

Dear Oliver, John and Mick

Following on from our meeting yesterday please see below summary of our discussion.

Pay 2019

Business and Economical context to deal:

- BA is currently profitable but operates in a highly competitive market- our competitors are growing in all markets.
- To remain competitive investment is critical
 - BA's NPS is below key competitors
 - Satisfaction with product is key element of NPS – increased investment in product delivers significant improvement in NPS, as demonstrated by the re-configuration of 5 B777's at LGW
- BA planning £6.7bn investment over the next 5 years. We must continue to make significant profits to fund this investment.
- Airline capacity continues to grow (e.g. easyJet +10% in 2019) putting downward pressure on fares.
- Disciplined management of non-fuel costs is imperative, reflected in CASK-1 target.
- Investors are concerned airlines are at the top of the cycle (historically, airline cycle has lasted c9 years, currently in 10th consecutive year of profit)
- Brexit outcome causing additional uncertainty

Pay at BA

- Significant number of workgroups are currently above market-rate
- Pressure on wage costs exacerbated by 4.1% pay rise last year (0.7% above average RPI)
- Building sustainable business model requires cost control and moving towards market-competitive pay
- In 2017 employee costs were £2.5bn – 25% of our total costs
- Over BP23 there is an additional £54m of planned investment in our people

BA response to claim

Share save scheme

- Decisions regarding share save schemes are made at Group level as IAG shares.

- BA do not have permission to propose this therefore cannot be discussed as part of pay discussions.

Share in success

- BA do not believe a share in success scheme can be based solely on Profit. Our Customer and Operational metrics are equally important
- The bonus scheme in place in 2018 will remain in situ for 2019, with the parameters being announced in March
- BA is open to looking at this aspect in the future as part of a longer-term pay strategy

Pay

We see this as a ongoing conversation with this pay deal being the first phase, whilst we continue our dialogue regarding our longer-term approach.

We can agree a one year pay deal, for those BA (plc) groups that do not have an existing pay deal in place for 2019 and fall outside of the MG NSP – For clarity this would exclude the HCS 2012 and LGW2014 who already have a 2019 agreement in place and the Welsh subsids who would hold their own negotiations. The management grades are governed by the MG NSPs and will not be discussed as part of these negotiations.

This gives certainty over pay for colleagues in what is anticipated to be an uncertain year given the current trading conditions.

The offer is a consolidated increase on base pay for 2019 of 2.3%.

The expectation is that the increase is linked to change initiatives across the different business areas. How these are specified and articulated is something that can be explored.

To demonstrate commitment to working together and approaching pay differently moving forward we are able to look at a potential underpin for 2019.

Kind regards

Angela