

Scotland Corporate Responsibility Report 2006/07



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BAA Scotland owns and operates Aberdeen, Edinburgh and Glasgow airports. We directly employ almost 1,200 people across our three airports in a diverse range of management, operational and support roles.

Our airports are the gateways to Scotland, welcoming millions of visitors every year. A record 20.7 million passengers used our airports during 2006/07, an increase of 2.6% on the previous year, travelling to or from 130 destinations across the globe. In partnership with the Scottish Government, Visit Scotland, Glasgow City Marketing Bureau and other agencies, we work hard to improve our international connections, bringing the world closer to Scotland. During the past year, our airports launched over 40 new services, 29 of them to international destinations.

But our airports are much more than gateways. They support thousands of jobs, directly and indirectly, across Scotland and generate investment opportunities for businesses across a wide spectrum of commercial interests. They are an important hub for Scottish based importers and exporters, handling a

combined total of 42,130 tonnes of air cargo and freight during 2006/07. They are the engines that help drive Scotland's economy, linking Scottish business to the key financial and commercial markets of the world.

As passenger numbers increased, we invested £39 million on new terminal facilities and airfield developments in 2006/07. Flagship projects completed during the past year included a £3 million departure lounge extension at Aberdeen, the £19 million South East Pier development at Edinburgh and a £10 million extension to the international departure lounge and arrivals area at Glasgow Airport. Over the course of the next ten years, BAA Scotland will invest more than £500 million across its three airports. This investment is funded entirely from our own resources and delivered at no cost to the Scottish taxpayer.

About our report

This corporate responsibility report, for the twelve-month period from April 2006 to March 2007, addresses our performance on a wide variety of environmental, economic and social issues. It sets out our annual target and benchmarks our performance against those targets. A selection of our environmental reporting is subject to independent assurance by Environmental Resources Management Limited (ERM) to ensure that we provide a complete and accurate picture of our performance. ERM's assurance statement can be found on pages 34 to 35.

The information contained within this report while intended to account for our performance also informs our different

stakeholder audiences: our employees, local communities, business partners, government and non-governmental organisations. We recognise the importance of all of our stakeholders and welcome your feedback on any of the issues contained within this report. To provide us with feedback, please email us at corporateresponsibilityscotland@baa.com or call us on 0141 848 4299. In addition to this report, BAA Limited has published a group corporate responsibility report, which sets out our progress across our seven UK airports. The document is available to view or download at www.baa.com/corporateresponsibility. You may find it helpful in setting the context for this report.

From the Chairman

For me, being the custodian of Scotland's three busiest airports is about more than connecting Scotland to the rest of the world.

Our airports are lifelines, providing valuable social and economic opportunities for business, commerce, trade and leisure.

We provide jobs for thousands of people across Scotland, supporting many more in related industries and we help drive Scotland's economy, through the consistent delivery of the high-quality investment and customer service which allows our airports to meet the demands of a modern, changing Scotland.

Today, our passengers are ever more demanding, and rightly so. They expect the best from us. They tell us what we do right and, more importantly, what we do wrong.

This relationship with our stakeholders is essential for a business which is at the centre of a dynamic and responsive industry. We continue to invest to grow our airports and to provide the kind of quality and customer care our passengers expect. But as we grow and invest, we are mindful of our enduring responsibility to the wider community.

There is no greater challenge facing the world today, than climate change.

As the father of three young children, I desperately want to be part of the generation which is remembered for

addressing this monumental challenge and providing a legacy of which our children and their children are proud – not frightened.

We must not shirk our responsibility to future generations. And at BAA, we won't.

But if we are to find genuine solutions to climate change, we need to move that debate on to a more sensible level – a debate based on potential economic and scientific solutions, not simply local action to curb travelling.

The Stern Report, commissioned in 2006 by the UK Government, shows that aviation contributes just 1.6% of global CO₂ emissions. Even with the forecast growth in worldwide aviation, the industry's impact is expected to grow to just 5% by 2050.

To put those figures into context, road transport and energy production represent 10.6% and 24% of current global emissions respectively. So, this is a challenge we must all face, as individuals, as businesses and as governments.

But we cannot be complacent. While other industries face up to the climate change challenge, aviation must also put its house in order. It is a challenge we have willingly accepted at BAA.



Corporate responsibility is about much more than our impact on our immediate environment and on the climate. It is about our relationship with our staff, our communities and Scotland's business sector. It is our duty to invest in and support our communities, to grow our airports in a responsible and sustainable manner, and to provide the network of worldwide routes that allows Scottish business to compete in a truly global market.

This report records our progress in these crucial areas. But it also sets our vision for the sustainable growth of Scotland's busiest airports and our determination to deliver for the communities we serve, for the businesses that help drive Scotland's growth and for the millions of air travellers who use our airports every year.

I hope you find this report useful and would welcome your views of our performance and particularly where we might improve in the years ahead.

A handwritten signature in black ink that reads "Stephen Baxter". The signature is written in a cursive, slightly slanted style.

Stephen Baxter
Chairman
BAA Scotland

BAA and climate change

Climate change is an important issue for BAA. As CO₂ emissions from aviation are projected to rise in future years, we are committed to reducing our own impacts, and to help reduce the impacts of the aviation industry as a whole.

The issue

Scientists agree that human activity is having a measurable effect on the earth's climate, with significant impacts on global temperatures and weather patterns. The main cause is the emission of carbon dioxide (CO₂) associated with the burning of fossil fuels.

Aircraft emissions represent a small but growing contribution to climate change, and this needs to be addressed.

Globally, the proportion of greenhouse gas emissions from aviation is currently relatively small. The Stern Report uses a figure for aviation of around 1.6% of global CO₂ emissions.

However, we recognise that aviation's impact on climate change comes not just from CO₂ emissions. Other emissions such as nitrogen oxides (NO_x) and effects such as jet engine 'contrails' (condensation trails) also have an impact. Contrails may also lead to the formation of cirrus cloud. Today, new aircraft are 70% more fuel efficient than 40 years ago and 20% better than ten years ago. There is uncertainty over the exact scale of these impacts and more research is being conducted to quantify this.

Taking into account non-CO₂ impacts, the Intergovernmental Panel on Climate Change (IPCC) estimates that aviation accounts for around 3.5% of the total human contribution to climate change. By 2050, the IPCC estimates that aviation will account for around 5% of human contribution to climate change, although its figures range from 3.5% to 15%.

The UK proportion of emissions from aviation is higher than the global figure because the UK is an international aviation hub. Current CO₂ emissions from aviation are 6% of the UK total (around 10 million tonnes of CO₂). The projected growth in air transport means emissions from aviation will rise at a time when the UK and Scottish Governments have set new targets to significantly reduce CO₂ emissions from the economy as a whole. The UK Government predicts that aviation could account for around 21% of the UK's total carbon emissions by 2050.

Aside from flight operations, there are other ways that the air transport industry and our airports contribute to global warming. These include:

- Greenhouse gas emissions generated by the production of the energy used in airport buildings and operational facilities



- Ground emissions from vehicles used by passengers and staff to get to and from the airport
- Ground emissions from vehicles and aircraft on the airfield.

Our approach

Under the Kyoto Agreement, the UK is committed to reducing its emissions of greenhouse gases to 12.5% below 1990 levels. This is to be achieved between 2008 and 2012.

In March 2007, the UK Government published a Climate Change Bill proposing a binding reduction in CO₂ emissions of 60% by 2050. More recently, the Scottish Government began consulting on a separate Climate Change Bill with a target of cutting CO₂ emissions in Scotland by 80% by 2050.

6%

the percentage of CO₂ emissions that are attributable to aviation from the UK's total

Although flight operations cause aviation's biggest impact on climate change, we are committed to playing our part in achieving these goals, both at an airport and industry level.

At BAA Scotland, we assist and support the work programme of our parent company, BAA Limited, in addressing aviation's impact on the world's climate.

Where we have direct control over carbon emissions, such as energy use in our facilities, we aim to lead the airport industry in managing them. Where we do not have direct control over emissions, for example in the case of flight operations, we will continue to use our influence to lead changes.

Emissions from flights

To develop and promote measures to minimise emissions from aircraft, BAA's strategy has two main elements:

1) To work with the aviation industry to promote technological and operational improvements. 2) To provide support to policymakers to incorporate aviation into emissions trading.

Technological and operational improvements

Aircraft manufacturers have delivered impressive improvements in fuel efficiency over the past 30 years, and expect to continue to make improvements with each new generation of aircraft and engine design. The new Boeing 787 Dreamliner, due for delivery to airlines in 2008, is expected to be 20% more fuel-efficient than existing aircraft. Meanwhile, European manufacturers have set a target for new aircraft in 2020 to be 50% more efficient than new aircraft in 2000.

There are also significant opportunities to make air traffic control more efficient. The 'Single European Sky' is a project to integrate European air traffic control systems. The International Air Transport Association (IATA) has predicted that 12% of global aviation CO₂ emissions could be saved if air traffic control systems and routes were made more efficient.

However, aviation is growing at a faster rate than technology can reduce emissions and at present there is currently no significant alternative to burning kerosene. Therefore, cost-effective policy measures also need to be developed.

Emissions trading

Emissions trading represents the most economically efficient and environmentally effective way of aviation addressing the impacts of its emissions. When carbon trading is achieved in Europe, part of the climate change impact from aviation will be offset by reductions in other industries, but paid for by the aviation industry, ultimately through the price of tickets.

We are working closely with key stakeholders in Europe – including government, industry and NGOs – to build support for incorporating aviation into the EU Emissions Trading Scheme.

The current European Commission proposal is to incorporate aviation by 2011. BAA views action at a European level as an interim step towards integration in the global climate change policy framework.

You can read more about how our parent company is addressing climate change in BAA's corporate responsibility report at www.baa.com/corporateresponsibility.



Local community

This section of the report describes the way in which we engage with the local communities around Aberdeen, Edinburgh and Glasgow and how our airports deliver benefits to their local economies.

Engagement locally

The issue

BAA Scotland has many different stakeholders who take a keen interest in what happens at our airports. Our stakeholders include employees, passengers, airlines, local communities, media, trade unions, pressure groups, suppliers, regulators and local and national government.

Our approach

We have a strong commitment to the local communities around our airports and we seek to operate and grow our business by agreement with our neighbours, where possible. Our three airports have well established stakeholder communication programmes which allow us to understand stakeholder issues and maintain constructive dialogue about how they impact on their local communities and the environment.

We communicate with our stakeholders throughout the year, both formally through industry initiatives and informally as part of our day-to-day business.

Our customers include the passengers travelling through our airports, the airlines carrying them, retailers and many other tenants. Our principal dialogue with passengers is through our Quality of Service Monitor (QSM) survey. Each year we interview thousands of passengers to help us understand customer perceptions and to improve levels of service.

The Airport Consultative Committees (ACCs) are the largest consultation forums. They are independently chaired and have a wide membership including representatives of local authorities, community councils, business leaders, the aviation industry and members of the local community. They meet quarterly with airport senior managers.

We engage regularly with government officials and politicians at a national, regional and local level to understand their position on key policy areas and to communicate our own views. We recognise that many environmental and social challenges, such as climate change, need to be tackled using effective public policy frameworks.



We meet local authorities to understand the concerns of those affected by our airports and to help meet their needs as we expand our business. By sharing our objectives at an early stage we give local authorities the opportunity to influence our development plans before we apply for planning permission.

At each of our airports, we are focused on communicating directly with our local communities. In 2006, a new quarterly newsletter was established at Edinburgh Airport, which is now sent to over 10,000 households. A similar publication will soon be launched at Glasgow Airport. Following the publication of our draft 25 year Master Plans in 2005/06, we held an unprecedented level of dialogue with our community neighbours and their representatives. Taking account of the results of the consultations, revised Master Plans for Aberdeen, Edinburgh and Glasgow airports were launched during

£84,000

funding from The BAA Communities Trust
to help local projects

the latter part of 2006 and we continue to have ongoing dialogue with many local communities about our long-term development plans.

Positive engagement with our employees is equally important for the long-term success of our business. We engage with them formally through trade union consultation and employee surveys as well as through appraisals, Managing Director road shows and meetings.

Our performance

During 2006/07, we conducted 17,042 QSM interviews with passengers across our three airports. The results of these interviews are used to drive customer service improvements across a wide range of activities such as speed and ease of check-in, security processing, building cleanliness and passenger information.

In addition to the QSM interviews, our three airports each distributed ten e-bulletins to more than 17,500 recipients to inform passengers of improvements to airport services, new routes and other BAA travel services. The number of people who have signed up to receive these bulletins confirms they are a valuable passenger communication tool.

Over the past year, our three airports held their Consultative Committee meetings every quarter providing representatives of local authorities, community councils, business leaders, the aviation industry and members of the local community with a remit to represent the interests of the passenger.

Edinburgh Airport distributed its community newsletter to more than 10,000 households in November and July. The newsletter, which covers a wide range of issues, allows direct contact with a large number of local residents and has been positively received.

In November 2006, we commissioned MORI to undertake a survey in the communities around our airports. A total of 1,633 people were asked to provide their views on the issues they face living close to a major airport. The results showed that overall, community attitudes are favourable towards our airports. At Aberdeen, 78% of respondents gave a favourable rating, at Edinburgh it was 75% and at Glasgow the favourable rating was also 78%.

Our plans

During 2007, we will continue to reinforce the positive relationships and strong links we have built with our stakeholders through practical action and maintaining regular, clear and open channels of communication.

In addition to our established local activities, we plan to widen our engagement programme to other parts of Scotland, within our main catchment areas. We aim to meet a broad range of stakeholders, with whom we would not normally have the opportunity to engage, in an effort to better understand their views, and discuss ways in which we can work together to promote Scotland and its airports.

At the same time, we continue to listen to the views of our passengers. Glasgow Airport has taken the lead with new "Meet the Manager" sessions, giving passengers the opportunity to talk face to face with senior airport bosses about their travel experience. Similar sessions are planned over the coming year at Aberdeen and Edinburgh Airports.





Community investment

The issue

The presence of an airport or any other major business can have both positive and negative impacts for local communities. Our airports bring positive benefits to local communities such as many thousands of jobs, as well as opportunities to travel. However, we recognise that there are also negative impacts. At BAA Scotland, we have a strong commitment to the local communities around our airports and we seek to operate and grow our business by agreement with our neighbours where possible. We listen closely to the concerns expressed by local communities and have a strong track record of taking action in response.

Our approach

We work hard to gain and maintain the trust of the communities around our airports. We continue to aspire to raise knowledge and understanding of

environmental issues, support local education and skills programmes for young people, and encourage volunteering projects.

This community investment is carefully focused on three principle areas of activity – education, environment and sport – and targeted in areas where our skills, resources and efforts will complement and add value to local communities. We also look to support projects which complement our core business competences and give our staff opportunities for professional and personal development.

The BAA Communities Trust also plays a significant part in funding local community projects around our airports. The Trust receives 0.15% of BAA's pre-tax profits each year and has donated over £4 million to projects across the UK in its first ten years. It also aims to encourage staff volunteering and working with young people in communities associated with, or local to, our business.

Organisations interested in applying for funding from the BAA Communities Trust should contact their nearest airport for further information.

The Trust focuses on three main areas:

- supporting local community activity around our airports by giving grants to help local schools or to fund skills development programmes
- initiatives proposed by airport staff such as fundraising and volunteer activities
- charities which support overseas development and create development opportunities through aviation and travel for young people in the UK.

Our performance

In 2006/07, we supported 136 community based projects to the value of £183,692. In addition, over 280 staff volunteered 2,721 hours with a value in excess of £40,000. In kind contributions such as meeting room hire, catering and gifts amounted to more than £41,000. By working in partnership with local people and groups, we are making a positive contribution to the communities around our airports.

During the year, our three airports secured £84,000 of funding from the BAA Communities Trust to help local projects.

Education and skills

We are committed to helping young people develop key skills to build satisfying and rewarding careers which add to the country's prosperity.

The BAA Scotland Outreach programme, a unique partnership with the National Trust for Scotland and the Prince's Trust has delivered nine projects across our three airport locations. Almost 100 young

people involved in the Prince's Trust projects and living in our airport communities have had the opportunity to participate in practical conservation work which raises self esteem, promotes team work, builds character and engenders wider community benefits. The National Trust for Scotland has gained in excess of 400 hours of volunteering time that they would otherwise have had to pay for and over 30 BAA Scotland staff have volunteered their time and expertise to help promote active citizenship and work opportunities with the young people.

BAA launched a dedicated education website – 'Take Off and Learn' – in autumn 2006. It provides resources for teachers and information for young people who want to find out more about training and skills programmes at our UK airports. Port Glasgow High School in Inverclyde was one of two UK schools to win £1,000 worth of new computer equipment after entering a competition on the site.

At Aberdeen, the Mither Kirk Project provides a focal point in the centre of the city for local people and visitors to learn about its history as well as providing education and entertainment opportunities.

Aberdeen Airport is also the venue for the Young Fire Fighters Association. Every week eight pupils from Dyce Academy and Kemnay High School attend the airport fire station to take part. The aim of the unit is to raise social awareness, develop confidence, encourage team work, understand the needs of others, have fun and learn valuable skills which may one day save lives.

The Edinburgh Airport Youth Games are the city's largest annual youth sporting event, involving over 1,000 young people from 40 schools. The 2006 Youth Games, formally opened by the Scottish Sports Minister, was the biggest in its seven year history.

Working in partnership with The Lighthouse, Scotland's Centre for Architecture, Design and the City, and The Royal Commission on the Ancient and Historical Monuments of Scotland, BAA Glasgow hosted a cross community project involving current and retired airport staff, local students, members of the Rolls Royce Heritage Club and aviation enthusiasts to produce a booklet commemorating the work of architect Sir Basil Spence as part of the airport's 40th anniversary. The booklet was distributed to all passengers and staff on the airport's 40th anniversary on 27 June 2006 and has since been distributed world-wide. An exhibition celebrating Spence's work was held at the airport in December 2007. A gala dinner held in Glasgow City Chambers to mark the 40th anniversary of the opening of Glasgow Airport raised more than £18,000 for the Scotland/Malawi Partnership and Yorkhill Children's Foundation.

Volunteering

We encourage our employees to volunteer and fundraise in the local community by giving them up to six days paid leave for approved volunteering activities every year, subject to operational requirements.

During 2006/07, 280 BAA Scotland employees gave 2,721 volunteering hours to community projects.

We recognise and reward this volunteering through BAA's I-Volunteering Awards. Since its launch in 2004, £300,000 has been donated to community projects and local charities, and 565 employees have taken part in the awards scheme. During 2006/07, 58 employees from our three airports applied for an award, raising almost £24,000 for good causes in Scotland in the process.

At Aberdeen, Kenny Adams, of the Airport Fire Service, raised £1,500 for the Archie Foundation at Aberdeen's Sick Children's Hospital after running the London Marathon.

Our plans

We will continue to focus on partnership, working with local people to develop, create and contribute to initiatives that will make a difference to the local communities around our airports. We will support Government and industry led initiatives to raise standards in education.

We plan to build on the success of the Youth Games at Edinburgh and Glasgow and expand the concept to Aberdeen.

We will promote a programme and culture of employee volunteering, ensuring we support individuals who give up their time to undertake community activities.

The local economy

The issue

Aviation is important for the global economy and contributes significantly to the UK's economic well-being. Many businesses have supply chain activities that are at least partly reliant upon the airfreight sector. Air travel also facilitates international tourism which in turn supports thousands of jobs in the tourism and hospitality sector, industries which are at the heart of Scotland's economy.

Our approach

Our airports are central to the ongoing prosperity of local and regional economies. BAA Scotland remains committed to ensuring that communities around our airports derive as much social and economic benefit as possible. We maintain an active interest in the work of local and national business organisations to ensure that we remain responsive to social and economic trends in the wider community. These organisations include:

- Local authorities
- Scottish Enterprise and its local agencies
- Scottish Chambers of Commerce and local chambers of commerce
- Scottish Council for Development and Industry.

BAA Scotland directly employs almost 1200 staff in Scotland – 455 staff at Glasgow, 459 at Edinburgh and 250 at Aberdeen. Staff are employed across a diverse range of roles including security, airfield operations, finance, development and supply chain. In addition, our airports support thousands of jobs across each airport campus, with thousands more across Scotland, including airline crew, handling agents, retailers, caterers and cargo handlers.

At Hillington Park, close to Glasgow Airport, BAA employs a further 295 people at its Business Support Centre



(BSC). This shared service centre provides a wide range of financial and technical support functions for BAA's seven UK airports. Opened in 2000, the BSC initially employed just 40 people.

Our performance

BAA Scotland's three airports enjoyed a year of sustained growth, as international increased, and new investments paved the way for future success.

Our route development fund continued to attract new airlines to Scotland, including Delta, Finnair and SkyEurope, and supported the expansion plans of more established airlines such as EasyJet and Flyglobespan. Over 40 new services were launched in 2006/07 as a result of BAA's commitment to improve Scotland's connectivity, with many more also confirmed for 2007/08.

Looking to the future, BAA Scotland's airports published master plans setting out their plans for responsible and sustainable growth. These blueprints re-affirm BAA's long-term commitment to Scotland, to the cities we serve, and to the growing numbers of passengers who use our

airports each year. In 2006/07, passenger numbers grew by 2.6% to 20.7 million, with an 8.8% rise in international traffic fuelling the growth.

BAA Scotland is focused for consistency on the long term, creating an environment in which Scottish business can thrive through increased connectivity, and in which our passengers enjoy the highest standards of service.

Route development

Scotland's economy relies on a strong network of domestic and international air links. New routes create new opportunities for Scottish business, help promote inbound tourism, and deliver more choice for Scottish travellers. With direct links to around 130 destinations worldwide, Scotland has never been better connected.

In 2006/07, we invested more than £20 million in support of new routes through our route development fund. Since the fund's launch in 2002, BAA Scotland has invested £95 million on route development with the aim of

attracting new airlines to Scotland, and supporting existing carriers. This funding provides discounts on published landing charges, and marketing support.

Our investment helped deliver 45 new UK and international services in 2006/07, including flights to Hamburg, Berlin, Madrid, Zurich, Kristiansand and Atlanta.

Support for new airlines is also provided by organisations such as Glasgow City Marketing Bureau, Visit Scotland and the Scottish Government, working in partnership to promote Scotland as a business and leisure destination.

Traffic

Passenger numbers across the three airports continued to rise during 2006/07 as a result of BAA's investment in route development. Overall, passenger numbers rose by 2.6% to 20.7 million.

International traffic grew by 8.8% during the year, boosted by new long haul flights to Orlando and Atlanta and a host of European destinations. During the year, our long haul passengers topped the million mark for the first time.

As Scotland's network of direct international flights grows, so the need for passengers to connect via hub airports in the south diminishes. Consequently, domestic traffic fell slightly as more people opted to fly direct to and from Scotland. Glasgow Airport was the busiest in Scotland with 8.8 million passengers in 2006/07, an increase of 0.5% on the previous year. At Edinburgh, passenger numbers grew to 8.6 million, a rise of 2%. International traffic to and from the capital grew by more than 20%. Meanwhile, at Aberdeen, passenger numbers passed the three million mark. By year end, passenger numbers had increased by 10.6% to 3.3 million, confirming Aberdeen's status as the fastest growing of BAA's seven UK airports.

Capital investment

As passenger numbers grow, so too does the demand for additional capacity across the three airports. Over the next ten years, BAA Scotland will invest some £500 million in its airports. This investment will be met entirely from BAA's own funds, at no cost to the taxpayer.

During 2006/07, BAA invested some £39 million on capital projects, including the new £19 million south east pier at Edinburgh Airport. This major investment offers additional capacity within the terminal, as well as new retail and lounge facilities.

New terminal developments at Glasgow included the completion of a new passenger 'skylounge', part of a £10 million expansion of the international departure and arrival facilities. The project also included the refurbishment of the existing international departure lounge. The airport's domestic and international search areas were also refurbished and rebranded as part of our ongoing investment in airport security.

At Aberdeen, work was completed on a £3 million extension to the departure lounge, providing greater circulation space and an improved retail and catering offering for passengers. In December 2006, Aberdeen City Council granted permission for a 300 metre runway extension. The initial design work is now underway, with the first phase of the project due for completion in 2009. A £5 million expansion of the international arrivals hall is scheduled for completion at the same time, boosting Aberdeen's credentials as a major international gateway.

Supply chain

Our airports are an integral part of Scottish business life, with each airport supporting an extensive framework of local and national suppliers. This network includes cleaning, waste management, trolley management, landscaping, maintenance, printing and stationery supply. In 2006/07, BAA Scotland had a supply chain spend of £74 million.

Master plans

Each airport published detailed 25 year master plans in 2006/07. These ambitious documents, delivered after unprecedented public consultation involving local and national stakeholders, provide a platform for the sustainable development of Scotland's main airports. The master plans will be reviewed every five years, in line with Government guidance. In the meantime, we will continue to engage with our key stakeholders around the future development of our airports.

Our plans

New air links create opportunities for business and tourism in Scotland and we will continue the investment in route development that has transformed travel options to and from Scotland in recent years.

BAA is also committed to working with the Scottish Government, local authorities, Visit Scotland and Glasgow City Marketing Bureau to ensure that Scotland continues to harness the opportunities afforded by a strong international route network.

The local environment

Aviation has significant economic and lifestyle benefits which need to be balanced with the environmental impacts at a global and local level. BAA works hard to mitigate the negative impacts of its operations and that of airlines, on the local environment.

Noise

The issue

Aircraft noise is an important issue for local communities, and one that we see as a priority. Noise is created largely from aircraft approaching or taking off from airports and ground noise such as taxiing aircraft or engine testing. Considerable progress has been made in reducing individual aircraft noise in the last 30 years and today's aircraft are significantly quieter. Our ongoing objective is to gain the trust of our stakeholders by demonstrating that we are using best practicable means to minimise existing aircraft noise impacts.

Our approach

Our objective is to work with our communities and airlines to find a balance that promotes the social and economic benefits of aviation, while addressing – wherever possible – the needs of our neighbours. We listen closely to comments from our local communities and investigate and respond to all noise complaints. In the event that an aircraft breaches agreed noise thresholds, BAA will fine the airline, with the proceeds donated to a community fund. BAA also provides financial incentives in order to encourage airlines to operate cleaner, quieter aircraft, while penalising aircraft which are old, less fuel efficient and generate noise levels significantly higher than modern aircraft. At an industry level, BAA is also working with airlines and manufacturers to design quieter, cleaner engines. In addition, to support our night operations, our airports voluntarily adopt the UK Government's night-time noise restrictions which were introduced to curb noise levels at much larger airports, such as Heathrow, Gatwick, Stansted and Manchester.

Our performance

In December 2006, the UK Government published a review of the progress made by airports around the UK in implementing the 2003 White Paper, The Future of Air Transport. The progress report showed BAA Scotland is making good progress delivering the Government's White Paper objectives. It also cited Glasgow and Edinburgh airports as examples of good practice for their action to control and mitigate noise exposure through well established noise and track keeping systems.

At Aberdeen, the number of noise complaints rose from 72 in 2005 to 82 in 2006/07. However, during the same period, the number of aircraft movements (each landing or departure) increased by 5% from 112,527 to 118,836.

At Edinburgh, there were 279 noise complaints during the year. This was a significant increase on the 131 complaints received in 2005/06, though analysis of historic monthly data indicates the rise was in part attributable to the airport's introduction of a 24 hour free phone noise enquiry line in early 2006. Aircraft movements increased very slightly from 127,120 in 2005/06 to 127,297 in 2006/07.

At Glasgow, a noise enquiry line was introduced in January 2007 to complement the airport's existing package of noise mitigation measures. The commitment to establish this facility was outlined in the airport's master plan, published in October 2006.

70%

The more fuel efficient modern aircraft are compared to 40 years ago

Glasgow Airport received 51 complaints in 2006/07, compared with 28 during the previous year. In the same period, aircraft movements decreased marginally from 110,906 in 2005/06 to 110,086.

We have made it easier for our local communities to report noise issues through the introduction of dedicated telephone lines at Edinburgh and Glasgow. Although the number of complaints has risen, the ratio is very low compared to total aircraft movements at each of our three airports. It is also important to remember that not all complaints and enquiries we receive are attributable to aircraft using our airports – for example, some complaints relate to private and military flight operations, as well as police helicopter movements.

Our plans

On 1 April 2007, we introduced new financial measures to help control noise from aircraft. This included a doubling of the fines for aircraft that breach agreed noise thresholds – the surcharge for breaches up to three decibels is now £1,000, and £2,000 for any breach of three decibels or over. We also increased the surcharge for Chapter 3 aircraft, which are amongst the oldest and noisiest. These measures help encourage airlines to invest in new, modern aircraft.

During 2007, we will create new noise footprint maps to meet our obligations under the Environmental Noise (Scotland) Regulations 2006, as well as commissioning a new set of 16 hour LEQ noise contours (which depict average

noise levels) based upon 2006 actual flight numbers. We will also undertake a revision of all existing noise protocols to reflect current air transport movements at the airports.

Our plans include a commitment to work with our air traffic service provider, National Air Traffic Services, to bring about the introduction of continuous descent approaches (CDA) to our airports. CDA is an important flying technique for reducing the noise of approaching aircraft close to airports. It involves starting a continuous steady descent from 6,000 feet, or higher, rather than following a number of short descents to set 'cleared' altitudes and joining the three degrees approach glide-slope from below, as is normally required by Air Traffic Control.

A revised noise strategy document will be publicised.



Surface access

The issue

Traffic volumes to and from airports can contribute to congestion because of the large numbers of passengers, employees and supplier vehicles accessing them on a daily basis. This congestion causes greater carbon (CO₂) emissions and has a negative impact on local air quality.

The airport master plans, published in 2006, set out at a strategic level our commitment to improving surface access to our airports in line with the goals set out in the UK Government's 2003 Aviation White Paper.

Our approach

Our primary objectives are to increase passenger and employee use of public transport and to reduce our impacts on the road networks surrounding our airports.

Local stakeholders, including transport users, providers, regional transport partnerships and local authorities, play a key role in developing, promoting and operating public transport services around each airport. We work with stakeholders through individual airport transport forums to agree strategies and targets to increase the use and frequency of public transport. They were instrumental in the production of our surface access strategies and will support us as we pursue these new targets. Where the use of public transport is not a feasible option for passengers, our strategies aim to reduce the proportion of 'kiss and fly' journeys (where friends and family drive to the

airport to drop-off and pick-up passengers). We also encourage a shift towards the use of parking facilities and, more recently, shared trips through use of either flexible (demand responsive) bus services or shared taxis. We are in the process of relaunching staff car share schemes and investigating a range of incentives to encourage staff to use public transport or consider alternatives, such as cycling.

In 2006, we reached an agreement with the then Scottish Executive to enable the construction of the Edinburgh and Glasgow Airport Rail Links, (EARL) and (GARL). We are actively working with Scottish Partnership for Transport to progress the GARL project – now set for completion in 2011 – and continue to work with the Scottish Government on their planned replacement to EARL. We continue to work with the promoter of the Edinburgh Airport Tram Link, TiE, to help ensure the successful delivery of that project.

Our performance

At Aberdeen, we work closely with transport providers to develop new bus routes and increase the frequency of existing services. The airport is a founding member of the Dyce Transport Management Organisation (DTMO), which introduced a new bus service (the 777 Kirkhill Commuter) operating at peak periods from residential areas with large concentrations of airport employees to the airport and nearby industrial estates. The Aberdeen Airport Business Development Forum chaired by our Managing Director has, as part of its remit, the task of promoting and supporting improvements to the public

transport network around the airport. A second taxi concession was appointed to meet growing demand particularly from business travellers. Whilst taxis are not the most sustainable form of transport, we are working to make taxi journeys as efficient as possible through the introduction of taxi sharing.

BAA Aberdeen's surface access strategy, 2002 to 2007, sought to increase the percentage of passengers using public transport from 4.5% to 7%. During 2006/07, according to the BAA retail profiler survey, the percentage of people using public transport actually increased to 6.2%. Therefore this target is on course to be achieved by the end of 2007. A new strategy for the period 2008 to 2012 will set out proposals to further increase public transport use and will include improved links between the airport and Dyce Rail Station.

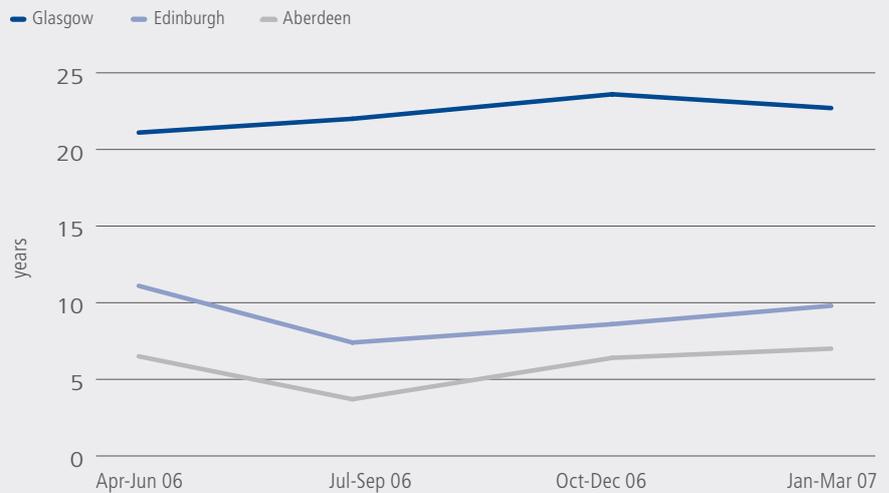
A number of new bus services were introduced at Edinburgh Airport during 2006/07, including a night service (Lothian Buses N22) providing a connection to the airport throughout the night to and from the city centre and Leith, and a direct service to Fife every 30 minutes (Stagecoach 747). We also supported the introduction of the new 'Edinburgh Shuttle' bus service offering a door to door connection to city centre destinations and worked with Horsburgh Coaches to deliver a new bus service (777) linking the airport with West Lothian.

Changes to the airport forecourt were implemented during 2006 to prioritise public transport vehicles to the inner forecourt, with all private car drop-offs relegated to an outer forecourt area.



Public transport mode share 2006/07

(years)



In February 2007, Edinburgh Airport published its surface access strategy detailing action to further increase the already high number of passengers using public transport, and reduce private vehicle movements. The strategy aims to increase the proportion of public transport use from its current level of 22.8% (moving annual average) – one of the highest of any regional UK airports – to 27% by 2011.

Initiatives include a possible new taxi sharing scheme, real time bus information and a staff car share scheme.

Like Edinburgh, Glasgow Airport took steps in 2006 to prioritise public transport, moving buses and licensed taxis to the inner forecourt, adjacent to the terminal and creating a new drop-off zone for private vehicles in the outer forecourt. The move has resulted in a noticeable drop in congestion in the forecourt area and a cleaner, safer

environment for passengers. These changes helped increase the percentage of people using public transport to 9.4% for 2006/07.

During 2006/07, Arriva Scotland West introduced new services (Arriva 6/6B) connecting the airport with the nearby towns of Johnstone, Linwood and Bridge of Weir. It offers an important link for passengers and airport employees.

In January 2007, the Scottish Parliament voted in favour of proposals for a Glasgow Airport Rail Link (GARL) between the airport and Glasgow Central Station. The new Scottish Government has committed its support to GARL and the project remains on course for completion in 2011.

Our plans

During this year, our key focus will be the delivery of our new surface access strategies, a process already underway at Edinburgh. In partnership with local authorities, the Scottish Government, and local transport agencies, we will work – across our three airports – to increase the proportion of passengers accessing our airports by public transport and deliver a wider choice of transport options for staff and passengers, including bus, tram and rail services.

Energy use

The issue

Burning fossil fuel in flight is the aviation industry's biggest environmental impact. However, it is the ground level carbon footprint of our airports over which we have some influence, even though this is a small fraction of the total. Excluding the fuel burnt by aircraft in the process of landing or taking off, ground level greenhouse gas emissions are caused mostly by aircraft taxiing, airport vehicles, vehicles used by passengers and staff to get to and from the airport, and energy use on the airport campus.

Our approach

Our primary focus to date has been on reducing the CO₂ emissions attributable to our use of energy to run our buildings and other infrastructure.

By 2010, BAA Limited is committed to delivering a 15% reduction in absolute CO₂ emissions from energy use compared to 1990 levels. At BAA Scotland, we play an important part in achieving these reductions. By 2020 BAA, as a whole, is aiming for a 30% reduction in CO₂ emissions from our fixed assets compared to 1990.

Our performance

BAA's CO₂ targets are based on future infrastructure development needs and forecast passenger growth. Throughout the year, each airport sets targets to reduce gas and electricity use within the terminal and associated infrastructure, including car parks and street lighting.

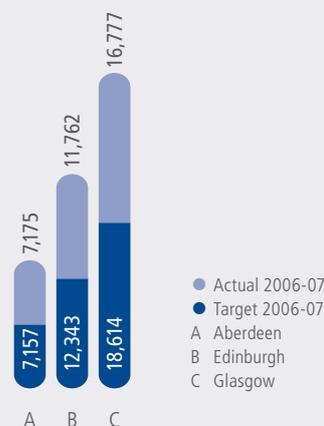
Empowering staff to make a difference has also been critical – for example, security teams turning off baggage x-ray machines during non-operational periods, and airfield operations teams liaising with National Air Traffic Services to operate optimum lighting levels on the runway.

Aberdeen Airport reduced its total CO₂ emissions by 95 tonnes in 2006-7 against the previous year's performance, despite the challenge of 10.6% passenger growth. Total emissions for the year were 7,175 tonnes, just above the target of 7,157 tonnes.

Edinburgh Airport's total CO₂ emissions for 2006-7 were 11,762 tonnes. This was 5% better than our target for the year. This was delivered through an investment in variable speed drives on the building chillers, the installation of back-end valves on the boilers and several changes to make the building management system more efficient. Within the terminal, the lighting system has been adjusted to make maximum use of natural light in line with changes in the seasons. We also carried out trials in the multi-storey car park, altering the lighting system depending on capacity.

During 2006/07, Glasgow Airport's total CO₂ emissions were 16,777 tonnes, almost 11% better than the target and 634 tonnes less than the previous year. See the case study opposite for information on how this target was accomplished.

Total CO₂ emissions from fixed sources in 2006/07 (Tonnes)



Our plans

Ongoing infrastructure development at the airports will inevitably increase the demands for electricity and gas, and will further stretch our CO₂ reduction targets. If we are to meet those targets, it is vital that we build energy efficient measures into all maintenance, repair and construction projects.

Beyond 2010, we are working towards the overall BAA strategy of reducing CO₂ to 30% below 1990 levels by 2020.

As a step towards delivering these targets, we are developing site-wide energy reduction strategies across our three Scottish airports.

Case study: Energy savers

During 2006/07, Glasgow Airport sought to engage staff at all levels and across all departments on the issue of energy consumption. A Service Improvement Program (SIP) event involving BAA staff members was held to explore the issue of climate change and suggests ways in which the airport could play its part by reducing gas and electricity use. The cross campus event provided information on energy use to airport staff, our business partners and passengers, and was supported by a range of public and private sector bodies. As a direct result of the campaign, energy champions were appointed from each department to drive the environmental message forward.



We will prepare an action plan to reduce emissions associated with ground operations by working with airline partners and handling companies and the implementation of our airport surface access strategies will reduce vehicle emissions on our sites.

We have committed to offset emissions from the business flights of our employees since 1 December 2006. We are measuring mileage and estimating the consequent emissions as an interim measure while reviewing which type of offset to purchase. We are assessing the best system for recording our business road mileage with a view to offsetting that impact in future.

At Glasgow, as part of the major extension of the terminal building set for completion in Autumn 2008, we will invest in energy efficient equipment that will help the airport to meet its CO₂ targets.



Air quality

The issue

Air quality is an issue of concern both locally and nationally. Airport operations lead to a variety of emissions which affect local air quality – aircraft and road vehicles at and around our airports emit a number of pollutants, particularly nitrogen dioxide (NO₂) and fine particles (PM₁₀). The UK Government and Devolved Administrations have recently published their revised air quality strategy, which has the primary objective of access to outdoor air without significant risk to human health.

Our approach

To manage air quality, we address the emissions for which we are responsible and work in partnership with other airport users, such as airlines, to reduce emissions over which we do not have

direct control. Our objectives are to achieve industry good practice in airport air quality management and to work with local authorities and communities to ensure we achieve the objectives and targets of the Government's air quality strategy.

Our performance

In order to better understand the air quality around our three Scottish airports, the target for 2006/07 was to carry out an air quality study. The aim of this study was to build on an earlier study in 2004 and to identify if the remodelling of the forecourts at Glasgow and Edinburgh airports had created any impact on air quality. Work on the study began in December 2006 and involved six months of monitoring with diffusion tubes placed at various locations around each airport.

Our plans

The results of the study are expected to be published in late 2007 and the results will be shared with relevant local authorities. This report will identify areas where action is needed to improve air quality and will help inform our future strategies going forward.

Waste

The issue

There is growing focus on waste management performance in the UK and Scotland. There is an urgent need to reduce the volume of waste going to landfill, partly related to limited capacity, but also because the UK and Scotland are not fully realising their potential to increase the recycling of waste materials.

Waste is generated from a number of sources at the airports, notably from aircraft, catering, offices, shops, construction as well as the maintenance activities carried out. BAA's activities generate only about 10% of each airport's total waste.

'The National Waste Plan' establishes the direction of the Scottish Government's policies for sustainable waste management. It is built around a major commitment of funding by the Government to transform Scotland's record on waste reduction, recycling, composting and recovery.

Our approach

We manage around 5,000 tonnes of airport waste in Scotland each year, excluding the waste from our own airport construction and refurbishment programme. Our overall aim is to mitigate the growth in the cost of waste management to the business by ensuring a responsible approach to airport waste, reflecting national and local external sustainability objectives. Working on the principal of the waste hierarchy – reduce, recycle, re-use – our first priority is to reduce the amount of waste through improved efficiency and more thoughtful

selection of goods. Our focus then moves to treatment of the waste stream, encouraging re-use, recycling, re-processing and composting.

Our performance

The total volume of our managed waste stream in 2006/07 was 5,095 tonnes, a decrease of 3.8% compared with the previous year.

At Aberdeen Airport, total managed waste was 506 tonnes in 2006/07, an increase of 10% on 2005/06. This increase was attributable to the strong passenger growth experienced at Aberdeen and equates to 0.19kg of waste per passenger. Disappointingly, the level of recycling fell from 28.9% in 2005/06 to 24.7% in 2006/07.

At Edinburgh Airport, total managed waste was 1,874 tonnes in 2006/07, a decrease of 12% on the previous year. This equates to 0.22kg of waste per passenger. The recycling rate fell to 21% in 2006/07 down from 24% in 2005/06.

The volume of managed waste also decreased at Glasgow Airport to 2,715 tonnes during 2006/07, down marginally from 2,733 tonnes in 2005/06. Waste per passenger remained steady at 0.306kg, though in common with Aberdeen and Edinburgh Airports, the recycling rate fell to 19.9% in 2006/07 compared with 23.6% in 2005/06. The major contributor to the marked decrease in recycling was the additional security restrictions following the August 2006 security alert. This led to the widespread confiscation and disposal of items that were no longer allowed in hand baggage, such as liquids, creams and gels.

Our plans

Increasing our recycling, and reducing the amount of waste that goes to landfill, will again be a key focus area in the year ahead. We will continue to improve awareness and educate our employees and our tenants on the importance of effective waste management.

At each of our three airports, we are aiming to achieve a general waste recycling rate of 30% by 31 December 2008.

We are working with our current waste contractor to address the recent decrease in recycling rates and to assess the viability of new technologies such as material recycling facilities and energy recovery plants. As part of this work, we are also looking to introduce a transparent charging mechanism for business partners to drive waste minimisation and recycling performance.

Water quality

The issue

Water running off airport surfaces is collected in drainage systems and eventually discharged to water courses. Airport activity has the potential to cause pollution through the use of substances such as de-icers on runways, taxiways and aircraft.

Water quality can be managed using flow diversion, water treatment systems, oil separators and balancing pond lagoons. We are working to ensure that we maintain appropriate systems and infrastructure to handle surface water run-off effectively, and ensure storage facilities are properly managed in order to avoid potential pollution incidents.

Our approach

Working in partnership with local authorities and SEPA, we strive to maintain the high water quality standards expected by the regulator. Samples are taken from surface water inlets and outfalls on a monthly basis, with the results analysed to ensure quality standards are consistently met. At Aberdeen and Edinburgh airports, a biological monitoring programme is carried out to understand and analyse the impact of any discharges to the local water ecology. Aberdeen Airport also monitors the effect of chemical de-icing on the river by sampling at agreed points during discharge events, and continues to build a picture of the surface water flows across the airfield through bore hole analysis.

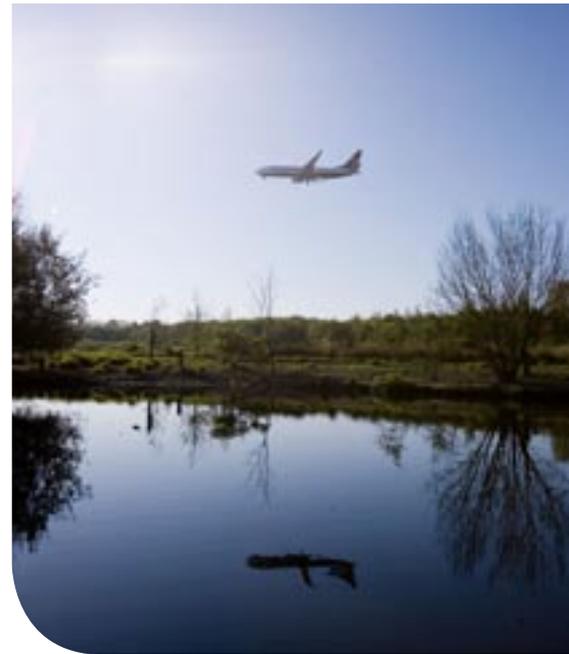
Technologies continue to change, and through consultation with SEPA we will strive to use the best available techniques, minimising any effect the airport has on watercourses.

Engaging with our senior management team has been key to ensuring environmental compliance is adhered to across the airports. Managers from all aspects of our business have been actively involved in meeting our environmental obligations through an ongoing programme of health and safety and environment tours.

Our performance

At Aberdeen Airport we have continued to build a picture of the quality of water we are discharging as well as any effect we are having on the watercourses from our discharge. The biological sampling undertaken in 2006/07 showed there was no significant effect by the airport surface water discharge into the River Don. There was a period during the winter when system failure resulted in raised bio-chemical oxygen demand levels to local watercourses. This resulted in the airport increasing the monitoring of the water system via the Building Management System to provide instant remote system status to ensure any failure would not reoccur, as well as enhancing the maintenance of the water quality system.

At Edinburgh Airport we continue to ensure that every spill on the airfield or road system is reported and cleared up as quickly as possible to prevent pollution entering the drainage system. We optimise the amount of de-icer used on the airfield to limit the potential of it entering the rivers. We carry out water



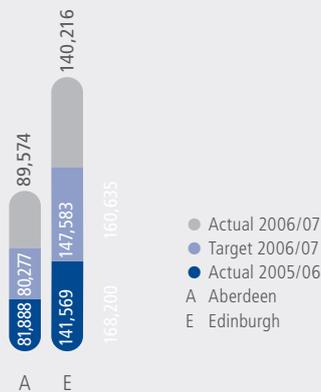
sampling to better understand our impact on the river systems and use this data to work with SEPA to develop a suitable way to improve water quality in the future.

At Glasgow Airport, we developed a detailed scope of works to carry out surface water quality modelling. This was done in conjunction with SEPA and a specialist consultant. The results of this study will assist in providing information to understand the levels of de-icer entering our surface water network.

Our plans

During the next year, we will continue to work with SEPA and other interested parties to understand their requirements in terms of water quality and to understand the impact of surface water run-off from the airports. We will also continue to communicate with them regularly on water quality issues.

Total water consumption (m³)



Note: Accurate data is not available for Glasgow Airport due to a faulty meter.

Water consumption

The issue

Clean water is essential to a healthy environment and is increasingly being recognised as a valuable resource that needs to be used sparingly.

As a major infrastructure provider and one of the construction industry's largest clients, we use significant volumes of water in our airport operations and development projects.

Our approach

We aim to pursue a responsible approach to water consumption which involves understanding how much is used and where. The key elements of our approach to water consumption are:

- Monitoring water use and leak detection
- Incorporation of low water use technologies into new building design
- Water conservation initiatives within the existing buildings where practically and financially viable.

Our performance

In 2006/07, overall water consumption at Aberdeen Airport was 89,574m³, an increase of 9.4% on the previous year. The principal reason for the increase was Aberdeen's very strong annual passenger growth of 10.6%. When disaggregated however, water consumption per passenger was 27.2 litres per passenger, a reduction of 0.7 litres per passenger compared with 2005/06.

At Edinburgh Airport, total water consumption during 2006/07 was 140,216m³, which was 1,353m³ lower than the previous year and 5% better than target. This was due to the completion of new facilities which incorporate water saving design and also a robust maintenance regime which has minimised water loss through leaks.

Unfortunately, at Glasgow Airport, water consumption levels were unable to be adequately measured due to a faulty meter.

Our plans

During 2007, we will continue to focus our efforts on investigating and repairing pipe leakages.

We will also use our metering systems to allow us to target high consumers of water and evaluate the potential success of water saving initiatives. Harvesting of rain water will be investigated to look at the possibility of introducing this to airport locations.

Biodiversity

The issue

Biodiversity is the variety and richness of life in the world around us including the habitats and complex inter-relationships that support it. The concept of conserving biodiversity applies equally on a local, national and global level. BAA Scotland recognises that the preservation of biodiversity is an important factor in the sustainable development of our business.

Our approach

The principal impact of our airports on biodiversity is the potential loss of habitats as a consequence of development. Notwithstanding our legal obligations, we recognise that the protection of biodiversity is an essential part of responsible airport management and growth of our business. It is also important to our relationship with our communities who value their local wildlife and natural areas. Key features of our approach to the issue are:

- To understand the local wildlife and the effect of our operations
- Strategies to address the aspects of our operations that could harm biodiversity
- The preparation of biodiversity action plans that reduce or compensate for any loss of biodiversity.

The variety of habitats at and around Aberdeen airport is relatively small and consists mostly of grassland, scrub and scattered trees. However there are two areas which have been identified as important biodiversity sites. Greenlaw contains predominantly semi-natural vegetation with scrub and grasslands, which are likely to be attractive to insects and a few birds. Dyce Junction also



contains predominantly semi-natural vegetation. The plant species, Heather and Marsh Violet, which are not found elsewhere, exist at Dyce Junction along with extensive Broom.

Edinburgh Airport is home to a surprising and varied assortment of wildlife. The two rivers which run close to the airport provide sanctuary for a wealth of wildlife including; otters, trout, water voles and kingfishers. Airfield Operations also spots tracks from Badgers and Foxes which cross the airfield at night time.

Paisley Moss Local Nature Reserve lies within the south-west boundary of Glasgow Airport. This special reserve, with its rich mosaic of varied habitats, continues to be maintained and managed by a team from Scottish Natural Heritage, Carts Green Space, Renfrewshire Council Ranger Service, the Scottish Ornithologists' Club and BAA Glasgow Airport. The reserve is open to the public throughout the year via a cycle track, and

a boardwalk gives access to local people around part of the site.

Ecological reviews will be carried out every five years at our airports. The first was carried out in 2004 and from this BAA Aberdeen has been able to identify areas of ecological importance and recognise sites where biodiversity can be improved.

BAA Edinburgh recognises that future development may have an impact on sensitive habitats and wildlife in the surrounding area. To reduce this potential impact we will look at ways to safeguard and promote wildlife opportunities as part of our development strategy. Our target for 2006/07 was to carry out a detailed ecological survey of the airport to obtain a better understanding of biodiversity. From this survey, a biodiversity action plan can be developed.

As Paisley Moss is the main focus for biodiversity, our work in 2006/07 centred around this site. At Glasgow Airport the site requires some management to maintain its high biodiversity value, and this is done by working with the site action plan which includes commissioning mammal and vegetation surveys. It is also important to maintain and promote public access to the site to allow the local community to enjoy the wildlife.

Our target for 2006/07 was to install interpretation and orientation signage at the Paisley Moss Local Nature Reserve.

Our performance

BAA Aberdeen has produced a biodiversity action plan in line with its target. The plan describes the airport site, the habitats represented and their importance. It aims to provide a context for development by allowing airport staff, including project leaders and development managers to clearly identify areas of ecological importance to minimise project impacts. The plan defines a series of management actions to maximise the ecological potential within the constraints of airport operations.

The Gogar Burn, which runs beneath the runway at Edinburgh airport, is a particular focus for biodiversity but is under pressure from the development of the west of Edinburgh. The Gogar Burn Partnership Group (GBPG) was formed in 2005 to address the environmental and development issues which affect the Burn. The Group is chaired by City of Edinburgh Council and attended by SEPA, Scottish Government, BAA Edinburgh, Scottish Natural Heritage, Scottish Water and other key stakeholders. BAA Edinburgh has a strong presence

within the partnership and has contributed significantly, both in costs and data provision, to the various studies which the GBPG has commissioned. The group is now considerably closer to agreeing a solution which will solve the development constraints on the burn and improve biodiversity at the same time. In order to explore this option further, in conjunction with the GBPG, we carried out a river habitat survey along the stretch of the Gogar Burn which runs through the airport, and along a short stretch of the River Almond. A phase one habitat survey was also carried out on the airfield. The results of these surveys are expected early 2008.

At Glasgow Airport, the target of writing and publishing the biodiversity action plan for the airport site was partly completed. A draft document has been agreed with stakeholders and we aim to conclude this work during 2007.

In addition, we successfully implemented a boardwalk at Paisley Moss Local Nature Reserve using funds secured from the BAA Communities Trust. BAA Glasgow also obtained a grant from Scottish Natural Heritage to deliver signs to access the airport site. The application to obtain these funds has involved close negotiation with local stakeholders with an interest in biodiversity.

Our plans

We will continue to liaise with stakeholders and statutory bodies such as Scottish Natural Heritage to consider mitigation of biodiversity impacts as the airports continue to develop. No specific target has been set for 2007.

Delivering for passengers

Our top priority is to keep passengers, staff and aircraft safe and secure at our airports. Delivering excellent customer service on the day, every day for passengers and our airline customers is also extremely important. More than ever, we are working and investing to make our processes as effective and efficient as possible with the key objective of reducing queuing times without compromising security.

Safety and security

The issue

Airports have a duty to provide passengers with a safe and secure environment. The security context in which we now operate provides airlines and airport operators with unique and serious challenges. While security and safety remain our number one priority, the passenger experience does not have to suffer.

The UK Government imposed strict security requirements following the security threats of August 2006. BAA has worked hard to implement these in a manner that protects the passenger and minimises the disruption experienced. We have had to adapt quickly and invest significantly to make this happen. We also have to ensure the safety of all of our passengers while using BAA's airports.

Our approach

The safety and security of passengers, employees, visitors and business partners remains our number one priority. We provide an important service and there is increased scrutiny of our performance.

At all our airports, we operate Multi-Agency Threat Risk Assessment (MATRA). It brings together all organisations involved in airport security, including customs, immigration, security services and our business partners. MATRA ensures that agencies are kept informed of threats, that they all work to the same security plan and that the appropriate controls are in place to assess and mitigate security risks.

We use sophisticated technology to support our security function, though at the heart of our operation, are our employees. All BAA staff receive security awareness training and the majority of our employees working in our security

function undertake the following key duties:

- Searching passengers and hand luggage
- Searching staff and vehicles entering restricted areas of the airport
- Securing airport perimeters
- Providing the infrastructure for aircraft hold baggage to be screened.

A key part of our approach to security during 2006/07 was our Service Improvement Programme (SIP). Initially developed and implemented at Glasgow Airport, we seconded a senior colleague to the position of SIP Manager and extended the programme to Aberdeen and Edinburgh. Following the success of SIP at these airports, BAA now plan to roll it out across all its other airports during 2007 and 2008.

Our performance

The security alert of August 2006 placed increased security requirements on all UK airports. The speed with which these were introduced meant that delays to journeys were inevitable. This led to frustration among passengers and airlines, though at our three Scottish airports, disruption was quickly minimised.

We introduced new signs and leaflets at our airports and published information on our website to inform passengers about the restrictions relating to the carrying of hand luggage and liquids. We also recognise the important role local and regional media organisations played in assisting with the communication of these significant changes.



Case study: 21st century security at Glasgow Airport – ‘Sky Screen’

Our security staff are the front line of our business and their well being, professionalism and continued training is critical to maintaining security and service levels at the highest standards. Our focus on people, processes and technology has helped engender a sense of respect and pride within the security team.

At Glasgow Airport, a 35 member service improvement team was set up in December 2006 to trial a new security environment using the latest security technology. The main domestic security search facility was completely refurbished at a cost of £250,000 with new wall

coverings, flooring and lighting, and was re-branded as ‘Sky Screen’. We also introduced a new style of uniform and personal communication equipment for security officers. The brand has proved highly successful and has been reflected in both passenger and staff satisfaction levels.

Since the introduction of ‘Sky Screen’, Glasgow Airport has seen a reduction in employee absence rates, an increase in detection rates, increased levels of vital communications, and crucially, increased levels of passenger throughput which has led to reduced customer waiting times.



We knew the restrictions introduced were not likely to be relaxed in the short to medium term and developed and implemented a £12 million investment plan to ensure that security queues and disruption were kept to a minimum.

At Aberdeen, we increased the size of the security search area which allowed us to install an additional lane for processing passengers. We also recruited 25 additional security officers and by the end of 2006/07, Aberdeen was processing 98% of passengers in ten minutes or less.

Edinburgh Airport recruited an additional 54 security officers and created a new security search area on the ground floor providing two additional lanes. This allowed Edinburgh to process 97% of passengers in ten minutes or less at the end of 2006/07.

Following the success of the ‘Sky Screen’ project in the main domestic pier, Glasgow Airport remodelled and refurbished its international security search area. This allowed for the installation of two additional processing lanes, increasing passenger throughput by 25%. We also started the process of recruiting an additional 77 security officers. The investment was crucial to Glasgow processing 96% of passengers in ten minutes or less.

Our plans

Improving the effectiveness and efficiency of our security function will continue to be a key objective in 2007/08 and beyond. We have set ourselves a target of processing 95% of passengers through security in five minutes or less. We will do this through continuing to invest in new security facilities, installing additional x-ray machines and recruiting additional security officers.

We also plan to standardise our security processes and search areas across all our UK airports using ‘Sky Screen’ as the model.

At Glasgow Airport, we will continue to press ahead with the £30 million ‘skyhub’ project which will deliver a large single security search facility offering greater space and efficiency by October 2008.

£12 million

investment plan to ensure queues and disruptions are kept to a minimum

Service

The issue

The expectations of our passengers are higher than ever before. Airports must meet and exceed those expectations by offering an efficient and friendly service. The increased levels of security and passenger numbers present significant customer service challenges. Queuing, the standard of cleanliness, the availability of retail and catering facilities and distances travelled in the airport are all important factors.

At BAA Scotland, our airports have worked hard to ensure that high levels of customer service are combined with the provision of a safe and secure environment. We recognise that along with a constantly changing security environment, the needs of the passenger must come first.

Our approach

In a constantly changing environment it is essential that our airport teams on the ground are flexible, responsive and able to meet the every day challenges of running an airport. Each of our airports has an operational standard room, a forum to drive service improvement on a daily basis. The duty manager holds three meetings a day to focus on accountability, communication and continuous improvement. The meeting is action oriented with attendance from each of the operational supervisors, as well as airlines and handling agents. Some of the measures include:

- security/check-in queuing
- equipment performance
- cleaning standards
- safety and compliments/complaints.



Actions and measures are tracked and reviewed daily to identify trends and enable data driven decision making.

Embedding service in the team

Our airports continue to motivate and develop our staff through continuous customer service training, the most recent of which has been rolled out in conjunction with the Institute of Customer Services (ICS). At Glasgow around 30 staff have participated in an ICS award scheme with the opportunity to qualify with an independent professional accreditation that is recognised across the service industry. The award teaches staff to take a holistic approach to service and to use every interaction with the passenger as an opportunity to leave a positive impression.

Putting the passenger first

Each airport has invested in a dedicated team of "ambassadors" who focus solely on service delivery and enhancing the passenger experience. The ambassador team takes a proactive approach to service by interacting with passengers, recognising their needs and working with all stakeholders in the airport to meet and exceed them. Our ambassadors:

- welcome passengers to the airport
- help locate check-in desks and navigation around the airport
- provide airline specific information
- provide advice to prepare passengers for security
- advise on retail offerings and travel information.

The team also helps gather feedback directly from our passengers to help us continually improve our service.



Our performance

In common with other BAA airports, we use market research and regular results from a feedback scoring system called Quality Survey Monitoring (QSM) to monitor our operational performance. Through QSM, we continuously research the perception of our customers in one to one interviews involving more than 70,000 passengers.

The QSM measures both the departures and arrivals processes with results based on a scoring system of 1 to 5 (1= extremely poor and 5=excellent). The results provide us with measures of passenger satisfaction and help us to determine priorities for further improvement.

We are able to compare the attitudes of our passengers with those at our London

airports and Southampton. Each of our airports set targets to improve scores in the QSM survey each year.

Throughout 2006/07, Edinburgh and Glasgow generally fared better in overall passenger satisfaction for departures and arrivals compared with the rest of the airports in BAA. Aberdeen's average satisfaction rating for departures and arrivals during 2006/07 was lower, reflected the very significant challenges and pressures that come with a 10.6% growth in passengers.

Aberdeen's average satisfaction rating for departures was 3.90 and 3.95 for arrivals. The airport scored highly in terms of trolley availability for arriving passengers (4.30) and ease of finding toilets (4.29).

At Edinburgh, the average satisfaction rating for departures was 4.05 and 4.08

for arrivals. Like Aberdeen, trolley availability for arriving passengers scored highly (4.41), as did the fact that the terminal building was a smoke free environment (4.30).

Glasgow Airport's average satisfaction rating for departures during 2006/07 was 4.10, the highest of any BAA airport. The check-in and security processes both scored highly as did flight information. It is evident the Service Improvement Programme and investment in 'Sky Screen' are delivering real and sustained customer service benefits for passengers.

Passengers arriving at Glasgow gave an average satisfaction rating of 4.26, the second highest of BAA's seven UK airports. Trolley availability (4.57) and immigration queue times (4.47) both scored very highly.

Our plans

We will continue to seek ways to improve our service in line with passenger feedback and airline requirements. We will benchmark against other regional airports and similar service industries to ensure our passenger needs are being met and exceeded.

During 2007, all BAA airports will implement a programme of improvements aimed at putting the passenger first. The security standardisation project and baggage handling performance management will be key elements of this programme.

Our people

Our employees are our most important resource. We aim to treat our people fairly, to advance their learning and development and to create a safe and positive working environment, free from discrimination.

The issue

High performing companies succeed by attracting and retaining the best employees. To achieve this, they must offer attractive pay and benefits packages, opportunities for training and development and provide a safe and secure workplace. Companies that promote equal opportunities also benefit from the innovation and creativity of a diverse workforce.

Our approach

We employ almost 1,200 staff across our three airports. These are the people who put the passenger first and turn our strategies into action. We are transforming BAA Scotland into a true frontline-led business by placing decision making responsibility close to the customer.

We aim to attract and retain the best people to create a high performing organisation, one that is recognised as a customer service leader where:

- People are rewarded for the work they do, with a combination of salary and eligibility for an annual bonus
- People are encouraged to increase their skills through learning and development
- Team working is fostered

- Equality of opportunity is a reality and opportunities are based on merit in a environment free from bullying and harassment.

All staff are eligible for an annual bonus based on the financial performance of the business. Managers' bonuses are based on a combination of business and personal performance. We also offer long term incentive schemes for employees. This includes the Bonus Saver Plan for all employees – where savings are enhanced by an end of saving period bonus dependent on business performance, and the Executive Share Option Scheme for senior managers and directors.

We recognise the contribution our long serving employees bring to our organisation and each of our airports run events to reward employees after 10 and 25 years service.

We offer the training and development opportunities that our employees need to increase their skills and to adapt to new roles. Our on-line virtual university, called Uni, provides information on development opportunities including traditional class-based sessions, e-learning and coaching.

We want our employees to be able to balance work and home life. We offer flexible working options including:

- Part-time working
- Job sharing
- Home working
- Reduced hours
- Special leave for domestic emergencies and for volunteering
- Maternity, paternity, adoption and carer leave.

We aim to keep our employees informed about the business and to understand their views. We engage with our employees informally through Managing Director road shows, team meetings and monthly one-to-one meetings and formally through our annual survey, 'Make Your Mark'.

We engage with our employees in a number of other ways, including:

- Airwaves, our monthly internal magazine
- Airwaves Direct, an email news bulletin service
- CEO Chatback, a recorded telephone service where employees can leave a question which is then answered in Airwaves
- An intranet site
- Text message alert service
- Management conferences
- Airport fun days
- End of season parties.

We held our second leadership conference in January 2007 involving 100 senior managers from BAA Scotland. The conference is designed to discuss challenges, opportunities and set the agenda for the coming year.

Almost 1,200
people are employed across our three airports

Many of our employees are members of a trade union. We are committed to working cooperatively with the three unions that represent our employees:

- Prospect
- Public and Commercial Services Union (PCS)
- Unite (formerly Amicus and Transport & General Workers Union (TGWU)).

We meet formally with these trade unions to negotiate pay and employment policies through the Joint National Forum (JNF) and the Scottish Joint National Forum (SCJNF). Each airport also has its own specific consultative arrangements for local issues.

We believe the concerns of our employees can usually be dealt with by their managers, but we also recognise that some staff may feel unable to raise issues or problems within the organisation. In November 2006, we launched a 24 hour, seven day a week confidential phone line operated by an independent company, which offers employees an opportunity to speak about serious issues in the workplace such as fraud, harassment, security, discrimination, bullying and potentially inappropriate business practice, without fear or prejudice. Each individual's call is treated confidentially and all matters raised are investigated by the company.

Our performance

Our 'Make Your Mark' employee survey was undertaken at the end of 2006 and attracted responses from 73% of employees across Scotland. This rate of response benchmarks well with similar organisations.

The survey results showed an upward trend in satisfaction with engagement and communication across Scotland, and a growing number of people at all three airports say they understand how their work contributes to BAA's strategies (up 6% at Aberdeen, up 22% at Edinburgh, and up 8% at Glasgow).

Across our three airports, a number of common themes emerged which can be summarised as follows:

Areas of strength:

- Understanding of individual's job role, responsibilities and expectations
- Understanding of BAA's objectives and strategies and how their work contributes to success
- Awareness of the Service Improvement Programme.

Areas requiring improvement:

- Belief that promotions are not based on merit
- Disbelief that action will be taken as a result of the survey
- Desire for more/improved feedback on individual performance.

The results in the BAA wide communication surveys are also generally positive, with the most recent showing a mean score of 3.5 out of 5. More people based in Scotland than elsewhere in BAA rated our internal communication as 'excellent'. However, improving face-to-face communications remains a focus, as does encouraging feedback and getting people at all levels to become involved in improving the business.

Since we launched our confidential employee whistle-blowing line in November 2006, 17 reports were made, each of them being fully investigated.

In terms of policy development, we launched a new diversity policy in 2006 which emphasised the company's commitment to provide an inclusive working environment where everyone feels valued and respected.

Our plans

During 2007, our focus areas will be:

- Developing the Service Improvement Programme (SIP)
- Supporting people through the change programmes
- Delivering the diversity survey
- Continuing our programme to improve levels of attendance
- Increasing engagement – including the Employee survey "Make your Mark"
- Continuing to build an increasingly constructive relationship with trade unions
- Implementing a series of changes to the University aimed at ensuring it continues to meet the needs of the business and the staff
- Focusing on passenger service, ensuring that everyone in BAA understands their role in meeting and exceeding passenger expectations, every day.
- Improving our online communications – maximising the use of new media in delivering messages, performing tasks and sharing information.



Health and safety

The aviation industry is founded on the highest standards of safety in the air and on the ground. The safety of everyone in our care is vital for us. We continually look for opportunities to improve our health and safety processes.

The issue

Health and safety is an issue which affects all businesses. At any airport, the potential hazards are extremely diverse with the size and complexity of the operations making them challenging environments for health and safety management.

Our approach

Our airports at Aberdeen, Edinburgh and Glasgow are committed to being leaders in health, safety, and environment (HSE) management and to providing HSE leadership in our organisation.

Our aim is to eliminate all preventable work-related illness, injury and business losses due to unplanned events on any of our airport campuses. We aim to be a best practice organisation in the HSE field, fully compliant with applicable international, national and local standards in all countries where BAA operates. We will strive to continually improve our HSE performance through:

- Clear leadership
- Participation of all employees in HSE matters

- Effective employee consultation and provision of information instruction and training on HSE matters
- Ensuring that employees understand, follow and carry out their responsibilities as laid out in the Managing Responsibly system and Policy
- Assessment and management of all HSE risks.

We aim to address the everyday risks with relatively low consequences (e.g. slips, trips and falls), less frequent risks with more severe consequences (e.g. construction accidents) and extremely rare but potentially catastrophic risks (e.g. aircraft accident and major fires). Within each of these areas, we first seek to

HSE Better Backs Campaign

Both Edinburgh and Glasgow Airports took part in the HSE Better Backs Campaign in October 2006, which aimed to reduce the incidence of back pain caused or made worse by work, its impact and the number of working days lost.

During a two week period staff were offered advice on musculoskeletal problems, diet, given back rubs, hot stone massage, physiotherapy treatment, aromatherapy massage, reiki and crystal therapy.

prevent the risk occurring, however, in the event of a crisis situation, we must be prepared with effective contingencies.

Our performance

We have five key performance indicators (KPIs) for health and safety. They are staff reportable accidents, staff non-reportable accidents, public reportable accidents, fires and false alarms. A reportable accident is one which requires to be notified to the Health and Safety Executive or relevant Local Authority under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

During 2006/07, our performance against these KPIs was varied. Across our Scottish airports, we recorded an improvement in five KPIs, a deterioration in five and the remaining five were unchanged. We now attribute a severity rating to public accidents – a first aid injury counts as one accident, an accident where a member of the public is taken to hospital counts as two and where the injury is serious e.g. a broken bone it counts as three.

Glasgow Airport employed a physiotherapist from April 2006 so that staff could be referred quickly for treatment saving unnecessary suffering as well as helping staff to return to work more quickly.

Edinburgh Airport hosted a display of dedicated back health practitioners to raise awareness of the issue to passengers as well as staff.

Five

The number of key performance indicators we have for health and safety



At Aberdeen Airport, there was a total of 23 accidents to staff during 2006/07, compared with 17 during the previous year. Some of this increase can be attributed to new accident severity ratings but not all. Reportable accidents involving members of the public remained unchanged at one during 2006/07, though the airport recorded a very significant decrease (80%) in the number of fires in 2006/07 taking the total to ten.

At Edinburgh Airport, there was a total of 17 accidents to staff during 2006/07, compared with 29 during the previous year. Reportable accidents involving members of the public remained unchanged at nil during 2006/07, though Edinburgh also recorded a very significant decrease (90%) in the number of fires in 2006/07 taking the total to ten.

At Glasgow, total staff accidents reduced slightly to 37 during 2006/07, down from 43 in the previous year. Reportable accidents involving members of the public remained the same as the previous year at 4 in total. Fires decreased from ten in 2005/06 to two in 2006/07 highlighting the role of our duty safety team, whilst false alarms remained static at 55 for the year.

Our plans

We have reviewed our safety governance structure and identified several focus areas for the next year. These include:

- Managers will be targeted with carrying out programmed safety tours and inspections to identify problem areas
- Inspection results will be tracked on departmental notice boards so that managers and staff can see progress easily
- A revised safety tracker will ensure safety actions are closed out in a timely manner
- A "near miss" programme will identify areas of concern at an early stage
- We will introduce a Behavioural Safety Programme for staff with the aim of increasing safety awareness.

Managing corporate responsibility

Our approach to managing our corporate responsibility issues is guided by our corporate responsibility policy and embedded in our business processes. This means managing our business in a way that enhances the positive and minimises the negative impacts of our activities.

Our approach

Across BAA airports, there are many common aspects to our approach to corporate responsibility. We benefit from sharing best practice across all our airports. This offers us the opportunity to benefit from a broad range of knowledge and skills.

Elements of governance occur at a corporate level to ensure a consistent approach to corporate responsibility at the airports. BAA's corporate responsibility and environment strategy team is responsible for overall co-ordination of our programme, including policy and strategy development, performance monitoring and assurance, and internal and external reporting.

BAA and airport corporate responsibility programmes are integrated with all other strands of our business activity and are supported by management systems that have long-term objectives and annual targets. We are exploring ways of further aligning our security, health and safety and environmental management systems.

In Scotland, our overall approach is to develop our environmental management systems in line with international standards (ISO 14001), but we are not currently preparing for formal certification. This is in line with our objective to use our resources in the most effective way – to focus on the performance outcomes expected by our stakeholders in preference to the diversion of effort into certification.

We have a comprehensive approach to risk management covering all aspects of risk to our business. The identification and management of environmental risks are a key part of this process. Risks include the potential for environmental non-compliance caused either directly by one of our airports or by a third party business partner. The actions to address these risks are integrated within our environmental programme and include the development and implementation of a suite of environmental performance standards.

We recognise that equipping employees with the right knowledge and skills is fundamental to fully integrating corporate responsibility into our business.

Training needs are initially identified through discussions between line managers and employees, and training



is identified to support the requirements of the job and personal targets. There are a range of internal and external courses offered to managers to help them understand corporate responsibility issues.

Internal courses are available covering issues such as safety, security, cultural awareness and disability. Courses are also available in health and safety leadership for senior managers and executives and environmental awareness.

Within BAA, senior managers need assurance that policies are being delivered and that we have an accurate assessment of our performance. Externally, our stakeholders need assurance that our reporting provides a comprehensive and accurate assessment of BAA and that it is addressing all of the material issues for the company. Our annual target-setting process and the scrutiny by independent auditors of our performance against those targets is a key part of that process.

Corporate **Responsibility**
is embedded in our business processes



Our performance

ERM made three specific recommendations in its assurance statement in our 2005/06 Corporate Responsibility Report.

The first recommendation was that BAA Scotland should complete and publish the noise strategy and report on the economic value of new routes and develop improvement targets that align with the new strategy and findings. Our activities in response to this have been:

- Approval of our noise strategy (2007-12) by the BAA Scotland leadership team; and
- Preparation of noise action plans for each airport with specific SMART targets to measure performance.

The second recommendation was to continue work with airport tenants to encourage higher levels of waste recycling and lower waste generation.

Across our three airports, we have seen disappointing performance on waste minimisation and recycling. We experienced unplanned events and difficulties which made performance extremely challenging, including an increase in confiscated items following the security alert of August 2006 and strong passenger growth at Aberdeen and Edinburgh Airports.

We want our business partners to minimise waste and to manage it efficiently within their individual businesses. To this end, we intend to educate our business partners and encourage recycling through technological systems to enable transparent billing systems.

ERM's final recommendation was that we provide evidence of senior management decisions to change targets and ensure clear communication of these changes to interested stakeholders.

In response to this our airports' Managing Responsibly Governance teams, which meet monthly, now have target reviews as a standing agenda item which allow for clear ownership, decision making, and tracking of our sustainability targets.

The table overleaf shows our 18 targets for 2006/07 and the outcome of the performance review by ERM. Targets were assessed as:

- 'Target bettered' – more actions have been completed than planned against the target. Performance is better than the target
- 'Target achieved' – all the actions are completed and items delivered. Performance has reached the target level
- 'Some progress made' – the target has not been achieved but actions have been carried out towards delivering the target. Performance has not achieved the target but is better than last year
- 'No progress' – the target actions have not been progressed at all, or performance is lower than last year.

Our plans

We set 17 targets for the year 2007, which are shown in the table overleaf. We will report on our performance against these in 2008.

BAA Scotland Corporate Responsibility Targets 2006/07		
Issue	Target	Performance review
Noise	Aberdeen - target 1 (to which BAA Aberdeen worked towards during 2006/07): Work towards delivering a Noise Trust to mitigate the adverse affect of noise on specific local communities. Investigate actual noise impact upon nearby communities, understand issues and seek methods of mitigation. Review Scottish white paper strategy, which Aberdeen Airport Limited are exempt from, to see if alignment should be sought.	Target achieved
	Aberdeen - target 2 (reported in the BAA Scotland 2005/06 CR report): Review the noise climate, and work with the UK Government's Department for Transport, the Civil Aviation Authority and the Scottish Executive. We will seek input from other airports and encourage initiatives from National Air Traffic Services, airlines and their pilots, working towards delivering a noise strategy. We will review options for noise mitigation and compensation schemes to mitigate the adverse effect of noise on specific local communities.	Some progress made
	Edinburgh - review options for noise mitigation and compensation schemes to mitigate against the adverse affect of noise on specific local communities. We will also explore the potential impact of lowering the dBa limit for night periods (currently at 87 dBa for night periods).	Some progress made
	Glasgow - review options for noise mitigation and compensation schemes to mitigate the adverse affect of noise on specific local communities.	Target achieved
Air quality	Aberdeen/Edinburgh/Glasgow - carry out an air quality monitoring programme, the results of which will be shared with the local authority/council.	Some progress made
Waste	Aberdeen/Edinburgh/Glasgow - recycle 30% of waste.	No progress
Energy use	Aberdeen - reduce energy consumption by an additional 2% against a business as usual figure.	Target achieved
	Edinburgh - achieve a 3% reduction of CO ₂ against business as usual predictions.	Target bettered
	Glasgow - achieve a 2% reduction of CO ₂ against business as usual forecast growth.	Target bettered
Water quality	Aberdeen - work with SEPA and Aberdeen District Anglers Association to understand their requirements in terms of water quality. Ensure all organisations on the airport site have all chemical bulk storage in line with best practice.	Some progress made
	Edinburgh - focus on improving chemical storage by targeting the third parties which operate at the airport, monitor the quality of our consents and work with SEPA to understand the requirements on the airport to help meet the Water Framework Directive targets.	Target achieved
	Glasgow - focus on modelling de-icer application and associated run-off while further investigating the impact on local watercourses.	Target achieved
Surface access	Aberdeen - produce an updated surface access strategy.	Some progress made
	Edinburgh - produce an updated surface access strategy.	Target achieved
	Glasgow - produce an updated surface access strategy.	Some progress made
Water use	Aberdeen - identify and progress projects to reduce water consumption in line with our utilities target of a 3% reduction on business as usual.	No progress
	Edinburgh - identify and progress projects to reduce water consumption in line with our utilities target of a 3% reduction on business as usual.	Target bettered
	Glasgow - identify and progress projects to reduce water consumption in line with our utilities target of a 3% reduction on business as usual.	Some progress made
Biodiversity	Aberdeen - write and publish the Aberdeen airport biodiversity action plan.	Target achieved
	Edinburgh - carry out an ecological survey and develop a biodiversity action plan.	Some progress made
	Glasgow - publish an airport biodiversity action plan.	Some progress made

BAA Scotland Corporate Responsibility Targets 2007

Issue	Airport	Target
Noise	Aberdeen/Edinburgh/Glasgow	Prepare a draft noise action plan for each airport by 31 December 2007 and develop a plan for consultation with key stakeholders to ensure that the action plan is finalised by 30 April 2008.
Air quality	Aberdeen/Edinburgh/Glasgow	There is no specific target for this environmental aspect which will be published externally. However, the three airports will publish the results of a six month air quality survey to local stakeholders by July 2007.
Waste	Aberdeen	Increase recycling for the general waste handled by the airport waste contract from 25% in 2006 to 30% by 31 December 2007.
	Edinburgh	Increase recycling for the general waste handled by the airport waste contract from 24% in 2006 to 30% by 31 December 2007.
	Glasgow	Increase recycling for the general waste handled by the airport waste contract from 22% in 2006 to 30% by 31 December 2007.
Energy use	Aberdeen/Edinburgh/Glasgow	Reduce CO ₂ emissions by 2% against the business as usual forecast by 31 December 2007 through improvements in energy efficiency.
Water quality	Aberdeen	Engage a consultant to review technologies to ensure compliance with the Water Framework Directive and to understand the impact of future airport expansion on surface water quality in agreement with SEPA.
	Edinburgh	Ensure 100% compliance with the de-icer storage BAA performance standard by December 2007.
	Glasgow	Establish a comprehensive understanding of the future requirements of the Water Framework Directive through consultation with Scottish Environmental Protection Agency and an external consultant to produce a value based strategy by October 2007 on achieving necessary compliance by an agreed timescale.
Surface access	Aberdeen	1. Publish airport surface access strategy by May 2007; 2. Publish the staff travel plan by December 2007.
	Edinburgh	1. Publish the staff travel plan by December 2007; 2. Seek to achieve a 24% public transport mode share by December 2007.
	Glasgow	1. Publish airport surface access strategy by May 2007; 2. Publish the staff travel plan by December 2007; 3. Seek to achieve a 13% public transport mode share by December 2007.
Water use	Aberdeen/Edinburgh/Glasgow	Decrease water consumption by 2% against the business as usual forecast by 31 December 2007 through improvements in water conservation.

Independent assurance report to BAA Limited for BAA Scotland

BAA Limited appointed Environmental Resources Management Limited (ERM) to provide independent assurance on BAA Scotland's progress against selected airport level environmental targets presented in the BAA Scotland 2006/07 Corporate Responsibility Report.

Scope of our work

The following environmental targets set by BAA and presented in the Report have been selected for our assurance engagement:

Air quality: Carry out an air quality monitoring programme, the results of which will be shared with the local authority/council.

Biodiversity: *Aberdeen:* Write and publish the Aberdeen Airport biodiversity action plan; *Edinburgh:* Carry out an ecological survey and develop a biodiversity action plan; *Glasgow:* Publish an Airport biodiversity action plan.

Energy and climate change: *Aberdeen:* Reduce energy consumption by an additional 2% against a business as usual figure; *Edinburgh:* Achieve a 3% reduction of CO₂ against business as usual predictions; *Glasgow:* Achieve a 2% reduction of CO₂ against business as usual forecast growth.

Noise: *Aberdeen:* Review the noise climate and work with the UK Government's Department for Transport, the Civil Aviation Authority and the Scottish Executive. We will seek input from other airports and encourage initiatives from National Air Traffic Services, airlines and their pilots, working

towards delivering a noise strategy. We will review options for noise mitigation and compensation schemes to mitigate the adverse effect of noise on specific local communities; *Edinburgh:* In 2006/07 we will review options for noise mitigation and compensation schemes to lessen the adverse affect of noise on specific local communities. We will also explore the potential impact of lowering the dBa limit for night periods (currently at 87 dBa for night periods); *Glasgow:* In 2006/07 we will be reviewing options for noise mitigation and compensation schemes to mitigate the adverse affect of noise on specific local communities.

Surface access: Produce an updated surface access strategy.

Waste: Recycle 30% of waste.

Water quality: *Aberdeen:* Work with SEPA and Aberdeen District Anglers Association to understand their requirements in terms of water quality. Ensure all organisations on the airport site have all chemical bulk storage in line with best practice; *Edinburgh:* Focus on improving chemical storage by targeting the third parties which operate at the airport, monitor the quality of our consents and work with SEPA to understand the requirements on the airport to help meet the water framework directive targets; *Glasgow:* Focus on

modelling de-icer application and associated run-off while further investigating the impact on local watercourses.

Water use: Identify and progress projects to reduce water consumption in line with our utilities target of a 3% reduction on business as usual.

We did not assess the appropriateness of the selected targets or the airport's wider management and reporting of the selected environmental issues. If the engagement had required us to do so, our conclusions may have been different.

If we had been asked to conclude on whether the reported information on the selected assurance topics is materially accurate, we would have needed to conduct more in-depth work and gather further evidence to support our assurance opinion.

Reporting criteria and assurance standards

BAA applied its own environmental target assessment criteria, set out on page 31.

We performed our work in accordance with ERM's assurance methodology which is based on the international assurance and audit standards: ISAE 3000, ISO 19011 and, where appropriate to our scope of work, AA1000AS.

Respective responsibilities and ERM's independence

BAA and the Scotland Airports' management are responsible for preparing the corporate responsibility report and for the collection and presentation of information in it. ERM's responsibility is to express our assurance conclusions on the selected scope of

work agreed with BAA and BAA Scotland.

During 2006/07, we have worked with BAA on other consulting engagements. However, we operate strict conflict checks to ensure independence of the company and individuals involved in our assurance activities is not compromised.

Our assurance activities

A multi-disciplinary team of environmental, noise and air quality, corporate responsibility and assurance specialists performed the engagement.

We conducted the following assurance activities:

- Reviewed self-assessment reports of progress against each target provided by each target owner
- Visited Aberdeen, Edinburgh and Glasgow airports to interview the relevant environmental target owners and review documentary evidence to support their self-assessed progress against each target and challenged the self-assessment on the basis of our findings
- Reported our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work
- Reviewed the presentation of information relevant to the scope of our work in the corporate responsibility Report to ensure consistency with our findings.

Our conclusions

Based on the work undertaken, and in consideration of the limitations of our assurance engagement presented above, we conclude that, in all material respects, progress against the selected 2006/07 environmental targets set out on pages 32 to 33 are appropriately reported.

Our key observations and recommendations

2006/07 has been a significant year for BAA including the change of ownership to the ADI Consortium led by Ferrovial, the introduction of new airport security rules and the Competition Commission inquiry. This context has been a challenging one and has affected progress against some of the targets within the scope of our work. However, we have observed through our assurance work that BAA has remained committed and focused on managing its corporate responsibility impacts.

Based on our assurance activities set out above, and without affecting our conclusions, we provide the following observations and recommendations for improvements:

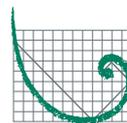
Highlights observed in target achievement:

- *Energy*: Effective use of the building management systems (zoning the airport, matching on/ off times with occupancy), installation of energy efficient equipment and the impact of previous capital projects on energy demand enabled the target to be exceeded at Glasgow and Edinburgh and achieved at Aberdeen
- *Water quality*: Edinburgh and Glasgow made steps to improve the management of de-icers. Aberdeen made progress to understand the improvements required to manage its bulk storage.

Areas for BAA Scotland to consider for future improvements:

- *Target achievement*: Ensure that management continues to work towards delivering the 2006/07 targets where no or some progress was made

- *Climate change*: Expand the scope of measurement and management from fixed energy sources to BAA Scotland's full direct carbon footprint
- *Target setting*: Ensure future targets are performance rather than process based and that progress against targets can be more easily demonstrated. Future targets should also reflect the overall objectives and stakeholder concerns for each issue. Any updates to targets during the year should be clearly documented and communicated internally and externally
- *Waste*: BAA Scotland management should review current activities regarding waste management and ways to achieve its 2010 target, especially as recycling rates have decreased compared to 2005/06.



ERM

Environmental Resources Management Limited

London, UK
28 February 2008

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past four years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

For further information, please visit our website

www.baa.com/corporateresponsibility

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