how insects are collected for study; and the Museum also lent us valuable wildlife props for our Global Education Week themed on South Africa.

We have an extensive languages programme which now includes French for primary school children. We were awarded the prestigious Business Language Champion Partnership of the Year Award for our work-related language programme for secondary schools. Our scheme was regarded as the best programme from 40 business-education partnerships across the UK.

The Flag Award, a language speaking exam created by British Airways for secondary schools, has achieved nearly 9,000 passes from students across the UK since it started in 2002 – over 1,800 flags were awarded last year. 14 of the passes were awarded to British Airways colleagues, who participated in a language learning programme at the learning centre.

77 teachers were trained this year to deliver the language testing programme in schools which achieved over 700 passes.

The British Airways Community Volunteering Awards

Colleagues who have done outstanding work through their own volunteering endeavours are given a financial award for their chosen charity. The award is measured by the number of personal volunteering hours given by the individual. Over 200 applications were received and 105 volunteering bursaries were awarded totalling £62,000.

Work experience

We have reintroduced work experience for students in the Heathrow community. Places are available to 60 students across Heathrow in six departments including engineering, flight operations, information management, Corporate Responsibility, corporate communications and cargo.

Partnerships

British Airways has established the One Destination Foundation in partnership with the Thames Community Foundation to streamline its charitable giving programme.

In July 2008 we co-funded the London City Airport Open Day for the Community. Over 22,000 local residents participated in activities that gave them an insight into the world of British Airways as well as having an opportunity to experience a flight simulator and go on board our aircraft, meet the flight and cabin crew and other airline colleagues.

The London 2012 Great Britons Programme was launched in 2009 with over 167 applicants applying for the first bursary. This initiative will continue until 2012 with the aim of providing talented people from across the UK with the opportunity to gain recognition in their field of excellence.

Our colleagues raised through their fundraising activities over £13,000 for Children in Need and Comic Relief.

Our telephone sales team in Manchester gave their time to take calls from donors to Comic Relief, raising over £90,000.



In Scotland we have funded a number of programmes including a youth rugby initiative for young people between the ages of 7 and 18 in Irvine. Two of the young people have progressed so well that they are now in the Scotland under-18 team.

Local Activity

We have a Community Action group in Newcastle and Manchester which allocate funding for local projects in their respective areas.

British Airways has donated over £2,000 to the Ups and Downs Theatre Group which supports young people with Down's syndrome. The group meets every weekend and practises over the course of six months to put on a week-long production.

'Get Ready for Engineering' is a programme in partnership with our engineering team in Glasgow, the University of West Scotland, Glasgow Science Centre and Rolls-Royce which provides opportunities for young people from disadvantaged communities to explore the world of engineering and possible career opportunities for the future.





Overseas

We have a long-standing partnership in South Africa that is funded by the Foreign and Commonwealth Office, working in township communities in Johannesburg, Cape Town and Durban.

The aim of the programme is to develop strong community partnerships between young people and the local community. In the build-up to the 2010 football World Cup these partnerships will be even more critical. The Durban City Council are driving the strategic partnership alongside their UK partners with the aim of using sport as a tool for embedding community cohesion. Four South African football clubs are now part of the network – they include Ajax FC, Cape Town, Wits FC in Johannesburg and Amazulu in Durban.

In March 2008 the team from the UK visited Durban to deliver a week-long programme of educational activities with a focus on safety in the community which was facilitated by British Airways and the Metropolitan Police. The Charlton Community Trust ran a coaching skills' programme for education, police and community partners. 24 coaches were trained and over 1,500 children from eight primary and eight secondary schools participated in educational activities from the communities of Kwamashu, Inanda and Ntuzuma.

Umthombo, an international charity for street children has also joined the partnership using their expertise to work alongside the partners. The coaching awards were presented to the successful candidates by Sir Paul Stephenson, the Commissioner of the Metropolitan Police and Robert Webb QC, British Airways.

Change for Good

Change for Good, the partnership between British Airways and UNICEF, has raised over £26 million since it began in 1994 and has transformed the lives of vulnerable children across the world.

In 2008 the programme reached its £25 million milestone. To celebrate this achievement, Michael Palin visited Heathrow to launch one of six British Airways planes painted with a commemorative Change for Good logo. Chief Executive Willie Walsh also celebrated the landmark by visiting Change for Good projects in Tanzania. He visited a school which benefited from early Change for Good funding and health clinics to see HIV projects recently funded by Change for Good.

Willie commented: "This is my first visit to Tanzania and I was both impressed and humbled by what I saw. The money raised by our colleagues and customers is making a real difference to the lives of so many children."

British Airways has worked in partnership with UNICEF UK on the Change for Good programme since 1994 and will be celebrating its 15th anniversary during 2009.

During 2008/09, Change for Good raised over £1.3 million thanks to the generous donations of both our customers and colleagues. This money has been invested in projects in countries that we fly to, to help vulnerable children in local communities. Projects that have benefited from donations this year include:

China

China has experienced rapid economic growth and urbanisation which has created a huge demand for cheap low-skilled labour in the country's cities. It is estimated that some 150 million migrant workers have moved to the cities to meet this demand, which creates huge challenges to provide adequate health care and education for their children. Change for Good is funding a two-year project in Beijing to provide immunisation and education services to children of migrant workers. The donation will help 125,000 migrant infants and children to have access to immunisation and health clinics. A further 12,000 children will also benefit from health kits, reading and writing activities.

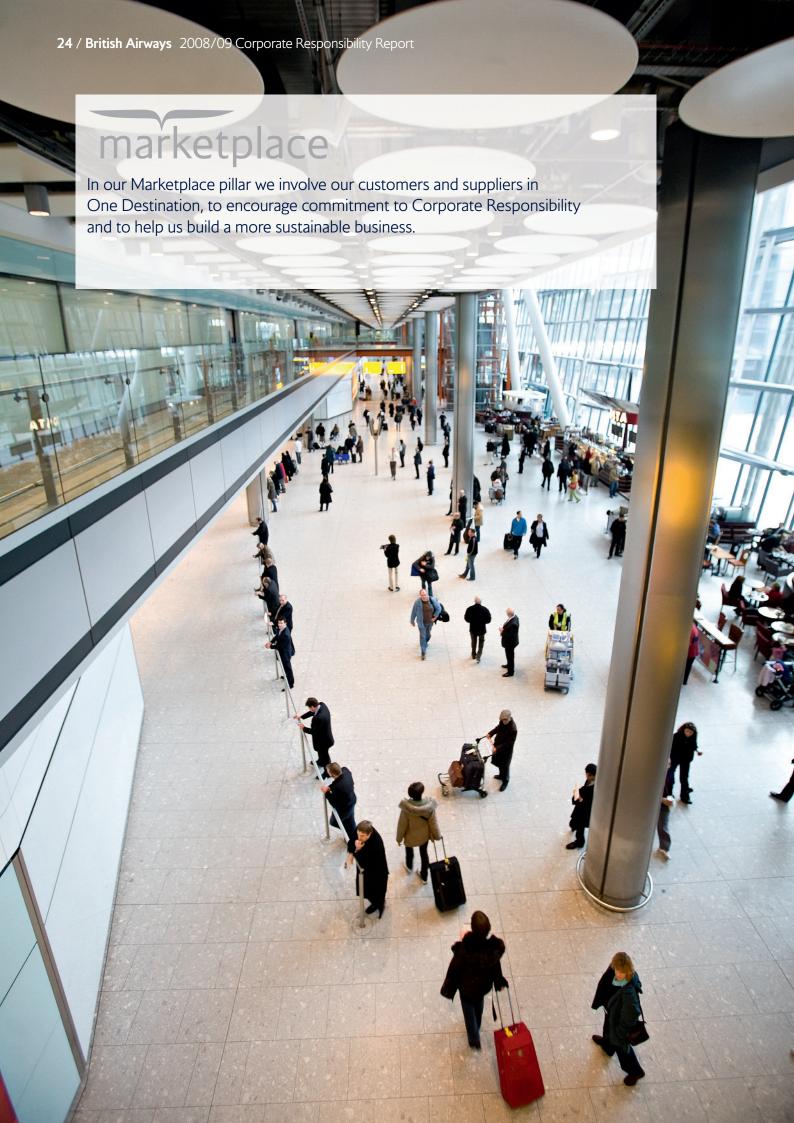
Nigeria

Malaria remains widespread in Nigeria. It is estimated that malaria accounts for 20-30 per cent of deaths of children under one year old. To combat the spread of this disease, Change for Good has helped to purchase and distribute 36,000 long-lasting insecticidal nets. The nets will benefit children under the age of five and pregnant women in Lagos State.



What next?

- Continue to offer an extensive range of airline focused education programmes to schools and colleges in the Heathrow area;
- Host three Change for Good field trips for crew to showcase the work of UNICEF;
- Raise the profile of payroll giving across the business with the aim of increasing the number of colleagues donating to charity;
- Further develop our volunteering programmes to support colleague development;
- Continue to develop links with schools across Heathrow to support development of work experience; and
- Continue to support innovative programmes overseas that bring benefit to the communities that we fly to.



Marketplace – our focus is on:



How we fly

We encourage our customers to be responsible towards the environment by offsetting emissions from their journey.



What we fly

We increasingly build sustainability into our product.



What we buy

We are working with our suppliers to encourage a responsible approach.

Our targets

Environment

Provide opportunities for customers to offset their travelrelated carbon emissions. Reduce the environmental impact of our supply chain with particular focus on reducing our carbon footprint.

Wellbeing

Work with stakeholders to provide improved customer service across the passenger journey, from booking to destination. Ensure good working conditions in our supply chain.

Tourism

Work in partnership to deliver a vision and strategy for a sustainable outbound UK tourism industry.

Waste

Implement opportunities for our customers to recycle their waste during their journey. Build consideration of materials reduction and reuse, waste minimisation and recycling into the procurement process.

Investment

Investing in innovative and sustainable products and services that enhance the customer experience.

Engagement

Actively listen to the views of our customers, through market research, focus groups, and other engagement channels. Monitor and actively listen to supplier views, working with them to deliver our responsible procurement strategy.

Overview

British Airways overriding aim is to make sure we offer an upgraded travelling experience to each and every one of our customers, since it is they who are at the heart of everything we do.

With over 33 million customers and some 2,000 suppliers with whom we spend £4 billion every year, the Marketplace pillar of One Destination helps ensure we achieve an upgraded travel experience in the most responsible way possible.

We constantly talk to our customers to identify what it is they want and ensure that we establish strong partnerships with our suppliers to deliver responsibly sourced goods and services throughout our supply chain that meet these needs.

Focusing on our customers and suppliers is vital if we want to secure our position as a global premium airline.

marketplace continued

Marketplace - suppliers

Supplier market

Whilst we continue to focus on controlling external spend, we are still investing in projects that add to the customer proposition.

We have been busy this year engaging with our suppliers. Agreements were completed with three suppliers for the provision of our in-flight catering needs; we continue to reduce our carbon footprint with the purchase of environmentally efficient aircraft and we will have taken delivery of our first three by the end of June with a further 36 aircraft on order. Additionally, the Thales in-flight entertainment system has been selected for our new aircraft being delivered from 2010. The new system will provide customers with a greater choice of movies and programmes, while also being lighter than the previous system, thus reducing weight and fuel burn.

With our new A380s on order, work is already under way on designing the hangars and also the design of the aircraft interiors. Special consideration has been given to ensuring environmentally efficient and lightweight materials will be used in the construction of both.

Our strategy for Heathrow waste is to quickly move away from landfill and to use more environmentally responsible disposable alternatives. In addition, we are working in long-term partnership with Grundon, using their 'energy from waste' plant to produce electricity for the National Grid.

Supplier risk

Supplier risk and mitigation continues to be a key priority to us, particularly poignant in the current economic climate. Our procurement team records and measures risk across our most important suppliers. We also routinely monitor 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 regularly review these plans with our suppliers.

Payment performance

We have again made good progress on paying suppliers promptly. On average, 91 per cent of payments were on time in the UK for the year ended March 31, 2009. This exceeds our 90 per cent target. Next year we will continue to work to improve our performance.

We are a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and are committed to paying our suppliers on agreed terms. The number of days' purchases in creditors at March 31, 2009 is calculated in accordance with the provisions of the Companies Act 1985 and was 32 days (2008: 33 days).

Procurement delivery

We remain committed to driving spend through preferred suppliers. A key way of controlling our supplier costs is continuing our focus in this area. In December 2008, 96 per cent of our external spend was with just 500 suppliers.

Corporate Responsibility in the supplier base

We are committed to being fully responsible in our purchasing decisions and during 2008/09 have started to develop our purchasing process to make sure this happens. The procurement department has undertaken training in this field and are aware of the key concepts. In addition, we will look at using independently held, self-certification data to better inform supplier selection decisions.



What next?

- Continue to survey the Corporate Responsibility credentials of new and existing suppliers;
- Continue to educate our buyers on the latest methodologies used in buying responsibly; and
- Continue to identify ways of reducing our impact on the environment through the use of materials and reducing supply chain costs.

Marketplace – customers

Service and training

Our people play a crucial role in providing the upgraded travel experience. We are committed to excellent service and are investing heavily in training customer-facing colleagues.

These training programmes will continue in 2009, supplemented by service style training for our ground team at Heathrow and coaching for people in our contact centres in how to provide a more attentive and personal service.

Following the introduction of new corporate values last year, all training programmes have been redesigned. The values are woven into all courses to ensure colleagues, particularly those in customer-facing roles, meet our high standards.

Ground experience

Despite its disappointing start, Terminal 5 has proved itself in its first year and is continuing to impress our customers. They are enjoying improved punctuality, shorter check-in times and an altogether smoother travelling experience.

Around 20 million customers used the terminal during the year and customer satisfaction has increased noticeably since opening. In direct response to customer feedback, we have further improved the experience since opening, for instance by introducing a premium check-in zone.

The luxurious lounge complex at Terminal 5 has also been exceptionally well received. The new lounge concept offers greatly improved facilities, and we are now introducing similar lounges across our network. Eight have opened so far, with four more due to open during 2009.

Onboard experience

The new Club World cabin layout was introduced on our Boeing 747 aircraft in 2007/08, combining new levels of comfort, greater privacy and choice. We are now rolling out the new cabin on our Boeing 777 aircraft.

Later this year we will roll out a new First cabin and the new aircraft we have on order will allow us to introduce new innovations including new seating in World Traveller Plus and World Traveller. Our new London City to New York service will use Airbus A318 aircraft in an all-premium, 32 seat layout.

The new on-demand in-flight entertainment system has also been well received. Customers like the increased flexibility and the wider choice of movies, TV programmes, audio and interactive games. We have also improved the onboard experience for our premium shorthaul customers, offering them greater space and privacy by keeping the middle seat free.

ba.com

ba.com is our award-winning website. Almost a third of all our bookings are now made online and the site also provides information on our One Destination programme and responsible travel. Our carbon offset scheme is now a simple 'one click' option. It allows our customers to offset the carbon emissions of their journey with all proceeds going towards UN-certified emission reduction projects. Some 30 per cent of our passengers also now check-in online. They clearly enjoy the convenience of this service. For that reason we have now launched a new popular service, allowing customers to check-in or access real time arrivals and departures.

Cargo

British Airways World Cargo continues to focus on providing premium products. We have improved the 'Prioritise' (express) service through advancements in the new 'cool chain' technology. New services such as scanning for airmail and direct airport-to-door deliveries are just some of the improved solutions we are now offering shippers.

British Airways World Cargo also continues to play a leading role in simplifying the international supply chain. We are fully committed to the IATA coordinated e-freight initiative, and we were the first European carrier to use e-freight between New York and Heathrow.



What next?

- Hold further customer forums to exchange information and develop ideas together to build a sustainable business;
- We are partnering Forum for the Future, ABTA and the transport and tourism industry to develop a strategy for a sustainable outbound tourism industry;
- · Communicate our key environmental initiatives in our lounges; and
- Continue to improve our First Class catering with a move towards seasonal menus, with an emphasis on locally sourced and produced food.



How we fly

We facilitate opportunities for our colleagues encouraging them to contribute to our goals.



What we fly

We work towards a more energy efficient workplace and build diversity into our workforce.



What we buy

Invest in waste reduction and recycling facilities. Continue to invest in high-performance training.

Our targets

Environment

Launch campaigns to help our colleagues understand the size of their own carbon footprint and what they can do to reduce this.

Wellbeing

Provide a working environment that motivates, engages, supports and develops our people, through the change programme.

Diversity

Recognise the value of how the diversity of our colleagues contributes to our business and its success.

Waste

Heighten awareness of waste reduction options, and improve the convenience of recycling in the workplace.

Investment

Invest in infrastructure to enable all of us to be more environmentally responsible such as through developing our car sharing and cycle to work schemes.

Engagement

Increase our network of Corporate Responsibility Champions across the business to drive responsible behaviour, engage individuals locally, and identify local opportunities. Provide reward for individuals who have gone beyond the call of duty in terms of Corporate Responsibility.

Overview

We are reinventing the way we work at British Airways. We have created a leaner, more customer focused organisation with a distinctive, high-performance culture. Our people policies and initiatives have been realigned to drive this culture and our flagship change programme, Compete 2012, will be integral to effecting the necessary long-term change.

Over the next three years this programme, described in detail in the following pages, will help us to achieve our prime goal – to be the leading global premium airline.

Compete 2012 focuses on five areas of importance to our business: customers, colleagues, partnerships, performance and excellence. The activities within each of these areas combine to define 'how we work around here', 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 imaginative and useful ways.





Training

We delivered 215,211 days of training during the year, including 4,500 training days to cabin crew to enable them to deliver the very highest level of service to our customers travelling in premium cabins and 2,248 days to ground staff to support the continued phased moves to Terminals 5 and 3 at Heathrow.

Over the past year, some 1,932 people have joined our company. This has required a high level of induction training. We have redesigned our new entrant programmes to reflect our customer proposition and brought content up to Terminal 5 standards. We have also invested in training for the various terminal switches at London Heathrow, in particular the preparation for the move of some of our operations to Terminal 3.

Premium service training

Since the retirement of Concorde, First has taken its place as the flagship of the airline. As a result of this, there has been a renewed focus on the training of our cabin crew to ensure the service received in this exclusive cabin is that of the very highest hospitality standards. The premium service training programme allows approximately 11,000 cabin crew to receive expert training on quality service and the food and beverages offered in First, Club World and Club Europe.

British Airways values

Following the introduction of new corporate values last year, all training programmes have been redesigned. The values are woven into all courses to ensure colleagues are able to practise key skills in the work place, particularly in customer-facing roles. Our training programmes equally balance key skills and tools training with behavioural and attitude learning.

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 from 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 as we have removed duplication, streamlined decision-making processes and clarified accountabilities. We have drawn new talent up through the business and have achieved significant movement of people between functions. This increased mobility has enabled us to maximise the skill and experience of our people, as well as providing individuals with greater opportunity for rapid career development. We have also clarified individual and collective roles and responsibilities and accountabilities for all of our top 300 managers and these are now published on our intranet.

During the year we fundamentally changed the way we organise human resource management within British Airways. We have renamed the department People & Organisational Effectiveness (P&OE), and we have adopted a new structure that includes a network of P&OE Business Partners who are embedded across all parts of the organisation. They work in partnership with senior leadership teams to improve our people practices and our ways of working and to help implement change.

Leadership development

To achieve our strategy and lead the business through the current challenging operating environment, bold actions were needed in terms of leadership development.

High Performance Leadership (HPL) was introduced to embed a high-performance culture amongst our leaders. It is an integrated system that links business strategy, objective setting (both business and behavioural), performance assessment, development and reward together in an aligned and stretching way. Focused initially on the senior leaders, HPL has rigorous assessment, mechanisms to identify talent and an evolving development portfolio. The system will be rolled out to the wider management population this year.

The leadership capabilities that are needed to lead the business were defined and communicated and individuals' performance against them was measured during the year. The three capabilities are:

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

For each capability, behaviours were developed to enable leaders to understand what was expected of them and then development has been tailored to meet their needs (including targeted executive coaching, networks, forums and external courses). At the end of the year, as well as measuring performance against business objectives, leadership behaviours will also be measured via a new Behavioural Performance Feedback tool. This information will inform both individuals' performance ratings and also how we manage talent.

The Behaviours for Success leadership development programme was launched and rolled out to the whole of the HPL community. This new programme focuses on understanding personal leadership performance and developing the leadership capabilities amongst this critical leadership group. This programme will be rolled out to the wider management population this year.

Leadership Matters is designed to develop leaders from within the organisation. After its launch last year the roll-out of the programme has continued this year, especially in the Cabin Crew and Cargo. In 2009/10 this programme will be rolled out to people in pivotal roles in all the Customer and Operation areas of the airline to enable us to identify and develop our emerging leaders.

In addition, we are developing an extensive Leadership Development Portfolio that will be introduced this year. This will be an integrated portfolio to identify and develop emerging leaders and then, through increasingly targeted development opportunities, create even stronger strategic leaders at the top of the organisation. As well as those programmes already introduced, there will be a number of new programmes introduced this year including an Experiential Leadership Programme for our emerging leaders, an Accelerated Leadership Programme to focus development on our fast-track leaders and at the top of the organisation a Strategic Leadership Programme.

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, although we have to reduce the number of people we employ as we seek to streamline the business.

Headcount

As at March 31, 2009, we employed 40,627 manpower equivalents (MPE). There have been decreased levels of attrition during the year, with the exception of management grades where a voluntary redundancy programme contributed to a significant increase in attrition for this group over the year. Average attrition remains very low at 7 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.

Diversity

Diversity and inclusion remains a way of life at British Airways and is integrated into everything that we do. Dignity and respect is at the core of British Airways diversity initiatives, focusing on the relationships between colleagues and customers, irrespective of their background, religion or culture. We ran a Diversity Week, holding a series of events to raise awareness of differences to help create a more positive and productive work environment. Highlights included an inter-faith panel discussion focusing on five key religions and a presentation from Mike Brace who is blind and sits on the Board of the British Paralympic Association. He inspired his audience about what he has been able to achieve by adopting a positive attitude.

Reward

We are committed to creating an environment that encourages sustainable high performance where colleagues believe they are recognised and rewarded in a way that reflects their role in the company and their contribution to the achievement of our long-term vision.

In support of the leaner, more agile organisation structure, the management roles have been grouped into three broad bands within which career progression is achieved through role change, not hierarchical grade-to-grade change.

Clearer links between reward and the new techniques to measure performance have been embedded that enable us to identify and reward different levels of performance.

A salary structure is being developed to support the three broad bands, aimed at ensuring not only that salary costs can be managed more effectively, but also that salaries are internally equitable across roles and differences in levels of responsibility, skill and performance can be recognised and rewarded.

Whereas salary recognises experience, skill and knowledge, our management bonus scheme, using a mix of financial and non-financial performance metrics, creates the opportunity for individuals to receive additional reward for delivering the right things in the right way. Given the current market conditions, it was not possible for us to make bonus payments this year. Local incentive plans also offer rewards for improved performance, assessed against a range of operational, customer and financial measures. The first plan introduced in Terminal 5 has led to significant improvements in performance, with targets being frequently exceeded. This approach is now being considered in other areas to ensure our performance improves continuously.

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 adverse trading conditions, the scheme did not operate in 2008/09.

Separately, our Bravo recognition scheme allows us to recognise people across our business for their efforts and achievements.



Listening to Colleagues

In 2008/09 we saw a sea change in the way people within British Airways 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.

Colleagues have the right to expect their views to be taken seriously and to see things change as a result of sharing their opinions. We have put significant effort into making sure this happens. All managers are now responsible to plan actions based on survey findings in an open and transparent way, and their progress in this area forms part of their performance review. Next year we will run the survey quarterly, so that managers get regular feedback on changes in colleague opinion.

2009/10 will also see the launch of an Engagement Index, which measures the degree of colleague engagement and commitment across the business, the results of which will also form part of our managers' performance assessments. The Engagement Index will help managers identify areas of strength and areas for improvement. A range of tools and techniques will be available to help them respond.

workplace continued

The focus this year has been on developing our Dignity at Work strategy to reduce harassment and bullying in the workplace and introducing a Building Ability strategy to identify and promote the needs of our disabled customers and colleagues.

Our Dignity at Work strategy involves training, communication and workshops across the business. All areas have targets to achieve and are now in the process of completing local integration of a DVD and booklet which outlines examples of unacceptable behaviour.

We have selected and trained 13 Harassment Advisers, in direct response from colleagues who asked to be able to talk to independent people informally. The advisers are all volunteers who come from a range of departments and grades and are allocated two days a month to undertake this work The advisers act as a listening ear, to provide practical advice and guidance. The intention is to adopt a more informal approach to potential conflict and the introduction of internal mediators will further strengthen this position.

Following the move to Terminal 5, with colleagues sharing joint restrooms for the first time, we conducted a week of Dignity at Work roadshows. One of the objectives of the roadshow was to engage colleagues and gather ideas about how to ensure that rest areas were comfortable and safe for all groups of colleagues. As a result, a restroom code of conduct designed by colleagues who use the facilities was put together and 6,000 copies distributed to all colleagues in Terminal 5.

Our Building Ability strategy underlines that we take disability very seriously and are constantly looking at how we can improve our journey experience for disabled customers. We conducted research for the first time specifically directed at disabled customers and used the research findings to identify areas for development. In July, 522 British Paralympics Association members travelled to Beijing for the Paralympic Games. We worked closely with the athletes and careful planning ensured that we carried 177 wheelchairs to Beijing without any damage. Work continues to embed this learning into day-to-day practice.

We supported colleagues across the company to take part in the annual Pride marches in London and Brighton during July for gay and lesbian colleagues. We were again very proud that many of our colleagues chose to march in uniform and we saw over 100 colleagues participating.

A new online mandatory training course for all colleagues was introduced this year. Expect Respect is an interactive e-learning course modelled on 'real life' British Airways scenarios from a customer and employee perspective. It covers various scenes based in the operation and office areas including case studies based on disability, religion, culture and gender and means that for the first time, all colleagues now receive diversity training.

Absence

Absence has continued to be a focus of attention and a steady improvement in attendance has been seen throughout the year. The headline annual level has improved by one day per person to be 10.79 average days per person per annum, with some areas of the business meeting best practice absence levels. While there has been a modest improvement overall this year, British Airways still compares unfavourably with similar-sized companies in the UK.

To remedy this, a change programme is being constructed to further equip managers in dealing with attendance issues. Although this will be an area of focus for the coming year, it should be noted that the considerable industrial change agenda planned for 2009/10 will make this extremely challenging.

Absences – days per person per annum

December 2008	10.7
January 2008	11.7
2003 baseline	16.7

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 continually improve our business performance.

Discussions are under way to drive sustainable change to the business through improvements to productivity and performance across our various work groups. Despite the challenges we faced in the early days of Terminal 5, we have gone on to significantly improve our operational performance. This has been achieved with the support of our colleagues and the trade unions by implementing effectively new working practices at the terminal. This positive improvement led to the introduction of a performance-related payment for many terminal-based jobs.

We were able to avoid a dispute with our cabin crew during the year. The settlement document we negotiated with cabin crew representatives has been signed off and the content is being implemented. Having avoided a dispute with our pilots, 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 that lie ahead.

We undertook consultations with various areas of the business which have resulted in improved efficiency, leading to changes in work and roles. The areas affected included:

- Customer Relations:
- · Gatwick Ramp and Customer Services;
- · British Airways World Cargo;
- Glasgow Air Cabin Crew base; and
- · Manchester Engineering base.

The new Human Resources (HR) model has now been implemented across the business. HR Business Partners now focus on good people management and employee relations and are responsible for day-to-day industrial relations matters. The Industrial Relations (IR) team has reduced in size and now has a strategic focus. To support this change, a number of bespoke industrial relations training courses were provided to improve understanding and practice.

In addition, 15 Effective IR Skills workshops were provided throughout the year, with 118 delegates attending. Line managers and trade union representatives were able to come together at these workshops to focus on joint problem solving. A further 75 managers attended our new Introduction to Industrial Relations courses.

Training remains critical and a review of training provided in this area is being reviewed to ensure it continues to meet colleague and business needs.

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 British Airways Avionic Engineering, British Airways CityFlyer and British Airways Maintenance Cardiff. This remains a low figure given our relative size. Of the 74 proceedings:

- 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;
- 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;
- 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 discrimination claims 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.

workplace continued



What next?

- Recruit more Corporate Responsibility Champions and Ambassadors from across our airline;
- Facilitate everyone having the opportunity to understand their personal carbon footprint through providing access to a carbon calculator;
- Enhance our reward and recognition programme for individuals who have gone beyond the call of duty in terms of Corporate Responsibility;
- Continue with our corporate change programme to re-energise and engage all of us; and
- Develop our company travel plan, providing facilities to enable people to cycle to work and to car share.

We are proud to have had a number of our Corporate Responsibility achievements formally recognised over the past year, these include:

The ICARUS Environmental Award is assigned to the best air transport provider by the Institute of Travel Management (ITM). British Airways was named 'best airline' at the second annual ICARUS Environmental Awards.



The Business in the Community index assesses the extent to which Corporate Responsibility is integrated into business practices throughout an organisation.

BA, who took part for the fist time this year, scored silver (83 per cent).



British Airways continues to hold the **UK Wildlife Trust's Biodiversity Benchmark** award for achieving high standards of biodiversity management at BA's Waterside headquarter's site at Harmondsworth Moor. The award has been held continuously since 2002 and is representative of BA's continuing commitment to the environment and to encouraging biodiversity improvement.



Partners In Sustainability, Amaryllis with British Airways have won the PFM award.



Reputation Institute is the world's leading reputation consulting firm. The Global Reputation Pulse, an online research conducted in early 2009, measured the corporate reputations of the world's 600 largest companies in 32 countries – based on consumers' trust, esteem, admiration, and good feeling about a company across seven dimensions of reputation. BA was ranked 45th. The only airline to appear in the benchmark.



The UK Government Department for Energy and Climate Change launched the **Carbon Offsetting Quality Assurance Scheme** in early 2008 to help consumers easily identify carbon offsetting projects that offer genuine carbon savings.

British Airways proudly became the first airline and one of the first companies to achieve accreditation for our carbon offset scheme.



Glossary

ABTA	Association of British Travel Agents			
AEA	Association of European Airlines			
AGD	Aviation Global Deal			
APD	Air Passenger Duty			
APU	Auxiliary Power Unit			
BITC	Business In The Community			
CBDR	Common But Differentiated Responsibilities			
СВІ	Confederation of British Industry			
CDM	Clean Development Mechanism			
CER	Certified Emissions Reduction			
CO ₂	Carbon Dioxide			
CRB	Corporate Responsibility Board			
ERP	Employee Reward Plan			
EU ETS	European Union Emissions Trading Scheme			
FEGP	Fixed Electrical Ground Power			
gCO₂/paxkm	grammes of carbon dioxide per passenger kilometre			
HPL	High Performance Leadership			
HR	Human Resources			
IAGOS	Integration of routine aircraft measurements into a global system			
IATA	International Air Transport Association			
IR	Industrial Relations			
ITM	Institute of Travel Management			
LBG	London Benchmarking Group			
MPE	Manpower Equivalents			
MRV	Monitoring, Reporting and Verification			
MWh	Mega-watt hours			
NGO	Non-Government Organisation			
NOx	Oxides of Nitrogen			
P&OE	People and Organisational Effectiveness			
PFM	Procurement and Facilities Magazine			
REDD	Reducing Emissions from Deforestation and forest Degradation			
SCAD	Social Change and Development			
TCW	The Converging World			
UNFCCC	United Nations Framework Convention on Climate Change			

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