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Auditor’s Report on International Consolidated Airlines Group, S.A. and Subsidiaries

(Together with the consolidated financial statements and consolidated management report of International Consolidated Airlines Group, S.A. and subsidiaries for the year ended 31.12.23)

KPMG Auditores, S.L.
Edificio Torre de Cristal
Paseo de la Castellana, 259C
28046 Madrid

Independent Auditor's Report on the Consolidated Financial statements

To the shareholders of International Consolidated Airlines Group, S.A. commissioned by management

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of International Consolidated Airlines Group, S.A. (the Parent) and subsidiaries (together the "Group") which comprise the consolidated balance sheet at 31 December 2023 and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial statements section* of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Customer loyalty programmes - revenue recognition for deferred revenue liabilities (€2,712 million; 2022: €2,630 million] See note 24 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Subjective estimate Significant estimates are made in determining the assumptions applied in calculating the number of Avios not expected to be redeemed (breakage). Relatively small changes in these assumptions could result in significant adjustments to revenue and deferred revenue. The effect of these matters is that, as part of our risk assessment, we determined that deferred revenue liabilities arising on customer loyalty programs have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount and could be subject to manipulation, which is the reason why we have considered it a key matter of our audit. The financial statements (note 2b) disclose the sensitivity estimated by the Group	Our procedures included: - Control design: Testing the design and implementation of controls around customer loyalty revenue recognition and estimation of breakage. - Assessing principles: Assessing the application of the Group's accounting policies in recognising customer loyalty revenues by reference to the revenue accounting standard. - Methodology implementation: With the assistance of KPMG actuarial specialists, assessing the methods that have been approved by management and developed by the corporate actuary to estimate future redemption and breakage rates in the Group's statistical model. - Assumptions assessment: Assessing the future customer behaviour assumptions based on past experiences and considering changes in the loyalty schemes, including changes to customer issuances and redemption offerings. - Re-performance: With the application of our Data Analytics techniques, reconciling the Avios activity back to the operational systems and investigating material variances. - Tests of detail: On a sample basis, testing the value of an Avios derived by the Group to defer revenues when Avios are initially issued. Agreeing the balance sheet reconciliation to income statement movements, issuances and redemption data and the closing deferred revenue position. - Tests of detail: For the most significant Avios Issuance Partners (including credit card issuers), comparing the amount of Avios issued per the Group's accounting records with the amounts as per confirmations that we obtained directly from the Partners. - Assessing transparency: Assessing the Group's disclosures in respect of revenue, including over the key judgements and estimation uncertainty and the associated sensitivity disclosures.

Valuation of the gross defined benefit pension obligation (DBO) (€20,692 million; 2022: €19,744 million) See note 34 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Subjective valuation Significant estimates are made in determining the key assumptions used in valuing the Group's gross defined benefit pension scheme obligations. When making these assumptions, the directors take independent actuarial advice relating to their appropriateness. A small change in assumptions and estimates can have a material financial impact on the Group's gross defined benefit pension obligations. The significant risk relates to New Airways Pension Scheme and Airways Pension Scheme which represent 97.4% (2022: 97.3%) of pension scheme obligations. The most significant assumptions are discount rate, inflation rate and mortality/life expectancy. The effect of these matters is that, as part of our risk assessment, we determined that the gross defined benefit pension scheme obligations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, and possibly many times that amount, which is the reason why we have considered it a key matter of our audit. The financial statements (note 34) disclose the sensitivity estimated by the Group.	Our procedures included: - Benchmarking assumptions: Challenging, with the support of our own employed KPMG actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data in the context of market practice and the macroeconomic uncertainties. - Methodology assessment: Involving the KPMG employed specialists to assess the appropriateness of the valuation methods, estimates and judgements that have been approved by management and developed by the corporate actuary to value the scheme obligations. - Actuary's credentials: Assessing the competency, independence and integrity of the Group's actuarial expert. - Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivities of these assumptions on the obligations.

Accounting for aircraft maintenance, restoration and handback costs (liabilities of €2,529 million; 2022: €2,400 million) See note 27 to the financial statements, refer further to accounting policy and financial disclosures	
Key audit matter	*How the matter was addressed in our audit*
Accounting judgement The Group has also applied judgement in selection of the accounting policy with regards to the recognition and subsequent measurement of maintenance and handback provisions for leased aircraft as explained in Note 2e. If the Group were to apply an alternate accounting policy, the financial impact would be materially different at the reporting date. Subjective valuation and processing errors The calculation of provisions for maintenance, restoration and handback are complex and derived from multiple different models and is based on judgemental assumptions of the forecast costs expected to be incurred when the major maintenance event occurs. Due to the size of the aircraft fleet and the complexity of the models, there is a heightened sensitivity towards the estimation uncertainty in the key assumptions such as the forecast costs. Changes in these assumptions could result in significant adjustments to the level of provision and associated asset balances recognised. The effect of these matters is that, as part of our risk assessment, we determined that aircraft maintenance, restoration and handback provision obligations have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, and possibly many times that amount, which is the reason why we have considered it a key matter of our audit. The financial statements (note 2e) disclose the sensitivity estimated by the Group.	Our procedures included: - **Assessing principles**: Determining whether the recognition of maintenance provisions and capitalised maintenance assets are in accordance with IAS 37 and IFRS 16 requirements, lease obligations and industry practice. - **Re-performance:** Assessing the maintenance model for mathematical accuracy by performing a recalculation of the year end provision held. - **Tests of detail**: Inspecting lease agreements and maintenance contracts on a sample basis for significant return obligations and checking that those lease obligations were included in the maintenance model. Agreeing budgeted and contracted rates on a sample basis to supporting documentation. - **Historical comparisons:** Assessing whether past estimates have been historically accurate by comparing actual cost to previously recognised provisions. - **Assessing transparency:** Assessing the Group' s disclosures in relation to the key judgements around the accounting for aircraft maintenance, restoration and handback costs. - **Sensitivity analysis:** Performing sensitivity analysis on the forecast costs against inflation and historically observed price increases

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Passenger and cargo revenue recognition (€26,966 million; 2022: (€21,073 million) See note 5 to the financial statements, refer further to accounting policy and financial disclosures.	
Key audit matter	*How the matter was addressed in our audit*
Passenger and cargo revenue recognition Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk We consider the risk to be in respect of inappropriate judgements being applied in estimating breakage for deferred income associated with unused tickets and vouchers issued due to COVID-19 flight cancellations, where revenue should only be recognised if it is highly probable that any income recorded will not be reversed in future periods under Revenue Accounting Standard. Relatively small changes in these assumptions could result in significant adjustments to revenue and deferred revenue. Low risk, high volume Passenger and cargo revenues are made up of a high volume, low value number of transactions. They are recorded via a highly automated, but complex, transactional process including third party booking management systems as well as operational data. This includes revenue recognition triggered at the time of the flight departure, which is based on the operational information recorded in these systems and processes. Passenger revenues include tickets containing multiple flights, booking classes and a variety of surcharges and taxes which vary by route. Revenue accuracy depends on correctly applying the relevant inputs and rules. Due to limited judgement and estimation involved in recognising revenue on departure, passenger and cargo revenues are not at a high risk of significant misstatement. However, due to materiality in the context of the Group financial statements, this is considered to be one of the areas where significant audit effort was spent.	Our procedures include: - **Assessing principles:** Assessing Group's revenue recognition policy by reference to the accounting standards including the relevant requirements for breakage estimates. Passenger revenue (€25,810 (2022: €19,458m)): - **Control operation:** Testing the design and implementation, and the operating effectiveness of General IT Controls over the key revenue accounting systems considering appropriate configuration and prevention of unauthorised access and changes. Testing design and implementation, and the operating effectiveness of manual and automated controls underpinning the recognition of revenue. - **Outsourcing controls:** Inspecting the third-party Service Organisation Control reports to determine whether General IT controls over certain passenger revenue systems operated effectively during the year. - **Testing application:** Using our Revenue Data Analytics programme to recreate the revenue flow through the accounting systems for the key revenue accounts and assess whether the entries pass through the expected processes and accounts. - **Tests of detail:** Testing revenue journals to determine whether they are recorded based on our understanding of the revenue process. Testing revenue transactions on a sample basis by re-calculating the appropriate fare rules and verifying flight flown status to external flight data. - **Tests of detail:** Testing revenue by tracing a sample of passenger events, such as bookings, departures, voucher issuances and cancellations, back to the revenue data. - **Tests of detail:** Testing year end trade receivables to cash received post year end. Testing on a sample basis for flights departing close to the year end whether revenue was recorded in the correct period. - **Historical comparisons:** For passenger breakage revenue, we have evaluated the Group's accounting policy, assessing the methodology applied and challenging key assumptions by comparing against the Group's airlines past experiences. - **Tests of details:** Testing on a sample basis disrupted vouchers and unused tickets to assess whether such transactions have been appropriately recognised and assessing the potential risk of management bias. Cargo revenue (€1,156m (2022: €1,615m)): - **Tests of detail:** Testing, on a sample basis, cargo revenue transactions to external support and cash received.

Other Information: Consolidated Management Report

Other information solely comprises the 2023 consolidated management report, the preparation of which is the responsibility of the Parent's Director s' and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated management report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Consolidated Financial statements

The Parent's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Compliance Committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Audit and Compliance Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the Audit and Compliance Committee of the Parent, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of International Consolidated Airlines Group S.A. and its subsidiaries for 2023 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of International Consolidated Airlines Group S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this respect, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated financial statements included in the aforementioned digital files fully corresponds to the consolidated financial statements we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated financial statements, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit and Compliance Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit and Compliance Committee dated 4 March 2024.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 8 September 2020 for a period of 3 years, from the year ended 31 December 2021.

Review of the Corporate Governance Statement

We have nothing to report in respect of our requirement to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

Bernardo Rücker-Embden
On the Spanish Official Register of Auditors ("ROAC") with nº 18.836

4 March 2024

INTERNATIONAL
AIRLINES
GROUP

International Consolidated Airlines Group, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2023

Consolidated income statement

€ million	Note	Year to 31 December 2023	2022[1]
Passenger revenue		**25,810**	19,458
Cargo revenue		**1,156**	1,615
Other revenue	5	**2,487**	1,993
Total revenue	5	**29,453**	23,066
Employee costs	8	**5,423**	4,647
Fuel, oil costs and emissions charges		**7,557**	6,120
Handling, catering and other operating costs		**3,849**	2,971
Landing fees and en-route charges		**2,308**	1,890
Engineering and other aircraft costs		**2,509**	2,101
Property, IT and other costs	6	**1,058**	950
Selling costs		**1,155**	920
Depreciation, amortisation and impairment	6	**2,063**	2,070
Net gain on sale of property, plant and equipment[1]		**(2)**	(22)
Currency differences		**26**	141
Total expenditure on operations		**25,946**	21,788
Operating profit		**3,507**	1,278
Finance costs	9	**(1,113)**	(1,017)
Finance income	9	**386**	52
Net change in fair value of financial instruments	9	**(11)**	81
Net financing credit relating to pensions	9	**103**	26
Net currency retranslation credits/(charges)		**176**	(115)
Other non-operating credits[1]	9	**8**	110
Total net non-operating costs		**(451)**	(863)
Profit before tax		**3,056**	415
Tax	10	**(401)**	16
Profit after tax for the year		**2,655**	431
Attributable to:			
Equity holders of the parent		**2,655**	431
Non-controlling interest		**–**	–
		2,655	431
Basic earnings per share (€ cents)	11	**53.8**	8.7
Diluted earnings per share (€ cents)	11	**50.6**	6.1

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. There is no impact on the Profit after tax. Further information is given in note 2.

Consolidated statement of other comprehensive income

€ million	Note	Year to 31 December 2023	2022[1]
Items that may be reclassified subsequently to net profit			
Cash flow hedges:			
Fair value movements in equity[1]	30d	**(195)**	1,472
Reclassified and reported in net profit	30d	**(142)**	(1,233)
Fair value movements on cost of hedging[1]		**(120)**	(115)
Cost of hedging reclassified and reported in net profit		**82**	38
Currency translation differences	33	**18**	(53)
Items that will not be reclassified to net profit			
Fair value movements on other equity investments	19	**127**	2
Fair value movements on liabilities attributable to credit risk changes		**(119)**	(6)
Remeasurements of post-employment benefit obligations		**(1,076)**	662
Remeasurements of long-term employee-related provisions		**(18)**	52
Total other comprehensive (loss)/income for the year, net of tax		**(1,443)**	819
Profit after tax for the year		**2,655**	431
Total comprehensive income for the year		**1,212**	1,250
Total comprehensive income is attributable to:			
Equity holders of the parent		**1,212**	1,250
Non-controlling interest	33	**-**	-
		1,212	1,250

1 The 2022 results include a reclassification of losses and gains associated with the fair value movements on cash flow hedges and fair value movements on cost of hedging, respectively. There is no impact on Total other comprehensive (loss)/income for the year, net of tax. Further information is given in note 2.

Items in the consolidated Statement of other comprehensive income above are disclosed net of tax.

Consolidated balance sheet

€ million	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	13	**19,776**	18,346
Intangible assets	17	**3,909**	3,556
Investments accounted for using the equity method	18	**47**	43
Other equity investments	19	**188**	55
Employee benefit assets	34	**1,380**	2,334
Derivative financial instruments	30	**42**	81
Deferred tax assets	10	**1,202**	1,282
Other non-current assets	20	**432**	362
		26,976	26,059
Current assets			
Non-current assets held for sale	16	**–**	19
Inventories	21	**494**	353
Trade receivables	20	**1,559**	1,330
Other current assets	20	**1,574**	1,226
Current tax receivable	10	**159**	72
Derivative financial instruments	30	**81**	645
Current interest-bearing deposits	22	**1,396**	403
Cash and cash equivalents	22	**5,441**	9,196
		10,704	13,244
Total assets		**37,680**	39,303
Shareholders' equity			
Issued share capital	31	**497**	497
Share premium	31	**7,770**	7,770
Treasury shares		**(100)**	(28)
Other reserves		**(4,895)**	(6,223)
Total shareholders' equity		**3,272**	2,016
Non-controlling interest	33	**6**	6
Total equity		**3,278**	2,022
Non-current liabilities			
Borrowings	26	**13,831**	17,141
Employee benefit obligations	34	**175**	217
Deferred tax liability	10	**4**	–
Provisions	27	**2,831**	2,652
Deferred revenue	24	**257**	326
Derivative financial instruments	30	**106**	84
Other long-term liabilities	25	**219**	200
		17,423	20,620
Current liabilities			
Borrowings	26	**2,251**	2,843
Trade and other payables	23	**5,590**	5,209
Deferred revenue	24	**7,766**	7,318
Derivative financial instruments	30	**461**	387
Current tax payable	10	**2**	8
Provisions	27	**909**	896
		16,979	16,661
Total liabilities		**34,402**	37,281
Total equity and liabilities		**37,680**	39,303

Consolidated cash flow statement

€ million	Note	Year to 31 December 2023	2022[1]
Cash flows from operating activities			
Operating profit		**3,507**	1,278
Depreciation, amortisation and impairment	6	**2,063**	2,070
Net gain on disposal of property, plant and equipment		**(2)**	(22)
Employer contributions to pension schemes		**(48)**	(22)
Pension scheme service costs	34	**18**	17
Increase in provisions	35	**237**	463
Unrealised currency differences		**51**	19
Other movements	35	**111**	76
Interest paid		**(1,005)**	(817)
Interest received		**365**	42
Tax paid		**(291)**	(134)
Net cash flows from operating activities before movements in working capital		**5,006**	2,970
Increase in trade receivables		**(272)**	(660)
Increase in inventories		**(140)**	(21)
Increase in other receivables and current assets		**(388)**	(233)
Increase in trade payables		**258**	886
Increase in deferred revenue		**212**	1,236
Increase in other payables and current liabilities		**188**	676
Net movement in working capital		**(142)**	1,884
Net cash flows from operating activities		**4,864**	4,854
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	35	**(3,544)**	(3,875)
Sale of property, plant and equipment and intangible assets		**1,080**	837
Proceeds from sale of investments		**11**	–
Increase in other current interest-bearing deposits		**(985)**	(351)
Payment to Globalia for convertible loan		**–**	(100)
Other investing movements		**15**	26
Net cash flows from investing activities		**(3,423)**	(3,463)
Cash flows from financing activities			
Proceeds from borrowings	35	**1,001**	1,436
Repayment of borrowings	35	**(4,268)**	(1,050)
Repayment of lease liabilities	35	**(1,731)**	(1,455)
Settlement of derivative financial instruments	35	**(119)**	1,036
Acquisition of treasury shares		**(77)**	(23)
Net cash flows from financing activities		**(5,194)**	(56)
Net (decrease)/increase in cash and cash equivalents		**(3,753)**	1,335
Net foreign exchange differences		**(2)**	(31)
Cash and cash equivalents at 1 January		**9,196**	7,892
Cash and cash equivalents at year end	22	**5,441**	9,196

Reconciliation to Total cash, cash equivalents and other interest-bearing deposits		**2023**	2022
Cash and cash equivalents at year end	22	**5,441**	9,196
Interest-bearing deposits maturing after more than three months	22	**1,396**	403
Cash, cash equivalents and other interest-bearing deposits	22	**6,837**	9,599

1 The 2022 results include reclassifications to conform with the current year presentation. Further information is given in note 2 and note 37.

For details on restricted cash balances see note 22 Cash, cash equivalents and other current interest-bearing deposits.

Consolidated statement of changes in equity

For the year to 31 December 2023

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	**Total shareholders' equity**	Non-controlling interest (note 33)	**Total equity**
1 January 2023	497	7,770	(28)	(1,717)	(4,506)	**2,016**	6	**2,022**
Profit for the year	–	–	–	–	2,655	**2,655**	–	**2,655**
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel and oil costs	–	–	–	(81)	–	**(81)**	–	**(81)**
Currency differences	–	–	–	(20)	–	**(20)**	–	**(20)**
Finance costs	–	–	–	(35)	–	**(35)**	–	**(35)**
Ineffectiveness recognised in other non-operating costs	–	–	–	(6)	–	**(6)**	–	**(6)**
Net change in fair value of cash flow hedges	–	–	–	(195)	–	**(195)**	–	**(195)**
Net change in fair value of equity investments	–	–	–	127	–	**127**	–	**127**
Net change in fair value of cost of hedging	–	–	–	(120)	–	**(120)**	–	**(120)**
Cost of hedging reclassified and reported in net profit	–	–	–	82	–	**82**	–	**82**
Fair value movements on liabilities attributable to credit risk changes	–	–	–	(119)	–	**(119)**	–	**(119)**
Currency translation differences	–	–	–	18	–	**18**	–	**18**
Remeasurements of post-employment benefit obligations	–	–	–	–	(1,076)	**(1,076)**	–	**(1,076)**
Remeasurements of long-term employee-related provisions	–	–	–	–	(18)	**(18)**	–	**(18)**
Total comprehensive income for the year	–	–	–	(349)	1,561	**1,212**	–	**1,212**
Hedges transferred and reported in property, plant and equipment	–	–	–	(6)	–	**(6)**	–	**(6)**
Hedges transferred and reported in sales in advance of carriage	–	–	–	85	–	**85**	–	**85**
Hedges transferred and reported in inventory	–	–	–	(9)	–	**(9)**	–	**(9)**
Cost of share-based payments	–	–	–	–	52	**52**	–	**52**
Vesting of share-based payment schemes	–	–	5	–	(6)	**(1)**	–	**(1)**
Acquisition of treasury shares	–	–	(77)	–	–	**(77)**	–	**(77)**
31 December 2023	**497**	**7,770**	**(100)**	**(1,996)**	**(2,899)**	**3,272**	**6**	**3,278**

Consolidated statement of changes in equity
For the year to 31 December 2022

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	Total shareholders' equity	Non-controlling interest (note 33)	Total equity
1 January 2022	497	7,770	(24)	(1,673)	(5,730)	840	6	846
Profit for the year	–	–	–	–	431	431	–	431
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel and oil costs	–	–	–	(1,115)	–	(1,115)	–	(1,115)
Currency differences	–	–	–	(90)	–	(90)	–	(90)
Finance costs	–	–	–	10	–	10	–	10
Discontinuance of hedge accounting	–	–	–	(22)	–	(22)	–	(22)
Ineffectiveness recognised in other non-operating costs	–	–	–	(16)	–	(16)	–	(16)
Net change in fair value of cash flow hedges	–	–	–	1,472	–	1,472	–	1,472
Net change in fair value of equity investments	–	–	–	2	–	2	–	2
Net change in fair value of cost of hedging	–	–	–	(115)	–	(115)	–	(115)
Cost of hedging reclassified and reported in net profit	–	–	–	38	–	38	–	38
Fair value movements on liabilities attributable to credit risk changes	–	–	–	(6)	–	(6)	–	(6)
Currency translation differences	–	–	–	(53)	–	(53)	–	(53)
Remeasurements of post-employment benefit obligations	–	–	–	–	662	662	–	662
Remeasurements of long-term employee-related provisions	–	–	–	–	52	52	–	52
Total comprehensive income for the year	–	–	–	105	1,145	1,250	–	1,250
Hedges transferred and reported in property, plant and equipment	–	–	–	(65)	–	(65)	–	(65)
Hedges transferred and reported in sales in advance of carriage	–	–	–	36	–	36	–	36
Hedges transferred and reported in inventory	–	–	–	(58)	–	(58)	–	(58)
Cost of share-based payments	–	–	–	–	39	39	–	39
Vesting of share-based payment schemes	–	–	19	–	(22)	(3)	–	(3)
Acquisition of treasury shares	–	–	(23)	–	–	(23)	–	(23)
Redemption of convertible bond	–	–	–	(62)	62	–	–	–
31 December 2022	497	7,770	(28)	(1,717)	(4,506)	2,016	6	2,022

1 Background and general information

International Consolidated Airlines Group, S.A. (hereinafter 'International Airlines Group', 'IAG' or the 'Group') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG (hereinafter the 'Company') is a Spanish company registered in Madrid and was incorporated on 17 December 2009. The registered address of IAG is El Caserío, Zona industrial 2, Camino de La Muñoza s/n, 28042, Madrid, Spain. On 21 January 2011, British Airways Plc and Iberia Líneas Aéreas de España S.A. Operadora (hereinafter 'British Airways' and 'Iberia' respectively) completed a merger transaction becoming the first two airlines of the Group. Vueling Airlines S.A. ('Vueling') was acquired on 26 April 2013, and Aer Lingus Group Plc ('Aer Lingus') on 18 August 2015. A list of the subsidiaries of the Group is included in the Group investments section.

IAG shares are traded on the London Stock Exchange's main market for listed securities and also on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the 'Spanish Stock Exchanges'), through the Spanish Stock Exchanges Interconnection System (*Mercado Continuo Español*).

2 Significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRSs as endorsed by the EU). The consolidated financial statements are rounded to the nearest million unless otherwise stated. These financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including employee benefit assets and liabilities, the €825 million convertible bond due 2028, derivative financial instruments and other equity investments that are measured at fair value. The notes to the financial statements for the prior year include reclassifications that were made to conform to the current year presentation.

The Group's financial statements for the year to 31 December 2023 were authorised for issue, and approved by the Board of Directors on 28 February 2024.

Change in presentation of results

Income statement – Net gain on sale of property, plant and equipment
The prior year Income statement includes a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment within Operating profit. Accordingly, for the year to 31 December 2022, the Group has reclassified €22 million of gains from Other non-operating credits to Net gain on sale of property, plant and equipment within Expenditure on operations. There is no impact on the Profit after tax. The segmental operating profit/(loss) has been updated to reflect the reclassification.

Statement of other comprehensive income
The prior year Statement of other comprehensive income includes a reclassification of €173 million of gains associated with the fair value movements on cash flow hedges and €9 million of losses associated with the fair value movements on cost of hedging, which had been previously presented under the sub-heading Items that will not be reclassified to net profit, to the sub-heading Items that may be reclassified subsequently to net profit, as these may recycle to net profit in future periods. There is no impact on Total other comprehensive (loss)/income for the year, net of tax.

Cash flow statement
The prior year Cash flow statement has been represented and further detailed in note 37. Accordingly, the Group has reclassified the results for the year to 31 December 2022.

Going concern

At 31 December 2023, the Group had total liquidity of €11,624 million (31 December 2022: total liquidity of €13,999 million), comprising cash, cash equivalents and interest-bearing deposits of €6,837 million, €4,412 million of committed and undrawn general facilities and a further €375 million of committed and undrawn aircraft specific facilities. At 31 December 2023, the Group has no financial covenants associated with its loans and borrowings.

The decrease in liquidity during the year to 31 December 2023 was attributable to, amongst other actions: (i) the repayment of borrowings of €4,268 million, which consisted of, amongst others, the €2,330 million (£2.0 billion) early repayment of the UK Export Finance (UKEF) Credit Facility, the €867 million of early repayment of the syndicated financing agreement, partially guaranteed by *Instituto de Crédito Oficial* (ICO) in Spain and the €500 million redemption of the senior unsecured bond at maturity; (ii) securing an additional five-year Export Development Guarantee Facility of €1,159 million (£1.0 billion), offset by a reduction in aircraft specific facilities of €741 million; and (iii) offset by strong operational cash flow generation.

In its assessment of going concern, the Group has modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least 12 months from the date of the approval of these consolidated financial statements (the 'going concern period'). The Group's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in December 2023. The business plan takes into account the Board's and management's views on capacity, based on the potential impact of the wider economic and geopolitical environments on the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2025, include:

- capacity recovery modelled by geographical region with total capacity to remain above the levels obtained in 2023 throughout the going concern period;
- passenger unit revenue per ASK is forecast to remain above the levels obtained in 2023 throughout the going concern period;

- the Group has assumed that the committed and undrawn general facilities of €4,412 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €3,843 million being available to the Group at 31 March 2025;
- the Group has assumed that the undrawn aircraft facilities of €375 million, relating to specific financing structures, will be utilised over the going concern period;
- the Group has assumed that the €500 million bond that matures in March 2025 will not be refinanced;
- of the capital commitments detailed in note 15, €3,207 million is due to be paid over the period to 31 March 2025;
- while the Group does not expect to finance all expected deliveries over the going concern period, for those it does expect to finance, it has forecast securing between 90 and 100 per cent depending on aircraft type, or €2,235 million, of the aircraft financing that is currently uncommitted, to align with the timing and payments for those aircraft deliveries it expects to finance, including aircraft delivered in 2023 that had not had their financing secured at the reporting date; and
- the Group has assumed that the relevant approvals required in relation to the acquisition of the remaining 80 per cent of the share capital of Air Europa Holdings that it does not currently own are obtained by the end of the going concern period, and that cash outflows of €149 million will be incurred, comprising €100 million of the cash consideration and €49 million for the purchase of ordinary shares in the Company that have not already been purchased at the balance sheet date. The deferred consideration of €100 million to be paid on the first anniversary and the €100 million to be paid on the second anniversary of the completion of the acquisition are assumed to occur outside of the going concern period and accordingly not included in these forecasts.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of 25 per cent for three months over the going concern period; reduced passenger unit revenue per available seat kilometre (ASK); increases in the price of jet fuel by 20 per cent above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period capacity would be 10 per cent down when compared to the Base Case. The Downside Case assumes that British Airways would be required to draw down, in full, its portion of the available US dollar Revolving Credit Facility (further information given in notes 3 and 29f). The Downside Case also assumes that upon completion of the Air Europa Holdings acquisition, a further €200 million of working capital needs are funded by the Group. The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of these consolidated financial statements and hence continue to adopt the going concern basis in preparing the consolidated financial statements at 31 December 2023.

Consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries, each made up to 31 December together with the attributable share of results and reserves of associates and joint ventures, adjusted where appropriate to conform to the Group's accounting policies.

Subsidiaries are consolidated from the date of their acquisition, which is the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group applies the acquisition method to account for business combinations. The consideration paid is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the Consolidated balance sheet. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, as at the acquisition date the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the Income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

All intragroup account balances, including intragroup profits, are eliminated in preparing the consolidated financial statements.

Unconsolidated structured entities

The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. In certain instances, the Group will undertake several such sale and leaseback transactions at once through Enhanced Equipment Trust Certificates (EETCs). Under each of these financing structures, a company or companies (the EETC Issuer) are established to facilitate such financing on behalf of a number of unrelated investors. In certain of these financing structures, additional special purpose vehicles (the Lessor SPV) are established to provide additional financing from a number of further unrelated investors to the EETC Issuer. The proceeds from the issuance of the EETCs by the EETC Issuer, and where relevant the proceeds obtained from the Lessor SPV, are then used to purchase aircraft solely from the Group. The Group will then enter into fixed rate lease arrangements (which meet the recognition criteria of Asset financed liabilities) with the EETC Issuer, or where relevant the Lessor SPV, with payments made by the Group to the EETC Issuer, or the Lessor SPV, distributed, through a trust, to the aforementioned unrelated investors. The main purpose of the trust structure is to enhance the credit-worthiness of the Group's debt obligations through certain bankruptcy protection provisions and liquidity facilities, and also to lower the Group's total borrowing cost.

The EETC Issuer and the Lessor SPV are established solely with the purpose of providing the asset-backed financing and upon maturity of such financing are expected to have no further activity. The relevant activities of the EETC Issuer and the Lessor SPV are restricted to pre-established financing agreements and the retention of the title of the associated financed aircraft. Accordingly, the Group has determined that each EETC Issuer and the Lessor SPVs are structured entities. Under the contractual terms of the financing structures, the Group has no exposure to losses in these entities, does not own any of the share capital of the EETC Issuer or the Lessor SPV, does not have any representation on the respective boards and has no ability to influence decision-making.

2 Significant accounting policies *continued*

In addition to the above, such financial transactions expose the Group to no further significant financial or economic risks, such as no variability over time in interest rates.

In considering the aforementioned facts, management has concluded that the Group does not have access to variable returns from the EETC Issuers and Lessor SPVs because its involvement is limited to the payment of principal and interest under the arrangement and, therefore, it does not control the EETC Issuers or the Lessor SPVs and as such does not consolidate them.

Further information as to the financial impact of these financial transactions is given in note 26.

Segmental reporting

Operating segments are reported in a manner consistent with how resource allocation decisions are made by the chief operating decision-maker. The chief operating decision-maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the IAG Management Committee.

Foreign currency translation

a Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the functional currency, being the currency of the primary economic environment in which the entity operates. In particular, British Airways and IAG Loyalty have a functional currency of pound sterling. The Group's consolidated financial statements are presented in euros, which is the Group's presentation currency.

b Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing on the date of the transaction. Monetary foreign currency balances are translated into the functional currency at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except where hedge accounting is applied. Foreign exchange gains and losses arising on the retranslation of monetary assets and liabilities classified as non-current on the Balance sheet are recognised within Net currency retranslation credits/(charges) in the Income statement. All other gains and losses arising on the retranslation of monetary assets and liabilities are recognised in operating profit.

c Group companies

The net assets of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date. Profits and losses of such operations are translated into euros at average rates of exchange during the year. The resulting exchange differences are taken directly to a separate component of equity (Currency translation reserve) until all or part of the interest is sold, when the relevant portion of the cumulative exchange difference is recognised in the Income statement.

Property, plant and equipment

Property, plant and equipment are held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less the estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis.

a Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits and pre-delivery instalment payments (referred to as progress payments). Fleet assets owned or right of use ('ROU') assets are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Group's fleet plans, within overall parameters of 23 years and up to 5 per cent residual value for short-haul aircraft and between 23 and 29 years (depending on aircraft) and up to 5 per cent residual value for long-haul aircraft.

Right of use assets are depreciated over the shorter of the lease term and the aforementioned depreciation rates. Where the lease includes a purchase option, at the discretion of the Group, where it is expected that the purchase option will be exercised, the associated right of use asset is depreciated using the aforementioned depreciation rates to reflect the reasonably certain life of the aircraft, irrespective of the lease term.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of 12 years and the remaining economic life of the aircraft, whether owned or leased.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

b Other property, plant and equipment

Provision is made for the depreciation of all property, plant and equipment. Property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years, or in the case of leasehold properties, over the duration of the lease if shorter, on a straight-line basis. Equipment is depreciated over periods ranging from four to 20 years.

c Capitalisation of interest on progress payments

Interest costs attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned. All other borrowing costs are recognised in the Income statement in the year in which they are incurred.

d Liquidated damages

Certain of the Group's contractual arrangements with aircraft and engine manufacturers contain liquidated damage clauses, whereby if the supplier breaches one or more contractual clauses (such as delays in the timing of delivery of an aircraft or engine) then damages are payable to the Group. Liquidated damages are recognised in the Income statement only to the extent that they relate to compensation for loss of income and/or incremental operating costs, when a contractual entitlement exists, the amounts can be reliably measured and the receipt is virtually certain. When liquidated damages do not relate to compensation for loss of income and/or incremental operating costs, the amounts are recorded as a reduction in the cost of the associated aircraft in the Balance sheet and depreciated over the life of the aircraft.

When compensation, not related to the loss of income and/or incremental operating costs, is received in advance of the associated delivery of the aircraft and/or engine, the Group recognises the amount within Other creditors until such time as the aircraft and/or engine is delivered, at which time the amounts are transferred and recorded as a reduction in the cost of the associated asset. Such compensation is recorded in the Cash flow statement within cash flows from investing activities under the caption of Acquisition of property, plant and equipment and intangible assets.

e Leases

The Group leases various aircraft, properties, equipment and other assets. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified tangible asset for a period in exchange for consideration. The Group has elected not to apply such consideration where the contract relates to an intangible asset, such as for landing rights or IT software, in which case payments associated with the contract are expensed as incurred.

Leases are recognised as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Right of use assets

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; and any initial direct costs. In addition, at the lease commencement date a ROU asset will incorporate unavoidable restoration costs, such as the removal of airline-specific branding and configuration, to return the asset to its original condition, for which a corresponding amount is recognised within Provisions. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options.

Aircraft lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. For aircraft leases these inputs are either observable in the contract or readily available from external market data. The initial direct costs of the lessor are considered to be immaterial. If the interest rate implicit in the lease cannot be determined, the Group entity's incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease term (specifically in regard to assumptions regarding extension and termination options) and changes in variable lease payments that are based on an index or a rate.

Amounts excluded from recognition as lease liabilities

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income statement. Short-term leases are leases with a lease term of 12 months or less, that do not contain a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the ROU asset. Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease payments where the Group is reasonably certain that it will exercise the option. Such variable lease payments are expensed to the Income statement as incurred.

2 Significant accounting policies *continued*

Sale and leaseback transactions
The Group regularly uses sale and lease transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. The principal criterion for assessing whether a sale has occurred or not, is whether the contract contains the option, at the discretion of the Group, to repurchase the aircraft over the lease term; with the existence of such a repurchase option resulting in a sale having been deemed not to have occurred; and if no such repurchase option exists, then a sale is deemed to have occurred. The following defines the accounting for such transactions:

- if a sale is determined to have occurred, then the associated asset is de-recognised and a ROU asset and lease liability are recognised. The ROU asset recognised is based on the proportion of the previous carrying amount of the asset that is retained. Any gain or loss is restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction; and
- where a sale is determined to have not occurred, the asset is retained on the Balance sheet within Property, plant and equipment and an Asset financed liability recognised equal to the financing proceeds.

Cash flow presentation – lease liabilities
Lease payments are presented as follows in the Consolidated cash flow statement:

- where the proceeds received from sale and leaseback transactions represent the fair value of the asset being transferred, the total proceeds are presented within cash flows from investing activities. Where the proceeds received from sale and leaseback transactions exceed the fair value of the asset being transferred, the element of the proceeds equivalent to the fair value of the asset being transferred is presented within investing activities and the amount of proceeds in excess of the fair value is presented within financing activities;
- the repayments of the principal element of lease liabilities are presented within cash flows from financing activities;
- the payments of the interest element of lease liabilities are included within cash flows from operating activities; and
- the payments arising from variable elements of a lease, short-term leases and low-value assets are presented within cash flows from operating activities.

Cash flow presentation – asset financed liabilities
Payments associated with asset financed liabilities are presented as follows in the Consolidated cash flow statement:

- the proceeds received from asset financed liabilities are presented within cash flows from financing activities;
- the repayments of the principal element of asset financed liabilities are presented within cash flows from financing activities; and
- the payments of the interest element of asset financed liabilities are included within cash flows from operating activities.

Lessor accounting
From time to time the Group will lease, to third parties, specific assets, including certain property, plant and equipment. On inception of the lease, the Group determines whether each lease is a finance lease or an operating lease.

In order to make this determination, the Group assesses whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. Factors in making this assessment include, but are not limited to, whether the lease term is for the major part of the economic life of the underlying asset and whether the underlying asset transfers to the lessee or the lessee has the option to purchase the underlying asset at the end of the lease. Where substantially all of the risks and rewards of ownership have been transferred, then the lease is recorded as a finance lease, otherwise it is recorded as an operating lease.

f Maintenance, repairs and overhaul

Owned aircraft
Major overhaul expenditure, including replacement spares and labour costs for airframes and engines, is capitalised and amortised over the expected life between major overhauls or to the end of the useful life of the asset.

All other replacement spares and other costs relating to maintenance of owned fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the Income statement on consumption or as incurred respectively.

Leased aircraft
The Group records a provision for major maintenance and overhaul events, including for airframes and engines, that occur through usage or through the passage of time that is recognised as such activity occurs through to the next maintenance event, with a corresponding expense recorded in the Income statement. Any subsequent changes in estimation are recognised in the Income statement. When the maintenance and/or overhaul event occurs, the associated provision is de-recognised.

Restoration and handback obligations that arise on the inception of a lease are recognised as a provision with a corresponding amount recognised as part of the ROU asset. Any subsequent change in estimation relating to such costs are reflected in the ROU asset.

All other replacement spares and other costs relating to maintenance of leased fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the Income statement on consumption or as incurred respectively.

Intangible assets

a Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration paid over the net fair value of the identifiable assets and liabilities of the acquiree. Where the net fair value of the identifiable assets and liabilities of the acquiree is in excess of the consideration paid, a gain on bargain purchase is recognised immediately in the Income statement.

For the purpose of assessing impairment, goodwill is grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

b Brands

Brands arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. Long established brands that are expected to be used indefinitely are not amortised but assessed annually for impairment.

c Customer loyalty programmes

Customer loyalty programmes arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. A customer loyalty programme with an expected useful life is amortised over the expected remaining useful life. Established customer loyalty programmes that are expected to be used indefinitely are not amortised but assessed annually for impairment.

d Landing rights

Landing rights acquired in a business combination are recognised at fair value at the acquisition date. Landing rights acquired from other airlines are capitalised at cost.

Capitalised landing rights based outside of the UK and the EU are amortised on a straight-line basis over a period not exceeding 20 years. Capitalised landing rights based within the UK and the EU are not amortised, as regulations provide that these landing rights are perpetual.

e Contract-based intangibles

Contract-based intangibles acquired in a business combination are recognised initially at fair value at the acquisition date and amortised over the remaining life of the contract.

f Software

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding five years, with certain specific software developments amortised over a period of up to ten years.

In certain instances, the Group enters into cloud computing arrangements with third-party providers, such as software as a service (SaaS), where the Group is provided the right to access and use the application software over the contract term. At inception of the contract, the Group will assess whether such an arrangement gives rise to the recognition of a software intangible asset.

Where the Group determines that no software intangible asset should be recognised, the cloud computing arrangement is determined to be a service contract and the associated fees paid are expensed as incurred. In addition, the costs incurred for both the customisation and configuration of the application software are generally expensed as incurred.

g Emissions allowances

Where an operating company purchases emissions allowances these amounts are recognised at cost and recorded within Intangible assets. As an operating company emits CO_2 equivalent and builds up an obligation to the relevant authorities, a provision is recognised.

Emissions allowances recorded within Intangible assets are not revalued or amortised but are tested for impairment whenever indicators exist that the carrying value may not be recoverable. For those obligations arising for which the operating company has purchased emission allowances to offset the emissions, the provision is recognised at the weighted average cost of the intangible asset. For those obligations arising for which the operating company has not yet purchased emission allowances to offset the emissions, the provision is recognised at the market price of the allowances required at the reporting date. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel, oil costs and emission charges.

The Group's emissions obligation, recognised as a separate liability, is extinguished when the associated emission certificates are surrendered, which is typically within 12 months of the reporting date.

From time to time the Group enters into sale and repurchase transactions for specified emission allowances. Such transactions do not meet the recognition criteria of a sale under IFRS 15 and accordingly the asset is retained on the Balance sheet within Intangible assets and an Other financing liability recognised equal to the proceeds received.

2 Significant accounting policies *continued*

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Non-financial assets other than goodwill that were subject to an impairment are reviewed for possible reversal of the impairment at each reporting date.

a Property, plant and equipment, including Right of use assets

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

b Intangible assets

Intangible assets are held at cost and are either amortised on a straight-line basis over their economic life, or they are deemed to have an indefinite economic life and are not amortised. Indefinite life intangible assets are tested annually for impairment or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments in associates and joint ventures

An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. Where the Group cannot exercise control over an entity in which it has a shareholding greater than 51 per cent, the equity interest is treated as an associate undertaking.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint ventures are accounted for using the equity method, and initially recognised at cost. The Group's interest in the net assets of associates and joint ventures is included in Investments accounted for using the equity method in the Balance sheet and its interest in their results is included in the Income statement, below operating result. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

Financial instruments

a Financial assets and liabilities

Financial assets and financial liabilities are classified, upon initial recognition, as measured at amortised cost, at fair value through other comprehensive income (OCI), or fair value through profit or loss. Financial assets and financial liabilities are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

The classification of financial assets and financial liabilities at initial recognition depends on the financial assets' and financial liabilities' contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset or financial liability to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset or financial liability that is not SPPI is classified and measured at fair value through profit or loss. This assessment is performed on an instrument by instrument basis.

The Group's business model for managing financial assets and financial liabilities establishes how it manages its financial assets and financial liabilities in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets and financial liabilities classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets and financial liabilities classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Long-term borrowings

Long-term borrowings are recorded at amortised cost, including lease liabilities which contain interest rate swaps that are closely related to the underlying financing and as such are not accounted for as an embedded derivative.

Convertible debt

Convertible bonds are classified as either compound financial instruments or hybrid financial instruments depending on the settlement alternatives upon redemption. Where the bondholders exercise their equity conversion options and the Group has no alternative other than to settle the convertible bonds into a fixed number of ordinary shares of the Company, then the bonds are classified as a compound financial instrument. Where the Group has an alternative settlement mechanism to the convertible bonds that permits settlement in cash, then the convertible instrument is classified as a hybrid financial instrument.

Convertible bonds that are classified as compound financial instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt, and is subsequently recorded on an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the bonds, and is recognised within Borrowings. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in the equity portion of the convertible bond in Other reserves and is not subsequently remeasured. The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this value and the interest paid is added to the carrying amount of the liability.

Convertible bonds that are classified as hybrid financial instruments consist only of a liability component recognised within Borrowings. At the date of issue, the entirety of the convertible bonds is accounted for at fair value with subsequent fair value gains or losses recorded within Borrowings. The fair value of such financial instruments is obtained from their respective quoted prices in active markets, with the portion of the change in fair value attributable to changes in the credit risk of the convertible bonds recognised in Other comprehensive income and the portion of the change in fair value attributable to market conditions recognised in the Income statement within Finance costs.

Issue costs associated with compound financial instruments are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying values at the date of issue. The portion relating to the equity component is charged directly against equity. Issue costs associated with hybrid financial instruments are expensed immediately to the Income statement.

Other equity investments

Other equity investments are non-derivative financial assets including listed and unlisted investments, excluding interests in associates and joint ventures. On initial recognition, these equity investments are irrevocably designated as measured at fair value through Other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in Other comprehensive income with no recycling of these gains and losses to the Income statement when the investment is sold or a change in the structure of transaction changes its classification as an Other equity instrument. Dividends received on other equity investments are recognised in the Income statement.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques.

Financial instruments held for trading

Financial instruments are classified as held for trading if they are incurred for the purpose of selling the associated asset in the near term and not having been purchased for operational purposes.

By entering into short-term forward sales contracts, the Group seeks to optimise capital allocation while minimising the associated economic risk.

Interest-bearing deposits

Interest-bearing deposits, principally comprising funds held with banks and other financial institutions with contractual cash flows that are SPPI, and held in order to collect contractual cash flows, are carried at amortised cost using the effective interest method.

Impairment of financial assets

At each balance sheet date, the Group recognises provisions for expected credit losses on financial assets measured at amortised cost, based on either 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

b Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

c Derivative and non-derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swap derivatives, foreign exchange derivatives and fuel derivatives (including options, swaps and forward contracts) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. They are classified as financial instruments through the Income statement. The method of recognising the resulting gain or loss arising from remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (as detailed below under cash flow hedges). The time value of options is excluded from the designated hedging instrument and accounted for as a cost of hedging. Movements in the time value of options are recognised in Other comprehensive income until the underlying transaction affects the Income statement.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the spot component of the forward contract as the hedging instrument within a hedge relationship. The effective portion of gains or losses arising on the change in fair value of the spot component are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. The forward component of a forward contract is not designated within a hedge relationship, with the associated gains and losses on the forward component recorded within Other comprehensive income in the Cost of hedging reserve within equity until the underlying transaction affects the Income statement.

To manage foreign exchange movements on foreign currency customer cash inflows (denominated in US dollars, euros and Japanese yen), certain non-derivative repayment instalments on foreign currency-denominated interest-bearing liabilities are designated as hedging instruments within a hedge relationship. The effective portion of gains or losses arising from movements in foreign exchange rates are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. Accumulated gains or losses within the cash flow hedge reserve are transferred to Sales in advance of carriage in the same period as the forecast transaction occurs or when hedge accounting is discontinued when the forecast transaction is no longer expected to occur, at which point amounts are immediately reclassified to the Income statement.

2 Significant accounting policies *continued*

When a derivative is designated as a hedging instrument and that instrument expires, is sold or is restructured, if the initial forecast transaction is still expected to occur, any cumulative gain or loss remains in the cash flow hedge reserve until such time as the hedge item impacts the Income statement. Where there is a change in the risk management objective, then hedge accounting is discontinued and the associated cumulative gain or loss arising prior to the change in risk management objective remains in the cash flow hedge reserve until such time as the underlying hedged item impacts the Income statement had the risk management objective continued to have been met. Where a forecast transaction which was previously determined to be highly probable and for which hedge accounting applied, is no longer expected to occur, hedge accounting is discontinued and the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Income statement.

Each operating company enters into foreign currency derivative contracts, that are not designated in a hedge relationship, in order to mitigate foreign exchange movements on financial liabilities designated in currencies other than the presentational currency of each operating company, including but not limited to, lease liabilities. Movements in the fair value of such derivatives are recognised in the Income statement in the period in which they occur and are presented within Net currency retranslation charges.

Exchange gains and losses on monetary investments are taken to the Income statement unless the item has been designated and is assessed as an effective hedging instrument. Exchange gains and losses on non-monetary investments are reflected in equity.

d Cash flow hedges

Changes in the fair value of derivative financial instruments designated as in a cash flow hedge relationship of a highly probable expected future transaction are assessed for effectiveness and accordingly recorded in the Cash flow hedge reserve within equity.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: (i) there is 'an economic relationship' between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio is aligned with the requirements of the Group's risk management strategy and in all instances is maintained at a ratio of 1:1.

The Group assesses whether the derivative designated as the hedging instrument in a hedge relationship is expected to be on inception and at each reporting date effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative model.

Sources of ineffectiveness include the following:

- in hedges of fuel purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- in hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- in hedges of interest rate payments, ineffectiveness may arise if there are differences in the critical terms between the interest rate derivative instrument and the underlying hedged item, or if there are changes in the credit risk of the Group or the derivative counterparty; and
- in all hedges, ineffectiveness may arise if there are differences between the critical terms of the hedging instrument and the hypothetical derivative, such as where on inception of the hedge relationship the fair value of the hedging instrument is not zero.

Ineffectiveness is recorded within the Income statement as Realised/unrealised (losses)/gains on derivatives not qualifying for hedge accounting and presented within Other non-operating credits.

Reclassification and transfer adjustments

Gains and losses accumulated in the Cash flow hedge reserve within equity are either reclassified from the Cash flow hedge reserve when the hedged item affects the Income statement, or transferred from the Cash flow hedge reserve when the hedged item gives rise to recognition in the Balance sheet as follows:

- where the forecast hedged item results in the recognition of expenses within the Income statement (such as the purchase of jet fuel for which both fuel and the associated foreign currency derivatives are designated as the hedging instrument), the accumulated gains and losses recorded in both the Cash flow hedge reserve and the Cost of hedging reserve are reclassified and included in the Income statement within the same caption as the hedged item is presented. Such reclassification occurs in the same period as the hedged item is recognised in the Income statement;
- where the forecast hedged item results in the recognition of a non-financial asset (such as the purchase of aircraft for which foreign currency derivatives are designated as the hedging instrument or where the purchase of jet fuel gives rise to the recognition of fuel inventory in storage facilities), or a non-financial liability (such as the sales in advance of carriage for which both foreign currency derivatives and non-financial derivative instruments are designated as the hedging instrument), the accumulated gains and losses recorded within both the Cash flow hedge reserve and the Cost of hedging reserve are transferred and included in the initial cost of the asset and liability, respectively. These gains or losses are recorded in the Income statement as the non-financial asset and the non-financial liability affects the Income statement (which for aircraft is through Depreciation, amortisation and impairment over the expected life of the aircraft, for fuel inventory through Fuel, oil costs and emission charges when it is consumed and for sales in advance of carriage through Passenger revenue when the flight is flown); and
- where the forecast hedged item results in the recognition of a financial asset or liability (such as variable rate debt for which interest rate swaps are designated as the hedging instrument), the accumulated gains and losses recorded within the Cash flow hedge reserve are reclassified to the Income statement to Interest expense within Finance costs at the same time as the interest income or expense arises on the hedged item.

Further information on the risk management activities of the Group is given in note 29.

e Fair value hedges

Changes in the fair value of derivative financial instruments designated in a fair value hedge relationship are recorded within the Income statement as Net change in the fair value associated with fair value hedges within Other non-operating credits. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the overall carrying amount of the hedged item and is recorded within the Income statement as Net change in the fair value associated with fair value hedges within Other non-operating credits.

For fair value hedges associated with financial liabilities measured at amortised cost, any adjustment to the carrying value is amortised to the Income statement from the date of the cessation of the hedge relationship through to the maturity of the hedged item using the effective interest rate method.

If the hedged item is de-recognised, the unamortised fair value is recognised immediately in the Income statement.

Ineffectiveness included in fair value hedges of interest rate payments may arise if there are differences in the critical terms between the interest rate derivative instrument and the underlying hedged item, or if there are changes in the credit risk of the Group or the derivative counterparty.

f Interest rate benchmark reform

In 2020 the Group adopted the amendments to IFRS 9 and IFRS 7 relating to the interest rate benchmark reform Phase 1, ('Phase 1') and in 2021 the Group adopted the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the interest rate benchmark reform Phase 2 ('Phase 2').

The Phase 1 amendments provide temporary relief from applying certain hedge accounting requirements to hedging relationships directly affected by Interbank Offered Rates ('IBOR') reform. The reliefs have the effect that IBOR reform does not cause hedge accounting to terminate prior to contracts being amended. Where transition to an alternative benchmark rate has taken place, the Group ceases to apply the Phase 1 amendments and instead applies the Phase 2 amendments.

Hedge accounting

During the course of 2023, the Group ceased to apply the Phase 1 amendments, as the last of the associated IBORs transitioned to alternative benchmarks. Prior to these transitions and where the Group applied the Phase 1 amendments, the following reliefs were applied:

- when considering the highly probable requirement, the Group assumed that those benchmark rates that needed to be transitioned to an alternative benchmark rate, on which the Group's hedged long-term borrowings were based, did not change as a result of IBOR reform;
- in assessing whether the hedge was expected to be highly effective on a forward-looking basis the Group assumed that those benchmark rates that needed to be transitioned to an alternative benchmark rate, on which the cash flows of the hedged long-term borrowings and the interest rate swaps that hedge them were based, were not altered by IBOR reform; and
- the Group has not reclassified the Cash flow hedge reserve relating to the period after the IBOR reform is expected to take effect.

When the Group ceased to apply the Phase 1 amendments, the Group amended its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:

- designating an alternative benchmark rate (contractually or non-contractually specified) as the hedged risk;
- amending the description of the hedged item, including the description of the designated portion of the cash flows being hedged; or
- amending the description of the hedging instrument.

The associated hedge documentation was updated to reflect these changes in designation by the end of the reporting period in which the changes were made. Such amendments did not give rise to the hedge relationship being discontinued.

When the Group transitioned to alternative benchmark rates, the accumulated amounts within the cash flow hedge reserve were determined to be based on the alternative benchmark rates and no reclassification adjustments were made from the cash flow hedge reserve to the Income statement.

Long-term borrowings and lease liabilities

Phase 2 of the amendments required that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate prospectively. No gain or loss was recognised upon transition to the new benchmark. The expedient was only applicable to direct changes that are required by interest rate benchmark reform.

For lease liabilities where there was a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability was remeasured by discounting the revised lease payments using a discount rate that reflected the change in the interest rate where the change was required by IBOR reform.

No amounts have been recorded in the current or prior periods as a result of these amendments.

2 Significant accounting policies *continued*

Employee benefit plans

a Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on AA-rated corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the net obligation calculation results in an asset for the Group, the recognition of an asset is limited to any future refunds, net of the relevant taxes, from the plan or reductions in future contributions to the plan ('the asset ceiling'). The fair value of the plan assets is based on market price information and, in the case of quoted securities, is the published bid price. The fair value of insurance policies which exactly match the amount and timing of some or all benefits payable under the scheme are deemed to be the present value of the related obligations. Longevity swaps are measured at their fair value.

Current service costs are recognised within employee costs in the year in which they arise. Past service costs are recognised in the event of a plan amendment or curtailment, or when the Group recognises related restructuring costs or severance obligations. The net interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plans are recognised in the Income statement. Remeasurements, comprising IAS 19 gains and losses, the effect of the asset ceiling (excluding interest) and the return on plan assets (excluding interest), are recognised immediately in Other comprehensive income. Remeasurements are not reclassified to the Income statement in subsequent periods.

b Severance obligations

Severance obligations are recognised when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a provision for severance payments when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal, or providing severance payments as a result of an offer made to encourage voluntary redundancy.

Other employee benefits are recognised when there is deemed to be a present obligation.

c Flight crew provisions

The Group's obligations in respect of flight crew provisions are calculated separately for each collective bargaining agreement. In estimating these obligations, the Group makes assumptions regarding the number of employees that will elect to take early retirement under these agreements, and the age at which they make this election (where relevant), using the probability weighted methodology. The Group recognises a provision for service costs from the date of employment of the relevant individual, with the corresponding amount recorded within the Income statement. The provisions recognised are discounted, at the reporting date and the effect of unwinding of these discount rates are recognised as a finance cost in the Income statement.

Remeasurements of the provisions are made for changes in financial assumptions and recorded in Other comprehensive income. The Group records changes through Other comprehensive income, where assumptions regarding the elections to be made by individuals differs to actual elections. These calculations are performed by a qualified actuary using the projected unit credit method.

Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method. Inventories include mainly aircraft spare parts, repairable aircraft engine parts and fuel held in storage facilities.

Share-based payments

The Group operates a number of equity-settled, share-based payment plans, under which the Group awards equity instruments of the Group for services rendered by employees. The fair value of the share-based payment plans is measured at the date of grant using a valuation model provided by external specialists. The resulting cost, as adjusted for the expected and actual level of vesting of the plan, is charged to the Income statement over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and accordingly the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous balance sheet date is recognised in the Income statement with a corresponding entry in equity.

Treasury shares

When the share capital of the Company is repurchased, the amount of the consideration paid, including directly attributable transaction costs, is recognised as a deduction from equity within the treasury share reserve. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity and the resulting gain or loss on the transaction is presented as an adjustment to Retained earnings with no gain or loss recorded in the Income statement.

Provisions

Provisions are made when all of the following criteria have been met: (i) an obligation exists for a present liability in respect of a past event; (ii) where the amount of the obligation can be reliably estimated; and (iii) where it is considered probable that an outflow of economic resources will be required to settle the obligation. Where it is not considered probable that there will be an outflow of economic resources required to settle the obligation, the Group does not recognise a provision, but discloses the matter as a contingent liability. The Group assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each reporting date.

Employee leaving indemnities and other employee provisions are recorded for flight crew who, meeting certain conditions, have the option of being placed on reserve or of taking early retirement. The Group is obligated to remunerate these employees until they reach the statutory retirement age. The calculation is performed by qualified independent actuaries using the projected unit credit method.

Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

The method for determining legal claims provisions is determined on a claim by claim basis. Where a claim includes a significant population of items, the weighted average provision is estimated by determining all potential outcomes and the probability of their occurrence. Where a claim relates to a single item, then the Group determines the associated provision by applying the most likely outcome giving consideration to alternative outcomes. Where an individual claim is significant, the disclosure of quantitative information is restricted to the extent that it does not prejudice the outcome of the claim. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the effect of unwinding the discount rate is recognised as a Finance cost in the Income statement.

Revenue recognition

Passenger revenue

The Group's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided.

Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts, as Deferred revenue and presented within current liabilities until either: (i) the customer has flown; or (ii) where the customer does not fly on the intended date and has purchased a non-flexible fare.

For flexible and semi-flexible tickets, when the customer does not travel on the intended date, a term referred to as 'unused tickets', the customer has a number of options they can elect to apply, depending on the fare type: (i) reschedule the date of intended travel; (ii) request a refund; or (iii) request a voucher.

The Group estimates the amount of these unused tickets for which customers are not expected to exercise their remaining rights prior to expiry based on the terms and conditions of the ticket and analysis of historical experience, a term referred to as 'unused ticket breakage'. This revenue is recognised based on the terms and conditions of the ticket and analysis of historical experience. For unused ticket breakage, revenue is recognised only when the risk of a significant reversal of revenue is remote. The estimation regarding historical experience is updated at each reporting date.

Where a flight is cancelled, the customer has a number of options they can elect to apply to their unused tickets: (i) compensation; (ii) a refund; (iii) changing to an alternative flight; or (iv) the receipt of a voucher.

2 Significant accounting policies *continued*

The presentation in the financial statements of these customer options, to the extent they differ to the recognition criteria stated above, are as follows:

- Compensation for flight cancellation - such payments are presented net within Passenger revenue against the original ticket purchased;
- Refund - deferred revenue is reduced and no amount is recorded within revenue;
- Changing to an alternative flight – amounts are retained within Deferred revenue until such time as the flight is flown, at which time it is recorded within Passenger revenue; and
- Voucher - retained within Deferred revenue until such time as it is redeemed for a flight or it expires, at which time it is recorded within Passenger revenue.

In relation to vouchers, the Group also recognises revenue by estimating the amount of vouchers that customers are not expected to exercise their remaining rights prior to expiry using analysis of historical experience. The estimation regarding historical experience is updated at each reporting date. The amount of such revenue recognised is constrained, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

Payments received in relation to certain ancillary services regarding passenger transportation, such as change fees, are not considered to be distinct from the performance obligation to provide the passenger flight. Payments relating to these ancillary services are recognised in Deferred revenue in current liabilities until the customer has flown.

The Group considers whether it is an agent or a principal in relation to passenger transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. The Group acts as an agent where: (i) it collects various taxes, duties and fees assessed on the sale of tickets to passengers and remits these to the relevant taxing authorities; and (ii) where it provides interline services to airline partners outside of the Group. Commissions earned in relation to agency services are recognised as revenue when the underlying goods or services have been transferred to the customer. In all other instances, the Group considers it acts as the principal in relation to passenger transportation services.

Cargo revenue

The Group has identified a single performance obligation in relation to cargo services and the associated revenue is measured at its standalone selling price and recognised on satisfaction of the performance obligation, which occurs on the fulfilment of the transportation service.

Other revenue

The Group has identified several performance obligations in relation to services that give rise to revenue being recognised within Other revenue. These services, their performance obligations and associated revenue recognition include:

- the provision of maintenance services and overhaul services for engines and airframes, where the Group is engaged to enhance an asset while the customer retains control of the asset. Accordingly, the performance obligations are satisfied, and revenue recognised, over time. The Group estimates the proportion of the contract completed at the reporting date and recognises revenue based on the percentage of completion of the contract;
- the provision of ground handling services, where the performance obligations are fulfilled when the services are provided;
- the provision of holiday and hotel services, where the performance obligations are satisfied over time as the customer receives the benefit of the service; and
- brand and marketing activities, where the performance obligations are satisfied as the associated activities occur.

Customer loyalty programmes

The Group operates four principal loyalty programmes: the British Airways Executive Club, Iberia Plus, Vueling Club and the Aer Lingus Aer Club. The customer loyalty programmes award travellers Avios to redeem for various rewards, primarily redemption travel, including flights, hotels and car hire. Avios are also sold to commercial partners to use in loyalty activity.

Avios issuance

When issued, the standalone selling price of an Avios is recorded within Deferred revenue in current liabilities until the customer redeems the Avios. The standalone selling price of Avios is based on the value of the awards for which the points could be redeemed. The Group also recognises revenue associated with the proportion of Avios which are not expected to be redeemed, referred to as ‘breakage’, based on the results of modelling using historical experiences and expected future trends in customer behaviour, up until the reporting date. The amount of such revenue recognised is limited, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

Where the issuance of Avios arises from travel on the Group’s airlines, the consideration received from the customer may differ to the aggregation of the relative standalone selling prices. In such instances the allocation of the consideration to each performance obligation is undertaken on a proportional basis using the relative standalone selling prices.

The Group has contractual arrangements with non-Group airlines and non-air partners for the issuance and redemption of Avios, for which it has identified the following performance obligations:

Companion vouchers

Certain non-air partners issue their card holders with companion vouchers, which forms part of the variable consideration of the overall contract, depending on the level of expenditure by the card holders, for redemption on the airlines of the Group for the same flight and class of cabin as the underlying fare being purchased. The Group estimates the standalone selling price of the companion voucher performance obligation, using valuation techniques, by reference to the amount that a third party would be prepared to pay in an arm’s length transaction.

Brand and marketing activities

For both air and non-air partners, the Group licenses the Avios and the airline brands for certain activities, such as the creation of co-branded credit cards. In addition, the Group has certain contractual arrangements whereby it commits to provide marketing services to the members of the loyalty schemes on behalf of those partners. For the provision of both brand and marketing services, the partner receives benefits incremental to the issuance of Avios. The Group estimates the standalone selling price of the brand and marketing performance obligations, using valuation techniques, by reference to the amount that a third party would be prepared to pay in an arm's length transaction for access to comparable brands for the period over which they use the brand. For brand services, as the Group considers that the partner has the right to use the brand, revenue is recognised as the brand service is provided and not over time. For marketing performance obligations, revenue is recognised as the marketing activities occur based on when the partner receives the benefit of those services.

Upfront payments

Where a partner makes an upfront payment to the Group which does not relate to any specific performance obligation, then the Group considers such payments as advance payments for future goods and services and the associated revenue is recognised as those goods and services are provided, as detailed above. In such instances the payment is allocated across all of the performance obligations over the contract term. The Group estimates the expected level of Avios to be issued over the contract term using experience, historical and expected future trends, and allocates the payments to the relevant performance obligations accordingly. At each reporting date, the Group updates its estimate of the number of Avios expected to be issued over the total contract term and recognises a cumulative catch-up adjustment where necessary.

When a partner makes an upfront payment to the Group, the Group assesses whether such a payment is representative of a significant financing event. Where a significant financing component is identified, the Group estimates a market rate of interest that an arm's length financial liability of similar size and tenor would yield. The Group recognises the imputed interest within the Income statement as Other finance costs within Finance costs.

Other considerations

The Group considers whether it is an agent or a principal in relation to the loyalty services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. In particular, the Group acts as an agent where customers redeem their Avios on interline partner flights outside of the Group, where the fees payable to the interline partner are presented net against the associated release of the Deferred revenue.

Exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the Group's financial performance. While management has defined a list of items and a quantitative threshold that would merit categorisation as exceptional that has been established through historical experience, the Group retains the flexibility to add additional items should their size or nature merit such presentation. The accounting policy in respect of exceptional items and classification of an item as exceptional is approved by the Board, through the Audit and Compliance Committee.

The financial performance of the Group is monitored by the Management Committee and the Board on a pre-exceptional basis to enable comparison to prior reporting periods as well as to other selected companies, and also for making strategic, financial and operational decisions.

The exceptional items recorded in the Income statement include, but are not limited to, items such as significant settlement agreements with the Group's pension schemes; significant restructuring; the impact of business combination transactions that do not contribute to the ongoing results of the Group; significant discontinuance of hedge accounting; legal settlements; individually significant tax transactions; and the impact of the sale, disposal or impairment of an asset or investment in a business. Where exceptional items are separately disclosed, the resultant tax impact is additionally separately disclosed. Certain exceptional items may cover more than a single reporting period, such as significant restructuring events, but not more than two reporting periods.

Further information is given in the Alternative performance measures section.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within Borrowings, with the differential to the proceeds received recorded within Deferred income and released to the relevant financial statement caption in the Income statement on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from judgements and estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2 Significant accounting policies *continued*

Estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a Employee benefit obligations, employee leaving indemnities, other employee related restructuring

At 31 December 2023 the Group recognised €1,380 million in respect of employee benefit assets (2022: €2,334 million) and €175 million in respect of employee benefit obligations (2022: €217 million). Further information on employee benefit obligations is disclosed in note 34.

The cost of employee benefit obligations, employee leaving indemnities and other employee-related provisions is determined using the valuation requirements of IAS 19. These valuations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The assumptions relating to these schemes are disclosed in note 34. The Group determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The sensitivity to changes in pension assumptions is disclosed in note 34.

Under the Group's Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) defined benefit schemes, increases to pensions are based on the annual Government Pension Increase (Review) Orders, which since 2011 have been based on the Consumer Prices Index (CPI). Additionally, in APS there is provision for the Trustee to pay increases up to the level of the Retail Prices Index (RPI), subject to certain affordability tests. Historically market expectations for RPI could be derived by comparing the prices of UK Government fixed-interest and index-linked gilts, with CPI assessed by considering the Bank of England's inflation target and comparison of the construction of the two inflation indices.

In November 2020, the UK Government and UK Statistics Authority (UKSA) confirmed alignment of RPI with CPIH (a variant of CPI) from February 2030. In assessing RPI and CPI inflation from investment market data, allowance has been made for alignment of RPI with CPIH from 2030 and, therefore, effectively no gap between RPI and CPI inflation from that date. CPI inflation before 2030 is assumed to be 1 per cent per annum below RPI inflation.

b Revenue recognition

At 31 December 2023 the Group recognised €8,023 million (2022: €7,644 million) in respect of deferred revenue of which €2,712 million (2022: €2,630 million) related to customer loyalty programmes. Further information on deferred revenue is included in note 24.

Passenger revenue

Passenger revenue is recognised when the transportation service is provided. At the time of intended transportation, revenue is also recognised in respect of estimated unused tickets breakage and is estimated based on the terms and conditions of the tickets and historical experience. The Group considers that there is no reasonably possible change to unused ticket assumptions that would have a material impact on passenger revenue recorded in the year. A 2 percentage point increase in the level of unused ticket breakage of the sales in advance of carriage balance (excluding vouchers) at 31 December 2023 would result in an adjustment to Deferred revenue of €93 million, with an offsetting adjustment to increase revenue and operating profit recognised in the year.

For details regarding the voucher liability at 31 December 2023 and the associated sensitivity, see note 24.

Customer loyalty schemes

Revenue associated with the issuance of Avios under customer loyalty programmes is based on the relative standalone selling prices of the related performance obligations (brand, marketing and Avios), determined using estimation techniques. The transaction price of brand and marketing services is determined using specific brand valuation methodologies. The transaction price of an Avios is determined as the price of the rewards against which they can be redeemed and is reduced to take account of the proportion of Avios that are not expected to be redeemed by customers.

During 2022, 2021 and 2020, due to the significant restrictions imposed on the ability of customers to redeem Avios, as a result of the COVID-19 pandemic, coupled with the disruption in the patterns of redemption caused by the COVID-19 pandemic, the Group considered that the trends experienced since the start of the COVID-19 pandemic were not reflective of the long-term expected patterns of redemption and accordingly, the Group was unable to determine with a high degree of probability that there would not be a significant reversal of revenue in the future had it applied the redemption trends that were experienced over the period of the pandemic. Accordingly, for the years to 31 December 2022, 31 December 2021 and 31 December 2020, the Group estimated the level of redemption activity based on pre-COVID-19 pandemic customer behaviour.

During 2023, the Group considers historical redemption activity, including customers' more recent behaviours following the COVID-19 pandemic, representative of long-term behavioural trends, such that the Group considers that the risk of a significant reversal of revenue to be sufficiently low. Accordingly, the Group has updated its estimated level of redemption activity to incorporate current customer behaviour.

The Group estimates the number of Avios not expected to be redeemed using statistical modelling based on historical experience and expected future trends in customer behaviour. A 5 percentage point increase in the assumption of Avios not expected to be redeemed would result in an adjustment to Deferred revenue of €94 million, with an offsetting adjustment to increase revenue and operating profit recognised in the year.

Unredeemed vouchers liability

Historically, where a voucher has been issued to a customer in the event of a flight cancellation, the Group estimated, based on historical experience, the level of such vouchers not expected to be used prior to expiry and recognised revenue accordingly. During 2020 and 2021, due to the significant level of flight cancellations arising from the COVID-19 pandemic, the Group issued a greater volume of vouchers than it would have otherwise done. In addition, given the uncertainty as to the timing of customers redeeming these vouchers, the Group was unable to estimate with a high degree of probability that there would not be a significant reversal of revenue in the future had it applied the historical expiry trends over the period of the pandemic. Accordingly, for the years to 31 December 2022, 31 December 2021 and 31 December 2020, the Group did not recognise revenue arising from those vouchers issued due to COVID-19 pandemic-related cancellations until either the voucher was redeemed or it expired.

During 2023, the Group considers historical redemption activity, including customers' more recent behaviours following the COVID-19 pandemic, representative of the redemption trends expected through to expiry of the vouchers, such that the Group considers that the risk of a significant reversal of revenue to be sufficiently low. Accordingly, the Group has updated its estimated level of redemption activity to incorporate current customer behaviour.

c Income taxes

At 31 December 2023, the Group recognised €1,202 million in respect of deferred tax assets (2022: €1,282 million). Further information on current and deferred tax is disclosed in note 10.

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain because it may be unclear how tax law applies to a particular transaction or circumstance. Where the Group determines that it is more likely than not that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability based on either: the Group's judgement of the most likely outcome; or, when there is a wide range of possible outcomes, a probability-weighted average approach.

The Group recognises deferred tax assets only to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. Management uses judgement, including the consideration of past and current operating performance and the future projections of performance laid out in the approved business plan in order to assess the probability of recoverability.

In exercising this judgement, while there are no time restrictions on the utilisation of historic tax losses in the principal jurisdictions in which the Group operates, future cash flow projections are forecast for a period of up to ten years from the balance sheet date, which represents the period over which it is probable that future taxable profits will be available.

At 31 December 2023, the Group had unrecognised deferred tax assets of €1,584 million relating to tax losses and other temporary differences the Group does not reasonably expect to utilise. In applying the aforementioned judgement, had the Group extended the period of future cash flow projections indefinitely, then the amount of unrecognised tax losses would have reduced by €575 million. Conversely, if the forecast profit before tax for each operating company was reduced by 2 percentage points over the forecast period, the amount of the unrecognised tax losses would increase by €12 million.

d Impairment of non-financial assets

At 31 December 2023 the Group recognised €2,428 million (2022: €2,423 million) in respect of intangible assets with an indefinite life, including goodwill. Further information on these assets is included in note 17.

Goodwill and intangible assets with indefinite economic lives are tested, as part of the cash-generating units to which they relate, for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which use a weighted average multi-scenario discounted cash flow model, which are then compared to the carrying amount of the associated cash-generating unit.

In determining the carrying value of each cash generating unit (CGU), the Group allocates all associated operating tangible and intangible assets, including ROU assets. In addition, the Group has allocated certain liabilities to the carrying value of each CGU where those liabilities are critical to the underlying operations of the cash-generating unit and in the event of a disposal of the cash-generating unit would be required to be transferred to the purchaser. Such liabilities include lease liabilities.

The Group has applied judgement in the weighting of each scenario in the discounted cash flow model and these calculations require the use of estimates in the determination of key assumptions and sensitivities as disclosed in notes 4 and 17.

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators are identified, then non-financial assets are tested for impairment.

2 Significant accounting policies *continued*

e Engineering and other aircraft costs

At 31 December 2023 the Group recognised €2,529 million in respect of maintenance, restoration and handback provisions, principally in respect of leased aircraft (2022: €2,400 million). Information on movements on the provision is disclosed in note 27.

IFRS 16 does not address the accounting for maintenance, restoration and handback provisions that arise through the usage of the underlying asset and accordingly, the Group has applied judgement in applying an accounting policy with regard to the recognition and subsequent measurement of such provisions for leased aircraft. The Group's accounting policy for provisions that arise through usage or through the passage of time, is to recognise the associated estimated costs in the Income statement as the underlying asset is used or through the passage of time. The approach applied by the Group is consistent with the majority of major airlines that prepare their financial statements under IFRS. Were the Group to apply an alternative accounting policy, the financial impact would be materially different at the reporting date. An alternative accounting policy that the Group could have applied was the components approach, where the Group would capitalise the estimated costs of major maintenance events and depreciating them until the subsequent maintenance event (or to the end of lease term) and providing over the lease term for any expected cash compensation for maintenance obligations at the end of the lease. The Group considers that the current accounting policy for maintenance, restoration and handback activities reflects the obligations under its lease arrangements.

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. Provisions for maintenance, restoration and handback are made based on the best estimate of the likely committed cash outflow. In determining this best estimate, the Group applies significant judgement as to the level of forecast costs expected to be incurred when the major maintenance event occurs. Other assumptions not considered to be significant include aircraft utilisation, expected maintenance intervals and the aircraft's condition. The associated forecast costs are discounted to their present value. While the Group considers that there are no reasonably possible change to any of the individual assumptions that would have a material impact on the provisions, a combination of changes in several assumptions may. The Group considers that a reasonably possible change in the inflation rate and discount rate assumptions of a 100 basis points increase would give rise to an increase of €53 million (2022: €51 million) and a decrease of €59 million (2022: €68 million), respectively, when applied in isolation to one another.

Judgements

a Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans and historical experience regarding the extension of leases. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that affects the Group's ability to exercise or not to exercise the option to renew or to terminate. Further information is given in note 14.

b Determining whether the Group has significant influence over Air Europa Holdings

The Group applies judgement in the determination as to whether it has the power with which to participate in the decision-making of, and as a result significant influence over, Air Europa Holdings, S.L. (Air Europa Holdings). Such judgement includes the consideration as to the ability of the Group to: have representation on the board of Air Europa Holdings; participate in the policy-making processes, including participation in decisions regarding dividends and other distributions; the existence of material transactions between Air Europa Holdings and the Group; and enable the interchange of management personnel and provide essential technical information.

In forming its judgement, the Group notes that: it does not have the ability to have representation on the board of Air Europa Holdings; it does not have the ability to participate in the policy-making processes; has not entered into material transactions outside of the normal course of business, with those transactions arising in the normal course of business being immaterial in nature; it does not have the ability to enable the interchange of management personnel; and it does not have the ability to provide essential technical information. The Group has therefore concluded that it does not have significant influence over Air Europa Holdings.

Accordingly, the Group accounts for its shareholding in Air Europa Holdings as an Other equity investment and measures it at fair value through Other comprehensive income. Had the Group concluded that it does have significant influence over Air Europa Holdings, then the shareholding would have been classified as an associate, measured at cost on inception and subsequently measured using the equity method.

At 31 December 2023, the fair value of its shareholding in Air Europa Holdings was €129 million. Further information is given in note 19.

c Determining whether the HMRC enquiries into the IAG Loyalty VAT accounting gives rise to a provision or a contingent liability

The Group applies judgement in the determination as to whether it considers the outcome of the enquiries between IAG Loyalty and His Majesty's Revenue and Customs (HMRC), in the UK, on the IAG Loyalty VAT accounting, is more probable than not to result in an adverse outcome to the Group, and accordingly whether to record the matter as a provision or as a contingent liability.

In forming its judgement, the Group, with its legal and tax advisors, have reviewed the emerging view issued by HMRC, as well has having considered the historic tax ruling issued by HMRC to the Group on this matter. As a result, the Group does not consider it probable that an adverse outcome will eventuate and accordingly no provision has been recorded at 31 December 2023 and the matter has been disclosed as a contingent liability.

Had the Group, with its legal and tax advisors, considered that it was more probable than not that an adverse outcome would eventuate, then the Group would have recognised a provision for the best estimate of the potential outflow of economic benefit to the Group, with a corresponding charge recorded within the Income statement. Further information is given in note 10g.

New standards, amendments and interpretations

The following amendments and interpretations apply for the first time in 2023, but do not have a material impact on the consolidated financial statements of the Group:

- IFRS 17 Insurance contracts – effective for periods beginning on or after 1 January 2023;
- definition of accounting estimate – amendments to IAS 8 effective for periods beginning on or after 1 January 2023;
- disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 effective for periods beginning on or after 1 January 2023;
- deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 effective for periods beginning on or after 1 January 2023; and
- international tax reform: Pillar Two model reforms – amendments to IAS 12 effective for periods beginning on or after 1 January 2023.

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements which management believe could impact the Group in future periods. The Group has assessed the impact of these standards, amendments and interpretations and it is not expected that these will have a material effect on the reported income or net assets of the Group unless otherwise stated. The Group plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- disclosures: Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7 effective for periods beginning on or after 1 January 2024;
- lease liability in a sale and leaseback – amendments to IFRS 16 effective for periods beginning on or after 1 January 2024; and
- on 31 October 2022, the IASB issued the amendments to IAS 1 – classification of liabilities as current or non-current (the 'Amendments'), effective for periods beginning on or after 1 January 2024. The Amendments will require the €825 million convertible bond that matures in 2028, which as at 31 December 2023, had a carrying value of €735 million, to be reclassified from a non-current liability to a current liability with the comparative presentation as at 31 December 2022 also reclassified. The Amendments require that where the conversion feature of a convertible instrument does not meet the recognition criteria for separate presentation within equity and where the associated bond holders have the irrevocable right to exercise the conversion feature within 12 months of the balance sheet date, that such convertible instruments be presented as current. Other than this reclassification, the Amendments will not have a material effect on the reported results or net assets of the Group.

3 Significant changes and transactions in the current reporting period

The financial performance and position of the Group was affected by the following significant events and transactions in the year to 31 December 2023 as detailed below:

- on 23 February 2023, the Group entered into an agreement to acquire the remaining 80 per cent of the share capital of Air Europa Holdings that it had not previously owned. On successful completion of the transaction, 54,064,575 ordinary shares of the Company (which represented €100 million at the date of the agreement) will be transferred to and €100 million in cash will be paid to Globalia, with a further €100 million paid on both the first and second anniversary of completion.

  In addition, the Group has agreed to pay a break-fee to Globalia of €50 million should: (i) the relevant approvals, detailed below, not be forthcoming within 24 months of entering into the agreement; or (ii) the Group terminates the agreement at any time prior to completion. Under the agreement, this 24-month period can be extended, by mutual consent. The acquisition is conditional on Globalia receiving approval from the syndicated banks that provide the loan agreements that are partially guaranteed by the *Instituto de Crédito Oficial* (ICO) and *Sociedad Estatal de Participaciones Industriales* (SEPI) in Spain. The acquisition is also subject to approval by relevant competition authorities. Until the completion of these approvals, the acquisition does not meet the recognition criteria under IFRS 3 Business combinations, and no accounting has been made for the transaction in these consolidated financial statements;
- on 4 March 2023, Aer Lingus repaid in full the €50 million of the financial arrangement with the Ireland Strategic Investment Fund (ISIF). At 31 December 2023, €350 million of undrawn facilities remain available for draw down;
- in May 2023, the Group announced its intention to carry out a share purchase programme in order to acquire approximately 50 per cent of the aforementioned ordinary shares required as part of the acquisition of Air Europa Holdings. The programme completed during the year to 31 December 2023, with the Group having purchased 27 million treasury shares amounting to €49 million;
- on 30 June 2023, the Group converted 10 Airbus A320neo options into firm orders. The aircraft will be delivered in 2028 and will be used by any of the Group's airlines to replace A320ceo family aircraft;
- on 4 July 2023, the Group redeemed upon maturity the senior unsecured €500 million fixed rate bond;
- on 27 July 2023, the Group announced that it had converted six Boeing 787-10 options held by British Airways into firm orders and at the same time is adding a further six 787-10 options to its long-haul order book. The Group also converted one Airbus A350-900 option held by Iberia into a firm order. These aircraft will be delivered in 2025 and 2026 and will be used by British Airways and Iberia to restore capacity in the airlines' long-haul fleets;
- on 23 August 2023, the Group extended the terms of $1.655 billion of the $1.755 billion Revolving Credit Facility available to British Airways, Iberia and Aer Lingus by an additional 12 months through to March 2026 with the remaining $100 million available through to March 2025. At 31 December 2023, the Revolving Credit Facility remains undrawn;
- on 28 September 2023, British Airways repaid its syndicated loan of £2.0 billion (€2.3 billion), which was partially guaranteed by the UK Export Finance (UKEF). At the same time, British Airways entered into a new five-year Export Development Guarantee Facility of £1.0 billion (€1.2 billion), with commitments from a syndicate of banks, partially guaranteed by the UKEF, and available through to September 2028. The new facility is in addition to the £1.0 billion Export Development Guarantee Facility, which was entered into in 2021 and which is available through to November 2026. Both facilities were undrawn at 31 December 2023;
- on 31 October 2023 Iberia repaid the remaining outstanding €644 million of the €750 million floating rate syndicated financing agreement, partially guaranteed by the *Instituto de Crédito Oficial* (ICO) in Spain;
- on 15 November 2023, Iberia early repaid other loans and borrowings of €42 million; and
- on 30 November 2023, Vueling repaid the remaining outstanding €223 million of the €260 million floating rate syndicated financing agreement, partially guaranteed by ICO.

4 Impact of climate change on financial reporting

Significant transactions and critical accounting estimates, assumptions and judgements in the determination of the impact of climate change

As a result of climate change the Group has designed and approved its Flightpath Net Zero climate strategy, which commits the Group to net zero emissions by 2050. While approved business plans currently have a duration of three years, the Flightpath Net Zero climate strategy impacts both the short-, medium- and long-term operations of the Group.

The details regarding the inputs and assumptions used in the determination of the Flightpath Net Zero climate strategy include, but are not limited to, the following that are within the control of the Group:

- the additional cost of the Group's commitment to increasing the level of Sustainable Aviation Fuels (SAF) to 10 per cent by 2030 and to 70 per cent by 2050;
- the cost of incurring an increase in the level of carbon offsetting and carbon capture schemes; and
- the impact of introducing more fuel-efficient aircraft and being able to operate these more efficiently.

In addition to these inputs and measures within the control of management, Flightpath Net Zero includes assumptions pertaining to consumers, governments and regulators regarding the following:

- the impact on passenger demand for air travel as a result of both passenger trends regarding climate change and government policies;
- investment and policy regarding the development of SAF production facilities;
- investment and improvements in air traffic management; and
- the price of carbon through the EU, Swiss and UK Emissions Trading Schemes (ETS) and the UN Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The level of uncertainty regarding the impact of these factors increases over time. Accordingly, the Group has applied critical estimation and judgement in the evaluation of the impact of climate change regarding the recognition and measurement of assets and liabilities within the financial statements.

Critical accounting estimates, assumptions and judgements – cash flow forecast estimation

With the Flightpath Net Zero climate strategy assessing the impact over a long-term horizon to 2050, the level of estimation uncertainty in the determination of cash flow forecasts increases over time. For those assets and liabilities, where their recoverability is dependent on long-term cash flows, the following critical accounting estimates, assumptions and judgements, to the extent they can be reliably measured, have been applied:

a Long-term fleet plans and useful economic lives

The Group's Flightpath Net Zero climate strategy has been developed in conjunction with the long-term fleet plans of each operating company. This includes the annual assessment of useful lives and the residual values of each aircraft type.

As a result of the impact of the COVID-19 pandemic, the Group retired 72 aircraft, their associated engines and rotable inventories. These retired aircraft were older generation aircraft, that were less fuel-efficient, more carbon-intensive and more expensive to operate than more modern models.

Subsequent to the retirement of these aircraft, coupled with the future committed delivery of 178 fuel-efficient aircraft as detailed in note 15, the Group considers the existing fleet assets align with the long-term fleet plans to achieve its Flightpath Net Zero climate strategy. All aircraft in the fleet, and those due to be delivered in the future, have the capability to utilise SAF in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year, nor have the useful lives and residual values of aircraft been amended, as a result of the Group's decarbonisation plans.

b Impairment testing of the Group's cash generating units

The Group applies discounted cash flow models, for each cash generating unit, derived from the cash flow forecasts from the approved three-year business plans. The Group's Flightpath Net Zero climate strategy is long term in nature and includes commitments that will occur at differing points over this time horizon. To the extent that certain of those commitments occur over the short term, then they have been incorporated into the three-year business plans.

The Group adjusts the final year (being the third year) of these probability-weighted cash flows to incorporate the impacts of climate change from the Group's Flightpath Net Zero climate strategy that are expected to occur over the medium term, being to 2030. These adjustments are limited to those that: (i) the Group can reliably estimate at the reporting date, with those costs subsequent to 2030 having such a high degree of uncertainty that they cannot be reliably estimated; (ii) only relate to the Group's existing asset base in its current condition; and (iii) incorporate legislation and regulation that is expected to be required to achieve the Group's Flightpath Net Zero climate strategy, and which is sufficiently progressed at the reporting date.

As a result, the Group's impairment modelling incorporates the following aspects of the Group's Flightpath Net Zero climate strategy through to 2030, after which time the level of uncertainty regarding timing and costing becomes insufficiently reliable to estimate: (i) an increase in the level of SAF consumption to 10 per cent of the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA allowances (all derived from externally sourced or derived information); (iii) the removal of existing free ETS allowances issued by the EU member states, Switzerland and the UK; (iv) forecast kerosene taxes applied to jet fuel for all intra EU flight activity; and (v) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

In preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring unless already committed and assets not currently in use by the Group. In addition, for the avoidance of doubt, the Group's impairment modelling excludes the following aspects of the Group's Flightpath Net Zero climate strategy: (i) the expected transition to electric and hydrogen aircraft, as well as future technological developments to jet engines and airframes; (ii) any savings from the transition to more fuel-efficient aircraft other than those either in the Group's fleet or those committed orders due to be delivered over the business plan period; (iii) the benefit of the development of carbon capture technologies and enhanced carbon offsetting mechanisms; (iv) the required beneficial reforms to air traffic management regulation and legislation; and (v) the required government incentives and/or support across the supply chain.

As detailed in note 17, the Group applies a long-term growth rate to these adjusted probability weighted cash flows, per CGU, and each of the long-term growth rates include a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand and elasticity impact arising from climate change. These impacts are derived with reference to external market data, industry publications and internal analysis.

Given the inherent uncertainty associated with the impact of climate change, the Group has applied additional sensitivities in note 17 to reflect a more adverse impact of climate change than currently expected. This has been captured through both the downward sensitivities of the long-term growth rates, ASKs and operating margins and the increased fuel price sensitivity.

c Valuation of employee benefit scheme assets

The Group's employee benefit schemes are principally represented by the British Airways APS and NAPS schemes in the UK. The schemes are structured to make post-employment payments to members over the long term, with the Trustee having established both return-seeking assets and liability-matching assets that mature over the long term to align with the forecast benefit payments.

The assets of these schemes are invested predominantly in a diversified range of equities, bonds and property. The valuation of these assets ranges from those with quoted prices in active markets, where prices are readily and regularly available, through to those where the valuations are not based on observable market data, often requiring complex valuation models. The trustees of the schemes have integrated climate change considerations into their long-term decision-making and reporting processes across all classes of assets, actively engaging with all fund and portfolio managers to ensure that where unobservable inputs are required into valuation models, that such valuation models incorporate long-term expectations regarding the impact of climate change.

d Recoverability of deferred tax assets

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies the future cash flow projections for a period of up to ten years derived from the approved three-year business plans. The Group applies a medium-term growth rate subsequent to the three-year business plans, specific to each operating company. In considering the impact of the Group's Flightpath Net Zero climate strategy, management adjusts this medium-term growth rate, where applicable, to incorporate the assumed impacts on both revenue and costs to the Group.

e The price of carbon through the EU, Swiss and UK Emissions Trading Schemes

The EU, Swiss and the UK's ETS were established to reduce greenhouse gas emissions cost effectively. Under these schemes, companies, including the Group's companies, are required to buy emission allowances, or are issued them under existing quotas. The Group is required to surrender these allowances to the relevant authorities annually dependent on the level of CO_2 equivalent emitted within a 12-month period. Over time, the level of available emission allowances decreases in order to reduce total emissions, which has the effect of increasing the price of such allowances. The Group expects that the future price of such allowances will continue to increase and that the free allocation of emission allowances will cease. Given the relative illiquid nature of the emission allowance market there is uncertainty as to the future pricing of such allowances.

As detailed in note 2, the Group accounts for the purchase of allowances as an addition to Intangible assets, which are measured at amortised cost. In addition, as the Group emits CO_2 equivalent as part of its flight operations, a provision is recorded to settle the obligation. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel, oil costs and emission charges. For emissions for which the Group has already purchased allowances, the provision is valued at the weighted cost of those allowances. Where the level of emissions exceeds the amounts of allowances held, this deficit is measured at the market price of such allowances at the reporting date.

For the year to, and as at, 31 December 2023, the Group has recorded the following within the financial statements:

- additions to the ETS allowance provision and accordingly an expense within Fuel, oil costs and emission charges, of €238 million (see note 27);
- purchases of ETS allowances recorded as additions to intangible assets of €264 million (see note 17);
- total ETS allowances at the reporting date recorded within intangible assets of €577 million (see note 17); and
- commitments for forward purchase agreements for ETS allowances of €216 million (see note 15).

At 31 December 2023, the Group has acquired and committed to acquire at fixed prices, the following percentages of its total emissions allowances forecast to be purchased over the business plan period to 31 December 2026:

Percentage of forecast emission allowances required	
Within 12 months	100 %
1-2 years	62 %
2-3 years	24 %

5 Segment information

a Business segments

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the IAG Management Committee (IAG MC).

The Group has a number of entities which are managed as individual operating companies including airline, loyalty and platform functions. Each operating company operates its network operations as a single business unit and the IAG MC assesses performance based on measures including operating profit, and makes resource allocation decisions for the operating companies based on profitability, primarily by reference to the passenger markets in which the companies operate. The objective in making resource allocation decisions is to optimise consolidated financial results.

The Group has determined its operating segments based on the way that it treats its businesses and the manner in which resource allocation decisions are made. British Airways, Iberia, Vueling, Aer Lingus and IAG Loyalty have been identified for financial reporting purposes as reportable operating segments. LEVEL is also an operating segment but does not exceed the quantitative thresholds to be reportable and management has concluded that there are currently no other reasons why LEVEL should be separately disclosed.

There are varying levels of transactions between operating segments, which principally relate to the provision of maintenance services from the Iberia operating segment to the other operating segments, the provision of flight services by the airlines to the IAG Loyalty segment and the provision of loyalty services from IAG Loyalty to the airline operating segments.

The platform functions of the business primarily support the airline and loyalty operations. These activities are not considered to be reportable operating segments as they either earn revenues incidental to the activities of the Group and resource allocation decisions are made based on the passenger business or are not reviewed regularly by the IAG MC and are included within Other Group companies.

For the year to 31 December 2023

	2023						
€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	**Total**
Revenue							
Passenger revenue	14,204	5,215	3,180	2,194	679	338	**25,810**
Cargo revenue	862	233	–	55	–	6	**1,156**
Other revenue	962	986	17	10	512	–	**2,487**
External revenue	16,028	6,434	3,197	2,259	1,191	344	**29,453**
Inter-segment revenue	431	524	1	15	294	392	**1,657**
Segment revenue	16,459	6,958	3,198	2,274	1,485	736	**31,110**
Depreciation and amortisation charge	(1,168)	(409)	(259)	(150)	(11)	(66)	**(2,063)**
Operating profit/(loss)	**1,650**	**940**	**396**	**225**	**321**	**(25)**	**3,507**
Net non-operating costs							**(451)**
Profit before tax							**3,056**
Total assets	22,255	9,454	3,049	1,999	3,786	(2,863)	**37,680**
Total liabilities	(19,295)	(8,390)	(3,461)	(1,856)	(3,115)	1,715	**(34,402)**

1 Includes eliminations on total assets of €16,268 million and total liabilities of €5,417 million.

For the year to 31 December 2022

€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[2]	Total
	2022						
Revenue							
Passenger revenue	10,523	4,002	2,584	1,665	451	233	19,458
Cargo revenue	1,239	284	–	80	–	12	1,615
Other revenue	848	799	14	10	322	–	1,993
External revenue	12,610	5,085	2,598	1,755	773	245	23,066
Inter-segment revenue	311	426	–	14	228	378	1,357
Segment revenue	12,921	5,511	2,598	1,769	1,001	623	24,423
Depreciation and amortisation charge	(1,272)	(371)	(222)	(146)	(8)	(59)	(2,078)
Impairment reversal	–	–	8	–	–	–	8
Operating profit/(loss)[1]	366	389	195	57	282	(11)	1,278
Exceptional items[3]	23	–	8	–	–	–	31
Operating profit/(loss) before exceptional items	343	389	187	57	282	(11)	1,247
Net non-operating costs[1]							(863)
Profit before tax							415
Total assets	23,788	9,200	3,177	1,946	3,303	(2,111)	39,303
Total liabilities	(20,975)	(9,005)	(3,774)	(1,942)	(2,914)	1,329	(37,281)

1 Segment information for 2022 has been restated for the reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. Further information is given in note 2.

2 Includes eliminations on total assets of €16,159 million and total liabilities of €5,755 million.

3 For details on exceptional items refer to the Alternative performance measures section.

b Other revenue

€ million	Year to 31 December 2023	2022[1]
Holiday and hotel services	**938**	805
Maintenance and overhaul services	**683**	528
Brand and marketing	**347**	267
Ground handling services	**195**	193
Other	**324**	200
	2,487	1,993

1 For the year to 31 December 2023, the Group has elected to provide a disaggregated breakdown of the Income statement caption 'Other revenue' and has accordingly provided figures for the comparative year to 31 December 2022.

5 Segment information *continued*

c Geographical analysis

Revenue by area of original sale

	Year to 31 December	
€ million	**2023**	2022
UK	**10,177**	7,923
Spain	**5,234**	4,313
USA	**5,069**	3,735
Rest of world	**8,973**	7,095
	29,453	23,066

Assets by area
31 December 2023

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**12,764**	**1,685**
Spain	**5,644**	**1,569**
USA	**100**	**18**
Rest of world	**1,268**	**637**
	19,776	**3,909**

31 December 2022

€ million	Property, plant and equipment	Intangible assets
UK	12,026	1,490
Spain	5,082	1,462
USA	47	9
Rest of world	1,191	595
	18,346	3,556

6 Operating expenses

a Expenses by nature – Operating result is arrived at after charging

Depreciation, amortisation and impairment of non-current assets:

€ million	**2023**	2022
Depreciation charge on right of use assets	**1,077**	1,092
Depreciation charge on owned assets	**768**	748
Gain arising on de-designation of foreign exchange hedges recorded in Depreciation[1]	**–**	(29)
Amortisation and impairment of intangible assets	**193**	218
Impairment reversal on right of use assets	**–**	(8)
Depreciation charge on other leasehold assets	**25**	49
	2,063	2,070

1 Included in the depreciation charge for 2022, not included within note 13 is a credit of €29 million relating to the de-designation of hedge accounting that had been applied to mitigate the foreign currency exposure on aircraft purchases.

Cost of inventories:

€ million	**2023**	2022
Cost of inventories recognised as an expense	**1,165**	749
	1,165	749

b Property, IT and other costs

€ million	2023	2022[1]
IT costs	**365**	340
Property costs	**296**	293
Insurance costs, professional fees and other costs	**397**	317
	1,058	950

1 For the year to 31 December 2023, the Group has elected to provide a disaggregated breakdown of the Income statement caption 'Property, IT and other costs' and has accordingly provided figures for the comparative year to 31 December 2022.

7 Auditor's remuneration

The fees for the years to 31 December 2023 and 31 December 2022, for audit and non-audit services provided by the auditor of the Group's consolidated financial statements and of certain individual financial statements of the consolidated companies, KPMG Auditores S.L., and by companies belonging to KPMG's network, were as follows:

€'000	2023	2022
Fees payable for the audit of the Group and individual accounts	**6,929**	6,378
Fees payable for other services:		
Audit of the Group's subsidiaries pursuant to legislation	**1,284**	985
Other services pursuant to legislation	**218**	195
Other audit and assurance services	**1,589**	1,644
Services relating to working capital review	**–**	1,022
	10,020	10,224

Fees payable to the Group's auditor for the audit of the Group's pension scheme during the year total €251 thousand (2022: €236 thousand).

8 Employee costs and numbers

€ million	2023	2022
Wages and salaries	**3,711**	3,207
Social security costs	**604**	519
Costs related to pension scheme benefits	**297**	272
Share-based payment charge	**52**	39
Other employee costs[1]	**759**	610
Total employee costs	**5,423**	4,647

1 Other employee costs include allowances and accommodation for crew.

The number of employees during the year and at 31 December was as follows:

	2023			2022		
		31 December 2023			31 December 2022	
	Average number of employees	**Number of employees[2]**	**Percentage of women**	Average number of employees[1]	Number of employees[2]	Percentage of women
In the air:						
Cabin crew	**23,473**	**24,004**	**70 %**	19,801	22,278	70 %
Pilots	**8,085**	**8,223**	**7 %**	7,340	7,864	7 %
On the ground:						
Airports	**16,395**	**16,784**	**37 %**	13,798	15,087	38 %
Corporate	**14,774**	**15,586**	**48 %**	11,741	13,819	49 %
Maintenance	**6,813**	**6,972**	**8 %**	6,908	6,775	8 %
Senior leaders	**222**	**225**	**36 %**	212	221	34 %
	69,762	**71,794**	**44 %**	59,800	66,044	44 %

1 In 2022, the average number of employees excludes those employees who were on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain; the total average number of employees including these schemes was 61,192.

2 The number of employees is based on actual headcount at 31 December.

9 Finance costs, income and other non-operating credits

a Finance costs

€ million	2023	2022
Interest expense on:		
Bank borrowings	**(237)**	(191)
Asset financed liabilities	**(170)**	(107)
Lease liabilities	**(508)**	(464)
Bonds	**(63)**	(83)
Provisions unwinding of discount	**(103)**	(43)
Other borrowings	**(42)**	(102)
Capitalised interest on progress payments	**28**	11
Other finance costs	**(18)**	(38)
	(1,113)	(1,017)

b Finance income

€ million	2023	2022
Interest on other interest-bearing deposits, cash and cash equivalents	**386**	51
Other finance income	**–**	1
	386	52

c Net change in fair value of financial instruments

€ million	2023	2022
Net change in the fair value of convertible bond (note 26b)	**(11)**	159
Net fair value losses on financial assets at fair value through profit or loss	**–**	(35)
Net fair value losses on de-recognition of financial assets and recognition of other equity investment	**–**	(43)
	(11)	81

d Net financing credit relating to pensions

€ million	2023	2022
Net financing credit relating to pensions	**103**	26

e Other non-operating credits

€ million	2023	2022[1]
Gain on sale of investments	**10**	–
Credit/(charge) related to equity investments (note 19)	**3**	(3)
Share of profits in investments accounted for using the equity method (note 18)	**6**	5
Realised (losses)/gains on derivatives not qualifying for hedge accounting	**(23)**	190
Unrealised gains/(losses) on derivatives not qualifying for hedge accounting	**13**	(82)
Net change in the fair value associated with fair value hedges (note 30)	**(1)**	–
	8	110

1 The 2022 Other non-operating credits include a reclassification to conform with the current year presentation of the Income statement. See note 2 for further details.

10 Tax

a Tax (charges)/credits

Tax (charges)/credits recognised in the Income statement, Other comprehensive income and directly in equity:

	2023				2022			
€ million	**Income statement**	**Other comprehensive income**	**Recognised directly in equity**	**Total**	Income statement	Other comprehensive income	Recognised directly in equity	Total
Current tax								
Movement in respect of prior years	(1)	–	–	**(1)**	(6)	–	–	(6)
Movement in respect of current year	(206)	8	–	**(198)**	(64)	3	–	(61)
Total current tax	(207)	8	–	**(199)**	(70)	3	–	(67)
Deferred tax								
Movement in respect of prior years	(10)	(2)	12	**–**	(36)	(2)	–	(38)
Movement in respect of current year	(171)	106	(17)	**(82)**	105	(60)	5	50
Rate change/rate differences	(13)	3	–	**(10)**	17	(10)	–	7
Total deferred tax	(194)	107	(5)	**(92)**	86	(72)	5	19
Total tax	(401)	115	(5)	**(291)**	16	(69)	5	(48)

The current tax credit in Other comprehensive income relates to movements relating to employee benefit plans of €8 million (2022: €1 million) and to the fair value movements on the IAG €825 million convertible bond maturing in 2028 of €nil (2022: €2 million).

Tax recognised directly in equity of a €5 million charge (2022: €5 million credit) relates to cash flow hedges.

Within tax in Other comprehensive income is a tax credit of €114 million (2022: tax credit of €8 million) that may be reclassified to the Income statement and a tax credit of €1 million (2022: tax charge of €77 million) that will not.

b Current tax asset

€ million	**2023**	2022
Balance at 1 January	64	(5)
Income statement	(207)	(70)
Other comprehensive income	8	3
Cash	291	134
Exchange movements and other	1	2
Balance at 31 December	**157**	**64**
Current tax asset	159	72
Current tax liability	(2)	(8)
Balance at 31 December	**157**	**64**

10 Tax *continued*

c Deferred tax (liability)/asset

€ million	Fixed assets	Right of use assets	Lease liabilities	Employee leaving indemnities and others	Employee benefit plans	Fair value gains/ losses[1]	Share-based payment schemes	Tax loss carried forward and tax credits	Other temporary differences	**Total**
Balance at 1 January 2023	(680)	(44)	9	197	54	(3)	17	1,636	96	**1,282**
Income statement	(325)	68	(2)	11	(1)	–	9	78	(32)	**(194)**
Other comprehensive income	–	–	–	6	(8)	114	–	(3)	(2)	**107**
Recognised directly in equity	–	–	–	–	–	(5)	–	–	–	**(5)**
Exchange movements and other	(8)	–	–	–	–	15	–	10	(9)	**8**
Balance at 31 December 2023	**(1,013)**	**24**	**7**	**214**	**45**	**121**	**26**	**1,721**	**53**	**1,198**
Balance at 1 January 2022	(477)	(220)	19	196	62	57	11	1,573	61	1,282
Income statement	(194)	169	(9)	19	1	–	6	87	7	86
Other comprehensive income	–	–	–	(17)	(12)	(46)	–	3	–	(72)
Recognised directly in equity	–	–	–	–	–	5	–	–	–	5
Exchange movements and other	(9)	7	(1)	(1)	3	(19)	–	(27)	28	(19)
Balance at 31 December 2022	(680)	(44)	9	197	54	(3)	17	1,636	96	1,282

1 Fair value gains/losses include both the Cash flow hedge reserve and the Cost of hedging reserve, of which the movement in relation to Other comprehensive income recognised in the Cash flow hedge reserve for 2023 was €104 million (2022: €68 million, see note 30d).

€ million	**2023**	2022
Deferred tax asset	**1,202**	1,282
Deferred tax liability	**(4)**	–
Balance at 31 December	**1,198**	1,282

The deferred tax assets mainly arise in Spain and the UK and are expected to reverse in full beyond one year. Recognition of the deferred tax assets is supported by the expected reversal of deferred tax liabilities in corresponding periods, and projections of operating performance laid out in the management approved business plans.

d Reconciliation of the total tax charge in the Income statement

The tax (charge)/credit is calculated at the domestic rates applicable to profits/(losses) in the country in which the profits/(losses) arise. The differences between the expected tax charge (2022: charge) and the actual tax charge (2022: credit) on the profit for the year to 31 December 2023 (2022: profit) are explained below:

€ million	**2023**	2022
Accounting profit before tax	**3,056**	415
Weighted average tax charge of the Group[1]	**(718)**	(102)
Unrecognised losses and deductible temporary differences arising in the year	**11**	(2)
Fair value movement on convertible bond	**30**	–
Effect of tax rate changes	**(13)**	17
Prior year tax assets recognised	**289**	153
Effect of lower tax rate in the Canary Islands	**3**	5
Movement in respect of prior years	**(11)**	(42)
Employee benefit plans accounted for net of withholding tax	**22**	3
Non-deductible expenses	**(21)**	(22)
Other items	**7**	6
Tax (charge)/credit in the Income statement	**(401)**	16

1 The expected tax charge is calculated by aggregating the expected tax (charges)/credits arising in each company in the Group and changes each year as tax rates and profit mix change. The 2023 corporate tax rates for the Group's main countries of operation are Spain 25% (2022: 25%), the UK 23.5% (2022: 19%) and Ireland 12.5% (2022: 12.5%).

e Payroll related taxes and UK Air Passenger Duty

The Group was also subject to other taxes paid during the year which are as follows:

€ million	**2023**	2022
Payroll related taxes	**604**	522
UK Air Passenger Duty	**936**	722
	1,540	1,244

f Factors that may affect future tax charges

Unrecognised deductible temporary differences and losses

€ million	**2023**	2022
Income tax losses		
Spanish corporate income tax losses	**569**	1,596
Openskies SASU trading losses	**406**	405
UK trading losses	**–**	72
Other trading losses	**13**	11
	988	2,084
Other losses and temporary differences		
Spanish deductible temporary differences	**238**	481
UK capital losses	**341**	343
Irish capital losses	**17**	17
	596	841

None of the unrecognised temporary differences have an expiry date. Further information with regard to the sensitivity of the recoverability of deferred tax assets is given in note 2.

Revocation of Royal Decree-Law 3/2016 in Spain

On 18 January 2024, the *Tribunal Constitucional* (Constitutional Court) in Spain issued a ruling that the amendments to corporate income tax introduced by Royal Decree Law 3/2016 were unconstitutional. Further details are given in note 38.

Unrecognised temporary differences – investment in subsidiaries and associates

No deferred tax liability has been recognised in respect of €1,910 million (2022: €823 million) of temporary differences relating to subsidiaries and associates. The Group either controls the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future or no tax consequences would arise from their reversal to a material extent.

Tax rate changes

On 3 March 2021 the UK Chancellor of the Exchequer announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25 per cent from April 2023. On 24 May 2021 the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances and will increase the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances in UK entities, a charge of €13 million (2022: €17 million credit) is recorded in the Income statement and a credit of €3 million (2022: €10 million charge) is recorded in Other comprehensive income.

Engagement with tax authorities

The Group is subject to audit and enquiry by tax authorities in the territories in which it operates, and engages with those tax authorities in a cooperative manner.

During the course of 2023, the Directorate General of GST Intelligence (DGGI) in India has been enquiring into the quantum and nature of any services provided by the corporate head offices of a number of international airlines, including British Airways, to their Indian branches. As at 31 December 2023 and through to the date of these financial statements, the DGGI's enquiries are ongoing.

Pillar Two minimum effective tax rate reform

In 2021 the OECD released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addresses the geographical allocation of profits for the purposes of taxation, and is designed to ensure that multinational enterprises will be subject to a minimum 15 per cent effective tax rate.

On 15 December 2022, the Council of the European Union formally adopted the EU Pillar Two Directive. On 22 December 2022 the EU Minimum Tax Directive was published.

On 11 July 2023, the UK enacted Finance (No. 2) Act 2023 which introduced the Multinational Top-up Tax and the Domestic Top-up Tax with effect for accounting periods beginning on or after 31 December 2023. These taxes are the UK's adoption of the income inclusion rule and domestic minimum top-up tax rule referenced in the OECD's Pillar Two reform.

On 18 December 2023, Ireland enacted Finance (No. 2) Act 2023 which, pursuant to the EU Minimum Tax Directive, provided for the introduction of a new minimum effective rate of tax for certain businesses. These rules provide for a Qualified Domestic Top-Up Tax where an in-scope group's Irish operations have an effective rate of tax of less than 15%. They come into force for accounting periods beginning on or after 31 December 2023.

10 Tax *continued*

On 19 December 2023, Spain's Council of Ministers approved a draft law to implement the EU Minimum Tax Directive. This is to be subject to consultation, prior to being sent to Parliament.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the effective rate per jurisdiction and the 15 per cent minimum rate. Such legislation applies prospectively for accounting periods beginning on or after 31 December 2023.

For 2023, the predominant jurisdiction in which the Group operates with an effective tax rate of less than 15 per cent is Ireland through Aer Lingus. While the impact of Pillar Two is not yet reasonably possible to estimate, for indicative purposes, in 2023 Aer Lingus recorded a current tax expense of €24 million relating to its Irish operations, representing an effective tax rate of 13 per cent. Had the effective tax rate applied by Aer Lingus to its Irish operations been 15 per cent, the current tax expense would have increased by €4 million to €28 million, which would not have had a significant impact on the overall Group effective tax rate of 13 per cent.

On 23 May 2023, the IASB issued the amendments to IAS 12 – international tax reform: Pillar Two model reforms, effective for periods beginning on or after 1 January 2023. The amendments to IAS 12 provide temporary mandatory relief from the recognition of deferred tax balances arising from the implementation of the Pillar Two legislation. Accordingly, the Group has developed an accounting policy with regard to the recognition of deferred taxes arising from the Pillar Two model rules, where no adjustments to deferred tax assets and liabilities are recognised that arise from the introduction of the minimum 15 per cent effective tax rate.

g Tax-related contingent liabilities

The Group has certain contingent liabilities that could be reliably estimated, across all taxes, but excluding the IAG Loyalty VAT matter detailed below, at 31 December 2023 amounting to €110 million (31 December 2022: €110 million). While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success in each of these matters is more probable than not, it is not appropriate to make a provision for these amounts. Included in the tax-related contingent liabilities are the following:

Merger gain

Following tax audits covering the period 2011 to 2014, the Spanish Tax Authorities issued a corporate income tax assessment to the Company regarding the merger in 2011 between British Airways and Iberia (the 'Merger'). The maximum exposure in this case is €100 million (31 December 2022: €98 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to 31 December 2023.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* or 'TEAC' (Central Administrative Tax Tribunal). On 23 October 2019, the TEAC ruled in favour of the Spanish Tax Authorities. The Company subsequently appealed this ruling to the *Audiencia Nacional* (National High Court) on 20 December 2019, and on 24 July 2020 filed submissions in support of its case. To assist it in its deliberations as to whether a gain arose from the Merger, on 15 September 2023, the *Audiencia Nacional* commissioned an independent accounting expert to provide a report on the appropriate basis of accounting. As at 31 December 2023 and through to the date of these financial statements, the *Audiencia Nacional* has not ruled on whether a gain arose from the Merger. The Company does not expect a hearing at the *Audiencia Nacional* on this case until mid to late 2024 at the earliest.

The Company disputes the technical merits of the assessment and ruling of the TEAC. Based on legal advice and an external accounting expert's opinion, the Company believes that it has strong arguments to support its appeal. The Company does not consider it appropriate to make a provision for these amounts and accordingly has classified this matter as a contingent liability.

Should the Company be unsuccessful in its appeal to the *Audiencia Nacional*, it would re-assess its position and the associated accounting treatment accordingly.

Within the context of the aforementioned tax audits, the Spanish tax authorities concluded on the value of Iberia's business within the Merger. This valuation was contested by the Company in a separate case, where no tax liability is due. The Company believes there are technical merits for a higher value, something that would indirectly reduce the quantum of the merger gain assessed in the dispute described above. On 18 January 2024, the *Audiencia Nacional* served notice on its judgment issued on 13 December 2023, whereby it ruled in favour of the Spanish tax authorities. The Company believes there are grounds to appeal the judgement to the Supreme Court in Spain. If an appeal on this matter was ultimately successful, it would reduce the exposure of the merger gain described above.

IAG Loyalty VAT

At 31 December 2023, and through to the date of this report, His Majesty's Revenue and Customs (HMRC) has issued protective notices of VAT assessments for the 24 months ended March 2020 to Avios Group (AGL) Limited, a controlled undertaking of the Group trading as IAG Loyalty. At the date of this report none of these protective notices of assessment are due for payment.

During the second quarter of 2023, and while its enquiries are ongoing at the date of this report, HMRC shared with the Group its emerging view on the appropriate VAT accounting, which differs to the current approach by IAG Loyalty. HMRC's emerging view asserts that the charges made by IAG Loyalty are for participating/membership in the Avios scheme and the associated charges and are subject to VAT. IAG Loyalty accounts for VAT depending on the nature of the goods or services for which Avios are redeemed, the vast majority of which are flights, and zero-rated. IAG Loyalty's VAT accounting has and continues to be based on a ruling issued by HMRC.

As at the date of this report, this emerging view did not consider the validity of the rulings HMRC has previously issued with regard to IAG Loyalty's VAT accounting. Accordingly, and while having issued the protective notices, HMRC has not confirmed whether it considers its emerging view to be retroactive or only prospective in nature. The Group expects further developments in this matter during 2024, which may include HMRC issuing an update to its emerging view.

While the Group has continued to engage with HMRC on the underlying facts, circumstances and technical analysis of the matter, as at the date of this report there remain a number of possible scenarios that could eventuate. The Group has reviewed HMRC's emerging view with its legal and tax advisors and considers it has strong arguments to support its VAT accounting, including having received a ruling previously from HMRC on the matter, and therefore does not consider it probable that an adverse outcome will eventuate. Accordingly, the Group does not consider it appropriate to record any provision for this case at 31 December 2023. The Group, in conjunction with its advisors, considers the disclosure of a potential range of exposures, associated with the aforementioned possible scenarios that could eventuate, could prejudice seriously the position of the Group in its ongoing engagement with HMRC.

Should the Group and HMRC be unable to reach agreement on the appropriate VAT accounting, then the Group will have the ability to advance the case by initiating legal proceedings. To enable the Group to advance to initiate legal proceedings, it will need to pay, without admission of liability, to HMRC the total amount of assessments issued at the relevant time, which will be recoverable, in part or in full, should the Group be successful in the case. Until HMRC further progresses its enquiries, it is not possible to determine the payment required, if any, but any potential payment may result in a material cash outflow from the Group.

11 Earnings per share

€ million	**2023**	2022
Earnings attributable to equity holders of the parent for basic earnings per share	**2,655**	431
Income statement impact of convertible bonds	**15**	(104)
Diluted earnings attributable to equity holders of the parent for diluted earnings per share	**2,670**	327

	2023 Number '000	2022 Number '000
Weighted average number of ordinary shares in issue used for basic earnings per share	**4,932,631**	4,958,420
Assumed conversion on convertible bonds	**244,851**	299,557
Dilutive employee share schemes outstanding	**99,093**	86,175
Weighted average number of ordinary shares used for diluted earnings per share	**5,276,575**	5,344,152

€ cents	**2023**	2022
Basic earnings per share	**53.8**	8.7
Diluted earnings per share	**50.6**	6.1

The assumed conversion of the €825 million convertible bond 2028 and outstanding employee share schemes have a dilutive impact on the earnings per share for the years to 31 December 2023 and 31 December 2022 due to the reported profit after tax for the respective years.

For information relating to Adjusted earnings per share refer to the Alternative performance measures section.

12 Dividends

The Directors propose that no dividend be paid for the year to 31 December 2023 (2022: €nil).

The future dividend capacity of the Group is dependent on the liquidity requirements and the distributable reserves of the Group's main operating companies and their capacity to pay dividends to the Company, together with the Company's distributable reserves and liquidity.

As at 31 December 2022, certain debt obligations placed restrictions or conditions on the payment of dividends from the Group's main operating companies to the Company, including a loan to British Airways partially guaranteed by the UKEF and loans to Iberia and Vueling partially guaranteed by the *Instituto de Crédito Oficial* (ICO) in Spain.

As at 31 December 2023, the Group had no restrictions on the payment of dividends from the Group's main operating companies to the Company, other than for British Airways, which has several undrawn committed credit facilities for which the commitments available are subject to certain conditions depending on the scale of any dividend from British Airways to the Company.

In addition, British Airways agreed with the Trustee of its main UK defined benefit pension scheme (NAPS) as part of the triennial valuation as at 31 March 2021 that, subject to the scheme being in technical deficit, any dividends paid to IAG from 1 January 2024 through to 31 December 2024, will trigger a pension contribution of 50 per cent of the amount of the dividend. For the period of 1 January 2025 to 30 September 2025, any dividend in excess of 50 per cent of British Airways' profit after tax will trigger a pension contribution of 50 per cent of the amount of the dividend in excess of the 50 per cent of profit after tax. At 31 December 2023, NAPS was in technical surplus, and any dividend that British Airways were to pay to IAG, would not trigger a payment into NAPS unless NAPS were to move back into technical deficit. Further details on the British Airways dividend restrictions agreed with NAPS are given in note 34a.

13 Property, plant and equipment

€ million	Fleet	Property	Equipment	**Total**
Cost				
Balance at 1 January 2022	25,996	3,125	1,450	30,571
Additions	3,765	61	101	3,927
Modification of leases	241	129	–	370
Disposals	(1,700)	(406)	(120)	(2,226)
Reclassifications	(4)	–	–	(4)
Transfers to Non-current assets held for sale (note 16)	(44)	–	–	(44)
Exchange movements	(552)	(73)	(31)	(656)
Balance at 31 December 2022	27,702	2,836	1,400	31,938
Additions	3,543	47	163	**3,753**
Modification of leases	224	204	1	**429**
Disposals	(1,360)	(35)	(40)	**(1,435)**
Reclassifications	(2)	(1)	(7)	**(10)**
Exchange movements	264	35	15	**314**
Balance at 31 December 2023	**30,371**	**3,086**	**1,532**	**34,989**
Depreciation and impairment				
Balance at 1 January 2022	10,880	1,473	1,057	13,410
Depreciation charge for the year	1,642	168	79	1,889
Impairment reversal for the year[1]	(8)	–	–	(8)
Disposals	(857)	(403)	(107)	(1,367)
Transfers to Non-current assets held for sale (note 16)	(25)	–	–	(25)
Exchange movements	(247)	(32)	(28)	(307)
Balance at 31 December 2022	11,385	1,206	1,001	13,592
Depreciation charge for the year	1,676	122	72	**1,870**
Disposals	(331)	(34)	(34)	**(399)**
Exchange movements	121	16	13	**150**
Balance at 31 December 2023	**12,851**	**1,310**	**1,052**	**15,213**

1 For details regarding the 2022 impairment reversal on fleet assets refer to the Alternative performance measures section. For details regarding the operating segment in which the 2022 impairment reversal arose, see note 5.

Net book values				
31 December 2023	**17,520**	**1,776**	**480**	**19,776**
31 December 2022	16,317	1,630	399	18,346

€ million	Fleet	Property	Equipment	Total
Analysis at 31 December 2023				
Owned	8,828	907	384	**10,119**
Right of use assets (note 14)	7,681	838	15	**8,534**
Progress payments	914	31	79	**1,024**
Assets not in current use	97	–	2	**99**
Property, plant and equipment	**17,520**	**1,776**	**480**	**19,776**
Analysis at 31 December 2022				
Owned	7,242	833	338	8,413
Right of use assets (note 14)	7,993	684	20	8,697
Progress payments	1,071	113	40	1,224
Assets not in current use	11	–	1	12
Property, plant and equipment	16,317	1,630	399	18,346

The net book value of property comprises:

€ million	2023	2022
Freehold	**482**	469
Right of use assets (note 14)	**838**	684
Long leasehold improvements with a contractual life in excess of 50 years	**308**	301
Short leasehold improvements with a contractual life of less than 50 years	**148**	176
Property	**1,776**	1,630

At 31 December 2023, bank and other loans of the Group are secured on owned fleet assets with a net book value of €4,736 million (2022: €3,931 million).

14 Leases

a Amounts recognised in the Consolidated balance sheet

Property, plant and equipment includes the following amounts relating to right of use assets:

€ million	Fleet	Property	Equipment	Total
Cost				
Balance at 1 January 2022	14,218	949	74	15,241
Additions	586	28	1	615
Modifications of leases	241	129	–	370
Disposals	(214)	(171)	(2)	(387)
Reclassifications[1]	(849)	–	(24)	(873)
Exchange movements	(232)	(24)	–	(256)
31 December 2022	13,750	911	49	14,710
Additions	853	17	–	**870**
Modification of leases	224	204	1	**429**
Disposals	(117)	(5)	(6)	**(128)**
Reclassifications[1]	(831)	–	(1)	**(832)**
Exchange movements	104	13	–	**117**
31 December 2023	**13,983**	**1,140**	**43**	**15,166**
Depreciation and impairment				
Balance at 1 January 2022	5,592	309	37	5,938
Depreciation charge for the year	991	93	8	1,092
Impairment reversal for the year[2]	(8)	–	–	(8)
Disposals	(191)	(170)	(1)	(362)
Reclassifications[1]	(528)	–	(14)	(542)
Exchange movements	(99)	(5)	(1)	(105)
31 December 2022	5,757	227	29	6,013
Depreciation charge for the year	996	76	5	**1,077**
Disposals	(117)	(4)	(6)	**(127)**
Reclassifications[1]	(380)	–	–	**(380)**
Exchange movements	46	3	–	**49**
31 December 2023	**6,302**	**302**	**28**	**6,632**
Net book value				
31 December 2023	**7,681**	**838**	**15**	**8,534**
31 December 2022	7,993	684	20	8,697

1 Amounts with a net book value of €452 million (2022: €331 million) were reclassified from ROU assets to owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified relate to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option.

2 For details regarding the 2022 impairment reversal on fleet assets refer to the Alternative performance measures section.

14 Leases *continued*

Interest-bearing long-term borrowings includes the following amount relating to lease liabilities:

€ million	2023	2022
1 January	**9,619**	9,637
Additions	**876**	639
Modifications of leases	**439**	378
Repayments	**(2,216)**	(1,886)
Interest expense	**508**	464
Disposals	**–**	(28)
Exchange movements	**(259)**	415
31 December	**8,967**	9,619
Current	**1,826**	1,766
Non-current	**7,141**	7,853

b Amounts recognised in the Income statement

€ million	2023	2022
Amounts not included in the measurement of lease liabilities		
Variable lease payments	**1**	2
Expenses relating to short-term leases	**24**	39
Amounts expensed as a result of the recognition of ROU assets and lease liabilities		
Interest expense on lease liabilities	**508**	464
(Gains)/losses arising from sale and leaseback transactions	**(7)**	1
Depreciation charge for the year	**1,077**	1,092
Impairment reversal for the year	**–**	(8)

c Amounts recognised in the Cash flow statement

See note 35 for details of the amounts recognised in the Cash flow statement for the years to 31 December 2023 and 31 December 2022.

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2023, for which an amount of €36 million (2022: nil) has been recognised in relation to leases not yet commenced to which the Group is committed.

d Maturity profile of the lease liabilities

The maturity profile of the lease liabilities is disclosed in note 29f.

e Extension options

The Group has certain leases which contain extension options exercisable by the Group prior to the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options.

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2023, for which no amount has been recognised, for potential extension options of €979 million (2022: €945 million) due to it not being reasonably certain that these leases will be extended.

f Lessor accounting

The Group leases out certain of its property, plant and equipment. The Group has classified those leases that transfer substantially all of the risks and rewards of ownership to the lessee as finance leases and those leases that do not transfer substantially all of the risks and rewards of ownership to the lessee as operating leases.

Finance leases

Rental income from finance leases recognised by the Group in 2023 was €2 million (2022: €4 million). Rental income is recorded within Property, IT and other within the Income statement.

The following table sets out a maturity analysis of finance lease receipts, showing the undiscounted lease receipts to be received after the reporting date:

€ million	2023	2022
Within one year	6	2
One to two years	5	6
Two to five years	3	–
More than five years	–	–
Total undiscounted lease receipts	14	8
Less finance income	(1)	(1)
Net investment in finance leases	13	7

15 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts, including outstanding aircraft commitments, at 31 December 2023 amounted to €12,706 million (31 December 2022: €13,749 million). The outstanding aircraft commitments including the expected delivery timeframes, totalling €11,966 million (2022: €13,484 million), are as follows:

Aircraft future deliveries at 31 December	2023[1]	2022[1]
Airbus A320 (from 2024 to 2028)	49	45
Airbus A321 (from 2024 to 2028)	33	46
Airbus A321 XLR (from 2024 to 2026)	14	14
Airbus A350-900 (from 2024 to 2025)	2	7
Airbus A350-1000 (in 2024)	1	5
Boeing 777-9 (from 2026 to 2028)	18	18
Boeing 787-10 (from 2024 to 2026)	11	7
Boeing 737-8200 (from 2025 to 2027)	25	25
Boeing 737-10 (from 2027 to 2028)	25	25
Total[2]	178	192

1 Capital commitments exclude options to purchase additional aircraft.

2 Total deliveries excludes three Airbus A320 aircraft committed for delivery under lease agreements in 2024. For further information see note 14.

On 30 June 2023 the Group converted 10 Airbus A320neo options into firm orders. The aircraft will be delivered in 2028 and will be used by any of the Group's current airlines to replace A320ceo family aircraft.

On 27 July 2023, the Group converted six Boeing 787-10 options held by British Airways into firm orders and at the same time added a further six 787-10 options to its long-haul order book. The Group also converted one Airbus A350-900 option held by Iberia into a firm order. These aircraft will be delivered in 2025 and 2026 and will be used by British Airways and Iberia to restore capacity in the airlines' long-haul fleets.

The majority of these commitments are denominated in US dollars translated at the closing exchange rate at the reporting date and include escalation clauses dependent on the timing of aircraft deliveries. Under the terms of the committed purchase agreements, the Group is required to make periodic progress payments towards the purchase price, with the commitments above stated net of progress payments that have been made at the reporting date.

The Group has certain rights to defer aircraft deliveries and to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2023.

16 Non-current assets held for sale

As at 31 December 2023, there were no non-current assets held for sale.

As at 31 December 2022, the non-current assets held for sale of €19 million represented two Airbus A321 aircraft. No gain or loss was recognised on classification as non-current assets held for sale. These aircraft were presented within the British Airways segment and exited the business during the first half of 2023.

17 Intangible assets and impairment review

a Intangible assets

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights[1]	Software	ETS assets	Other	Total
Cost								
Balance at 1 January 2022	596	451	253	1,605	1,674	62	87	4,728
Additions	–	–	–	14	218	360	1	593
Disposals	–	–	–	(6)	(52)	(9)	–	(67)
Exchange movements	(1)	–	–	(25)	(34)	(6)	–	(66)
Balance at 31 December 2022	595	451	253	1,588	1,806	407	88	5,188
Additions	–	–	–	–	365	264	1	630
Disposals	–	–	–	(6)	(49)	(96)	–	(151)
Reclassifications	–	–	–	–	23	–	(15)	8
Exchange movements	1	–	–	11	18	2	–	32
31 December 2023	**596**	**451**	**253**	**1,593**	**2,163**	**577**	**74**	**5,707**
Amortisation and impairment								
Balance at 1 January 2022	249	–	–	142	1,032	–	66	1,489
Amortisation charge for the year	–	–	–	6	210	–	2	218
Disposals	–	–	–	–	(50)	–	–	(50)
Exchange movements	–	–	–	(2)	(23)	–	–	(25)
Balance at 31 December 2022	249	–	–	146	1,169	–	68	1,632
Amortisation charge for the year	–	–	–	6	185	–	2	193
Disposals	–	–	–	–	(39)	–	–	(39)
Exchange movements	–	–	–	1	11	–	–	12
31 December 2023	**249**	**–**	**–**	**153**	**1,326**	**–**	**70**	**1,798**
Net book values								
31 December 2023	**347**	**451**	**253**	**1,440**	**837**	**577**	**4**	**3,909**
31 December 2022	346	451	253	1,442	637	407	20	3,556

1 The net book value includes non-UK and non-EU based landing rights of €63 million (2022: €69 million) that have a definite life. The remaining average life of these landing rights is 12 years.

b Impairment review

The carrying amounts of intangible assets with indefinite life and goodwill allocated to cash generating units (CGUs) of the Group are:

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights[1]	**Total**
2023					
Iberia					
1 January and 31 December 2023	–	306	–	423	**729**
British Airways					
1 January 2023	46	–	–	794	**840**
Disposals	–	–	–	(6)	**(6)**
Exchange movements	1	–	–	10	**11**
31 December 2023	47	–	–	798	**845**
Vueling					
1 January and 31 December 2023	28	35	–	94	**157**
Aer Lingus					
1 January and 31 December 2023	272	110	–	62	**444**
IAG Loyalty					
1 January and 31 December 2023	–	–	253	–	**253**
31 December 2023	**347**	**451**	**253**	**1,377**	**2,428**

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights[1]	Total
2022					
Iberia					
1 January and 31 December 2022	–	306	–	423	729
British Airways					
1 January 2022	47	–	–	809	856
Additions	–	–	–	14	14
Disposals	–	–	–	(6)	(6)
Exchange movements	(1)	–	–	(23)	(24)
31 December 2022	46	–	–	794	840
Vueling					
1 January and 31 December 2022	28	35	–	94	157
Aer Lingus					
1 January and 31 December 2022	272	110	–	62	444
IAG Loyalty					
1 January and 31 December 2022	–	–	253	–	253
31 December 2022	346	451	253	1,373	2,423

1 Landing rights excludes non-UK and non-EU based landing rights of €63 million (2022: €69 million) that have a definite life.

Basis for calculating recoverable amount

The recoverable amounts of the Group's CGUs have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 2, with a weighting of 70 per cent to the Base Case and 30 per cent to the Downside Case. Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using each CGU's pre-tax discount rate.

Annually the relevant operating companies prepare and their respective boards approve three-year business plans, and the IAG Board approves the Group three-year business plan in the fourth quarter of the year. Adjustments have been made to the final year of the business plan cash flows to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated and accordingly have been excluded from the value-in-use calculations (see note 4). The business plan cash flows used in the value-in-use calculations also reflect all restructuring of the business where relevant that has been approved by the Board and which can be executed by management under existing labour agreements.

Key assumptions

The value-in-use calculations for each CGU reflect the wider economic and geopolitical environments, including updated projected cash flows for activity from 2024 through to the end of 2026. For each of the Group's CGUs the key assumptions used in the value-in-use calculations are as follows:

	2023				
Per cent	**British Airways**	**Iberia**	**Vueling**	**Aer Lingus**	**IAG Loyalty**
Operating margin[1]	**7-14**	**7-14**	**4-12**	**6-14**	**23**
Average ASK growth per annum[1]	**3-9**	**4-10**	**1-6**	**2-16**	**n/a**
Long-term growth rate	**1.7**	**1.5**	**0.9**	**1.3**	**1.5**
Pre-tax discount rate	**11.2**	**12.2**	**14.3**	**10.9**	**14.8**

	2022				
Per cent	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin[1]	5-13	5-10	0-10	4-12	23-25
ASKs as a proportion of 2019[1, 2]	90-105	92-107	113-123	102-127	n/a
Long-term growth rate	1.7	1.5	1.4	1.6	1.7
Pre-tax discount rate	10.4	11.2	12.8	10.1	13.4

1 Average ASK growth per annum, ASKs as a proportion of 2019 and operating margin are stated as the weighted average derived from the multi-scenario discounted cash flow model.

2 Given the impact of the COVID-19 pandemic, in 2022 the Group presented ASKs as a proportion of the level of ASKs achieved in 2019, prior to the application of the terminal value calculation.

17 Intangible assets and impairment review *continued*

Jet fuel price ($ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2023	**895**	**829**	**800**	**800**
2022	867	809	780	780

Forecast ASKs in the current year modelling represent the range of average annual increases in capacity over the forecast period, based on planned network growth and taking into account management's expectation of the market.

The long-term growth rate is calculated for each CGU, considering a number of data points: (i) industry publications; (ii) forecast weighted average exposure in each primary market using gross domestic product (GDP); and (iii) internal analysis regarding the long-term changes in consumer preferences and the effects on demand from the increased costs to the Group of climate change. The calculation of the long-term growth rate utilises a Base Case and a Downside Case growth rate, which is then weighted on the same basis as the cash flows detailed above of 70 per cent to the Base Case and 30 per cent to the Downside Case. The terminal value cash flows and long-term growth rate incorporate the impacts of climate change insofar as they can be determined (see note 4). The airlines' network plans and the IAG Loyalty forecasts are reviewed annually as part of the three-year business plan preparation and reflect management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculations are based on the circumstances of the airline industry, the loyalty scheme industry, the Group and the CGU. These rates are derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines and loyalty schemes. The cost of equity is derived from the expected return on investment by airline and loyalty scheme investors and the cost of debt is derived from both market data and industry gearing levels derived from comparable companies. CGU-specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows. The Group engages an external valuation expert as at the valuation date to assist in the determination of the post-tax discount rate.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally from readily available market data at the valuation date. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that the Group has in place and the incremental price differentials expected for the purchase of SAF.

As detailed above, the Group adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2030. These adjustments include the following key assumptions: (i) a 10 per cent level of SAF consumption out of the overall fuel mix with an assumed price of €3,412 per metric tonne; (ii) a kerosene tax of €526 per metric tonne on all intra-EU flights; (iii) for costs of carbon, prices of €173, €173, €110 and €19 for EU ETS allowances, Swiss ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO_2 equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances.

Summary of results

At 31 December 2023 management reviewed the recoverable amount of each of the CGUs and concluded the recoverable amounts exceeded the carrying values.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered for each CGU, where applicable, which include reducing the operating margin by 2 percentage points in each year, reducing ASKs by 5 percentage points in each year, reducing long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points and increasing the fuel price (both jet fuel and SAF) by 40 per cent, both with cost recovery consistent with that experienced historically and with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible impact of climate change on the CGUs greater than that included in the impairment models.

For the British Airways, Iberia, Vueling and Aer Lingus CGUs, while the recoverable amounts are estimated to exceed the carrying amounts by €15,752 million, €4,736 million, €1,271 million and €1,884 million, respectively, the recoverable amounts would be below the carrying amounts when applying reasonable possible but not probable changes, over the forecast period, in assumptions in each of the following scenarios:

- *British Airways:* (i) if ASKs had been 5 per cent lower combined with a fuel price increase without cost recovery of 24 per cent; and (ii) if the fuel price had been 29 per cent higher without cost recovery;
- *Iberia:* (i) if ASKs had been 5 per cent lower combined with a fuel price increase without cost recovery of 21 per cent; and (ii) if the fuel price had been 24 per cent higher without cost recovery;
- *Vueling:* (i) if ASKs had been 5 per cent lower combined with a fuel price increase without cost recovery of 12 per cent; and (ii) if the fuel price had been 18 per cent higher without cost recovery; and
- *Aer Lingus:* (i) if ASKs had been 5 per cent lower combined with a fuel price increase without cost recovery of 16 per cent; and (ii) if the fuel price had been 23 per cent higher without cost recovery.

For the remainder of the reasonably possible changes in key assumptions applied to the British Airways, Iberia, Vueling and Aer Lingus CGUs and for all the reasonably possible changes in key assumptions applied to the IAG Loyalty CGU, no impairment arises.

18 Investments

a Investments in subsidiaries

The Group's subsidiaries at 31 December 2023 are listed in the Group investments section.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly do not differ from the proportion of ordinary shares held. There have been no significant changes in ownership interests of subsidiaries during the year.

The total non-controlling interest at 31 December 2023 is €6 million (2022: €6 million).

b Investments in associates and joint ventures

The share of assets, liabilities, revenue and profit of the Group's associates and joint ventures, which are included in the Group's financial statements, are as follows:

€ million	**2023**	2022
Total assets	**166**	148
Total liabilities	**(119)**	(104)
Revenue	**107**	89
Profit for the year	**6**	5

The detail of the movement in investment in associates and joint ventures is shown as follows:

€ million	**2023**	2022
At beginning of year	**43**	40
Share of retained profits	**6**	5
Dividends received	**(2)**	(2)
	47	43

At 31 December 2023 there are no restrictions on the ability of associates or joint ventures to transfer funds to the parent and there are no related contingent liabilities.

At both 31 December 2023 and 31 December 2022 the investment in Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. exceeded 50 per cent ownership by the Group (50.5 per cent). The entity is treated as a joint venture as decisions regarding its strategy and operations require the unanimous consent of the parties who share control, including IAG.

19 Other equity investments

Other equity investments include the following:

€ million	**2023**	2022
Unlisted securities	**188**	55
	188	55

The credit relating to Other equity investments was €3 million (2022: charge of €3 million).

Investment in Air Europa Holdings

On 15 June 2022, the Group entered into a financing arrangement with Globalia Corporación Empresarial, S,A, ('Globalia'), whereby, the Group provided a €100 million seven-year unsecured loan, which was convertible for a period of two years from inception into a fixed number of the shares of Air Europa Holdings, S.L. ('Air Europa Holdings'), a wholly owned subsidiary of Globalia. Subsequently, on 16 August 2022, the Group exercised its exchange option with Globalia and converted the aforementioned loan into an investment in 20 per cent of the share capital of Air Europa Holdings, which is recorded as an Other equity investment.

On 23 February 2023, the Group entered into an agreement to acquire the remaining 80 per cent of the share capital of Air Europa Holdings that it had not previously owned. The acquisition is conditional on Globalia receiving approval from the syndicated banks that provide the loan agreements that are partially guaranteed by the *Instituto de Crédito Oficial* (ICO) and *Sociedad Estatal de Participaciones Industriales* (SEPI) in Spain. The acquisition is also subject to approval by relevant competition authorities. Until the completion of these approvals, the acquisition does not meet the recognition criteria under IFRS 3 Business combinations, and accordingly the Group continues to recognise the 20 per cent share capital ownership of Air Europa Holdings as an Other equity investment (see note 2 for critical judgement applied in this classification).

At 31 December 2023, the fair value of the investment in Air Europa Holdings was €129 million, representing an increase of €105 million from the €24 million recorded at 31 December 2022, with the fair value movement having been recorded within Other comprehensive income.

The Group, with its external valuation advisors, determined the fair value of the investment in Air Europa Holdings at 31 December 2023 and 31 December 2022, using both the market approach and the income approach, whereby the Group used both observable market data and unobservable inputs. The fair value was determined on the stand-alone basis of Air Europa Holdings without consideration of potential synergies that could be obtained if the Group were able to obtain control over the operations of Air Europa Holdings.

In determining the fair value of the investment in Air Europa Holdings at 31 December 2023, the Group used the following significant unobservable inputs: (i) revenue compound annual growth rate of 4.0 per cent; (ii) an EBITDA range of 3.6 to 6.5 per cent; and (iii) a risk-adjusted pre-tax discount rate of 13.9 per cent.

20 Trade and other receivables

€ million	2023	2022
Amounts falling due within one year		
Trade receivables	**1,673**	1,444
Provision for expected credit loss	**(114)**	(114)
Net trade receivables	**1,559**	1,330
Prepayments[1]	**750**	639
Accrued income[1, 2]	**495**	231
Other non-trade receivables	**329**	356
Other current receivables	**1,574**	1,226
Amounts falling due after one year		
Prepayments	**401**	337
Accrued income	**9**	–
Other non-trade receivables	**22**	25
Other receivables due after one year	**432**	362

1 For the year ended 31 December 2023, the Group has elected to disaggregate prepayments and accrued income, which had previously been aggregated into a single line item. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

2 The accrued income balance (representing contract assets) predominantly relates to revenue earned from ongoing maintenance and overhaul services, where the balances vary depending on the number of ongoing activities at the reporting date.

Movements in the provision for expected credit loss were as follows:

€ million	2023	2022
At beginning of year	**114**	115
Provided during the year	**4**	10
Released during the year	**(3)**	(1)
Receivables written off during the year	**(1)**	(9)
Exchange movements	**–**	(1)
	114	114

Trade receivables are generally non-interest-bearing and on 30 days terms (2022: 30 days).

The credit risk exposure on the Group's trade receivables is set out below:

31 December 2023

€ million	Current	<30 days	30-180 days	180-365 days	> 365 days
Trade receivables	**959**	**296**	**241**	**53**	**124**
Expected credit loss rate	**0.1%**	**0.1%**	**1.7%**	**7.5%**	**85.2%**
Provision for expected credit loss	**–**	**–**	**4**	**4**	**106**

31 December 2022

€ million	Current	<30 days	30-180 days	180-365 days	> 365 days
Trade receivables	719	509	91	25	100
Expected credit loss rate	0.3%	0.1%	1.1%	44.0%	100.0%
Provision for expected credit loss	2	–	1	11	100

21 Inventories

€ million	2023	2022[1]
Engineering expendables	**417**	296
Catering consumables	**43**	36
Other inventories	**34**	21
	494	353

1 For the year to 31 December 2023, the Group has elected to provide a disaggregated breakdown of the Balance sheet caption 'Inventories' and has accordingly provided figures for the comparative year at 31 December 2022.

22 Cash, cash equivalents and other current interest-bearing deposits

a Cash

€ million	2023	2022
Cash at bank and in hand	**1,531**	3,286
Short-term deposits maturing within three months	**3,910**	5,910
Cash and cash equivalents	**5,441**	9,196
Current interest-bearing deposits maturing after three months	**1,396**	403
Cash, cash equivalents and other interest-bearing deposits	**6,837**	9,599

Cash at bank is primarily held in AAA money market funds and bank deposits. Short-term deposits are for periods up to three months and earn interest based on the floating deposit rates.

At 31 December 2023, the Group had no outstanding bank overdrafts (2022: €nil).

Current interest-bearing deposits have maturities in excess of three months and typically within 12 months of the reporting date and earn interest based on the market rates available at the time the deposit was made.

At 31 December 2023, Aer Lingus held €31 million of restricted cash (2022: €33 million) within interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

b Net debt

Movements in net debt were as follows:

€ million	Balance at 1 January 2023	Cash flows	Exchange movements	New leases and modifications	Other items	**Balance at 31 December 2023**
Bank, other loans, convertible bond and asset financed liabilities	10,365	(3,267)	(102)	–	119	**7,115**
Lease liabilities	9,619	(1,731)	(259)	1,315	23	**8,967**
Cash and cash equivalents	(9,196)	3,753	2	–	–	**(5,441)**
Current interest-bearing deposits	(403)	(985)	(8)	–	–	**(1,396)**
	10,385	**(2,230)**	**(367)**	**1,315**	**142**	**9,245**

€ million	Balance at 1 January 2022	Cash flows	Exchange movements	New leases and modifications	Other items	Balance at 31 December 2022
Bank, other loans, convertible bond and asset financed liabilities	9,973	386	103	–	(97)	10,365
Lease liabilities	9,637	(1,455)	415	1,017	5	9,619
Cash and cash equivalents	(7,892)	(1,316)	12	–	–	(9,196)
Current interest-bearing deposits	(51)	(351)	(1)	–	–	(403)
	11,667	(2,736)	529	1,017	(92)	10,385

23 Trade and other payables

€ million	2023	2022
Trade creditors[1]	**3,177**	2,969
Other creditors	**1,244**	1,244
Other taxation and social security	**262**	228
Accruals[1]	**683**	665
Deferred income relating to non-flight activity[2]	**224**	103
	5,590	5,209

1 Trade creditors includes €nil (2022: €48 million) due to suppliers that have signed up to supply chain financing programmes offered by a number of partner financial institutions. While the Group no longer provides such a service to its suppliers, in 2022, these programmes either or both: (i) the suppliers could elect on an invoice-by-invoice basis to receive a discounted early payment from the partner financial institutions rather than being paid in line with the agreed payment terms; and/or (ii) the Group could have elected on an invoice-by-invoice basis for the partner financial institution to pay the supplier in line with the agreed payment terms and the Group enter into payment terms with the partner financial institution of up to 150 days with interest incurred at 2.5 per cent.

The Group, in 2022, assessed the arrangement against indicators to assess if liabilities which suppliers had transferred to the partner financial institutions under the supplier financing programmes continued to meet the definition of trade creditors or should have been classified as borrowings. The cash flows arising from such arrangements were reported within cash flows from operating activities or within cash flows from financing activities, in the Consolidated cash flow statement, depending on whether the associated liabilities met the definition of trade creditors or as borrowings.

At 31 December 2023 and 31 December 2022, these liabilities met the criteria of Trade creditors and are excluded from the Net debt table in note 22b.

2 For the year ended 31 December 2023, the Group has elected to disaggregate accruals and deferred income, which had previously been aggregated into a single line item. Accordingly figures for the comparative year to 31 December 2022 have been reclassified to conform with the current year presentation.

Average payment days to suppliers – Spanish Group companies

Days	2023	2022
Average payment days for payment to suppliers	**25**	34
Ratio of transactions paid	**25**	33
Ratio of transactions outstanding for payment	**17**	53

€ million	2023	2022
Total payments made	**10,966**	6,676
Total payments outstanding	**158**	264

Information on invoices paid in a period shorter than the maximum period established in the late payment regulations – Spanish Group companies

	2023	2022
Total payments made (€ million)	**10,002**	5,111
Percentage share of total payments to suppliers	**91%**	77%
Number of invoices paid (thousand)	**213**	110
Percentage share of total number of invoices paid	**76%**	48%

24 Deferred revenue

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at 1 January 2023	2,630	5,014	**7,644**
Cash received from customers[1]	–	21,107	**21,107**
Revenue recognised in the Income statement[2, 3]	(1,052)	(21,015)	**(22,067)**
Financing charge recognised in the Income statement	15	–	**15**
Loyalty points issued to customers[4]	1,085	161	**1,246**
Exchange movements	34	44	**78**
Balance at 31 December 2023	**2,712**	**5,311**	**8,023**
Analysis:			
Current	2,455	5,311	**7,766**
Non-current	257	–	**257**
	2,712	**5,311**	**8,023**

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at 1 January 2022	2,820	3,732	6,552
Cash received from customers[1]	–	21,000	21,000
Revenue recognised in the Income statement[2, 3, 5]	(801)	(19,708)	(20,509)
Financing charge recognised in the Income statement	21	–	21
Loyalty points issued to customers[4]	662	82	744
Exchange movements	(72)	(92)	(164)
Balance at 31 December 2022	2,630	5,014	7,644
Analysis:			
Current	2,304	5,014	7,318
Non-current	326	–	326
	2,630	5,014	7,644

1 Cash received from customers is net of refunds.

2 Where the Group acts as an agent in the provision of redemption products and services to customers through loyalty programmes, or in the provision of interline flights to passengers, revenue is recognised in the Income statement net of the related costs.

3 Included within revenue recognised in the Income statement during 2023 is an amount of €3,914 million previously held as deferred revenue at 1 January 2023 (recognised during 2022 and previously held as deferred revenue at 1 January 2022: €2,183 million).

4 Included within loyalty points issued to customers at 31 December 2023 is an amount of €161 million (31 December 2022: €82 million) classified within Sales in advance of carriage representing the cash component of the consideration paid by customers, where such consideration comprises both cash and the redemption of Avios.

5 The 2022 results include an aggregation to conform with the current basis of preparation, where the changes in estimates have been amalgamated with revenue recognised in the Income statement.

The unsatisfied performance obligation under the Group's customer loyalty programmes that is classified as non-current was €241 million at 31 December 2023, all of which is expected to be recognised as revenue within one to five years from the reporting date.

Deferred revenue relating to customer loyalty programmes consists primarily of consideration allocated to performance obligations associated with Avios. Avios are issued by the Group's airlines through their loyalty programmes, or are sold to third parties such as credit card providers, who issue them as part of their loyalty programmes. While Avios do not have an expiry date and can be redeemed at any time in the future, a customer's membership account is closed if there is a period of 36 months of inactivity in terms of both issuances and redemptions. Revenue may therefore be recognised at any time in the future.

Unredeemed vouchers liability

At 31 December 2023 the Group recognised €645 million in respect of unredeemed vouchers, including associated taxes (2022: €911 million) within Deferred revenue. Of the €645 million, €139 million relates to vouchers issued due to COVID-19 pandemic flight cancellations, referred to as 'disrupted flights' and €506 million relates to non-disrupted voucher issuance, such as the British Airways 'Book with Confidence' policy (where customers were provided the flexibility to change their destination and/or date of travel on non-disrupted flights), certain other flexible fare options, non-air partner companion vouchers and gift vouchers.

The jurisdiction in which a voucher is issued, dictates the period over which a customer can redeem the voucher, which ranges up to six years from the point of issuance. This period of time is also influenced by whether the voucher was issued for disrupted flights or non-disrupted issuance and whether statutory or commercial expiry policies prevail. The Group expects the majority of the total voucher liability to mature within 12 months of the reporting date.

During, and subsequent to, the recovery from the COVID-19 pandemic, the Group, across each of its operating companies, has engaged in marketing campaigns and direct customer engagement in an attempt to maximise redemption of these vouchers. Despite these efforts, the Group expects some of these vouchers to expire unredeemed. The Group estimates the number of these vouchers, both for disrupted flights and non-disrupted issuance, not expected to be redeemed prior to expiry using statistical modelling based on historical experience and expected future redemptions, recognising this estimated value as passenger revenue when it can be reasonably determined that there will not be a significant reversal of this revenue in future accounting periods.

A 5 percentage point increase in the assumption of the number of vouchers outstanding at 31 December 2023 and not expected to be redeemed prior to expiry would result in a reduction to Deferred revenue of €32 million, with an offsetting adjustment to increase Passenger revenue and Operating profit recognised in the year.

25 Other long-term liabilities

€ million	**2023**	2022
Non-current trade creditors	**164**	147
Accruals and deferred income	**55**	53
	219	200

26 Long-term borrowings

a Total borrowings

€ million	2023 Current	2023 Non-current	2023 Total	2022 Current	2022 Non-current	2022 Total
Bank and other loans[1]	**113**	**1,840**	**1,953**	813	5,128	5,941
Convertible bond[1]	**9**	**726**	**735**	9	596	605
Asset financed liabilities	**303**	**4,124**	**4,427**	255	3,564	3,819
Lease liabilities	**1,826**	**7,141**	**8,967**	1,766	7,853	9,619
Interest-bearing long-term borrowings	**2,251**	**13,831**	**16,082**	2,843	17,141	19,984

1 The 2022 total borrowings include a reclassification to conform with the current basis of presentation, where the 2028 convertible bond, amounting to €605 million at 31 December 2022 and accounted for at fair value, has been separated from Bank and other loans. There is no change to total borrowings.

Long-term borrowings of the Group amounting to €4,516 million (31 December 2022: €3,962 million) are secured on owned fleet assets with a net book value of €4,736 million (31 December 2022: €3,931 million). All asset financed liabilities, included within long-term borrowings, are all secured on the associated aircraft or other property, plant and equipment.

b Bank, other loans and convertible bond

€ million	2023	2022
€825 million fixed rate 1.125 per cent convertible bond 2028[1]	**735**	605
€700 million fixed rate 3.75 per cent unsecured bond 2029[2]	**717**	717
€500 million fixed rate 2.75 per cent unsecured bond 2025[2]	**510**	509
€500 million fixed rate 1.50 per cent bond 2027[3]	**500**	499
Floating rate euro mortgage loans secured on aircraft[4]	**114**	143
Fixed rate secured bonds[5]	**56**	56
Fixed rate unsecured US dollar mortgage loan[6]	**46**	71
Fixed rate unsecured euro loans with the Spanish State (Department of Industry)[7]	**10**	10
Floating rate pound sterling term loan guaranteed by the UK Export Finance (UKEF)[8]	**-**	2,315
Floating rate *Instituto de Crédito Oficial* (ICO) guaranteed loans[9]	**-**	1,070
€500 million fixed rate 0.50 per cent bond 2023[3]	**-**	501
Ireland Strategic Investment Fund (ISIF) facility[10]	**-**	50
Total bank, other loans and convertible bond	**2,688**	6,546
Less: current instalments due on bank, other loans and convertible bond	**(122)**	(822)
Total non-current bank, other loans and convertible bond	**2,566**	5,724

1 See details of the 2028 convertible bond below.

2 On 25 March 2021, the Group issued two tranches of senior unsecured bonds for an aggregate principal amount of €1.2 billion, €500 million due 25 March 2025 and €700 million due 25 March 2029. The bonds bear a fixed rate of interest of 2.75 per cent and 3.75 per cent per annum, payable in arrears, respectively. The bonds were issued at 100 per cent of their principal amount, respectively, and, unless previously redeemed or purchased and cancelled, will be redeemed at 100 per cent of their principal amount on their respective maturity dates.

3 In July 2019, the Group issued two tranches of senior unsecured bonds for an aggregate principal amount of €1 billion, €500 million due 4 July 2023 and €500 million due 4 July 2027. The 2023 bond bore a fixed rate of interest of 0.5 per cent per annum and was redeemed in full at maturity on 4 July 2023. The 2027 bond bears a fixed rate of interest of 1.5 per cent per annum annually payable in arrears. The 2027 bond was issued at 98.803 per cent of its principal amount, and, unless previously redeemed or purchased and cancelled, will be redeemed at 100 per cent of its principal amount on its maturity date.

4 Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 4.45 and 5.46 per cent. The loans are repayable between 2024 and 2027.

5 Total of €55 million fixed rate secured bonds with 3.75 per cent coupon repayable between 2024 and 2027.

6 Fixed rate unsecured US dollar mortgage loan bearing interest between 1.38 to 2.86 per cent. The loan is repayable between 2025 and 2026.

7 Fixed rate unsecured euro loans with the Spanish State (Department of Industry) bear nil interest and are repayable in 2031.

8 On 22 February 2021, British Airways entered into a floating rate five-year term loan Export Development Guarantee Facility of €2.3 billion (£2.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by the UKEF. On 1 November 2021, British Airways entered into a further five-year term loan Export Development Guarantee Facility of €1.1 billion (£1.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by the UKEF. On 28 September 2023, British Airways repaid the £2.0 billion term loan in full, while concurrently entering into a further five-year term loan Export Development Guarantee Facility of €1.2 billion (£1.0 billion) underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by the UKEF. The terms and maturity of the Export Development Guarantee Facility entered into in November 2021 remain unchanged. These two remaining UKEF guaranteed facilities had not been drawn as at 31 December 2023.

9 On 30 April 2020, Iberia and Vueling entered into floating rate syndicated financing agreements of €750 million and €260 million respectively. On 31 October 2023, Iberia repaid its loan in full. On 30 November 2023, Vueling repaid its loan in full.

10 On 23 December 2020, Aer Lingus entered into a floating rate financing agreement with the Ireland Strategic Investment Fund (ISIF) for €75 million. On 27 March 2021, Aer Lingus entered into a further floating rate financing agreement with the ISIF for an additional €75 million. On 4 March 2022, Aer Lingus entered into a financing arrangement with ISIF, which subsequently extinguished the existing €150 million of facilities and replaced them with a €350 million facility that matures in March 2025. On 13 December 2022 and 4 March 2023, Aer Lingus early repaid €100 million and €50 million, respectively, of the ISIF facility, with these amounts being available to draw again over the tenor of the facility. The facility is secured on specific landing rights. At 31 December 2023, €350 million of this facility remained undrawn.

In addition, on 23 March 2021, the Group entered into a three-year US dollar secured Revolving Credit Facility of $1.755 billion accessible by British Airways, Iberia and Aer Lingus. On 23 August 2022, the Group extended the term of the Revolving Credit Facility by an additional 12 months through to March 2025. On 23 August 2023, of the $1.755 billion facility, the Group further extended the terms of the $1.655 billion Revolving Credit Facility by an additional 12 months through to March 2026 with the remaining $100 million available through to March 2025. As at 31 December 2023 no amounts had been drawn under the facility (2022: nil). While the Group does not forecast drawing down on the Revolving Credit Facility, should it do so, the resultant debt would be secured, in the respective operating companies, against: (i) specific landing rights; or (ii) aircraft; or (iii) or a combination of both.

Details of the 2028 convertible bond

On 11 May 2021, the Group issued the €825 million fixed rate 1.125 per cent senior unsecured bond convertible into ordinary shares of IAG. The convertible bond raised net proceeds of €818 million and matures in 2028. The Group holds an option to redeem the convertible bond at its principal amount, together with accrued interest, no earlier than two years prior to the final maturity date.

The convertible bond provides bondholders with dividend protection and includes a total of 244,850,715 options at inception and at 31 December 2023 to convert into ordinary shares of IAG. The Group also holds an option to redeem the convertible bond, in full or in part, in cash in the event that bondholders exercise their right to convert the bond into ordinary shares of IAG. The bondholders conversion right is currently exercisable.

The convertible bond is recorded at its fair value, which at 31 December 2023 was €735 million (2022: €605 million), representing an increase of €130 million since 1 January 2023. Of this increase, the charge recorded in Other comprehensive income arising from credit risk of the convertible bonds was €119 million and a charge recorded within Finance costs in the Income statement attributable to changes in market conditions of €11 million.

Transactions with unconsolidated entities

The Group has entered into asset financing transactions with unconsolidated entities as follows:

- The British Airways Pass Through Certificates, Series 2019-1 were entered into in the third quarter of 2019, recognising Asset financed liabilities of €725 million for eight aircraft that mature between 2029 and 2034;
- The British Airways Pass Through Certificates, Series 2020-1 were entered into in the fourth quarter of 2020, recognising Asset financed liabilities of €472 million for nine aircraft that mature between 2028 and 2032;
- The British Airways Pass Through Certificates, Series 2021-1 were entered into in the third quarter of 2021, recognising Asset financed liabilities of €204 million for seven aircraft that mature between 2031 and 2035;
- The Iberia Pass Through Certificates, Series 2022-1 were entered into in April 2022, recognising Asset financed liabilities of €680 million for five aircraft that mature between 2032 and 2036;
- The British Airways Pass Through Certificates, Series 2022-1 were entered into in October 2022, recognising Asset financed liabilities of €159 million for four aircraft that mature between 2032 and 2036; and
- There have been no asset financing transactions with unconsolidated entities during the year to 31 December 2023.

As at 31 December 2023, Asset financed liabilities include cumulative amounts of €2,948 million (2022: €2,983 million) and the associated assets recorded within Property, plant and equipment include cumulative amounts of €2,757 million (2022: €3,400 million) associated with transactions with unconsolidated structured entities having issued EETCs.

26 Long-term borrowings *continued*

c Total loans, convertible bond, asset financed liabilities and lease liabilities

Million	2023	2022
Loans		
Bank:		
US dollar	**$50**	$75
Euro	**€124**	€1,273
Pound sterling	**–**	£2,026
	€170	€3,659
Fixed rate bonds:		
Euro	**€1,783**	€2,282
	€1,783	€2,282
Convertible bond		
Euro	**€735**	€605
	€735	€605
Asset financed liabilities		
US dollar	**$3,849**	$3,285
Euro	**€746**	€542
Japanese yen	**¥28,432**	¥25,748
	€4,427	€3,819
Lease liabilities		
US dollar	**$7,399**	$7,621
Euro	**€1,008**	€1,239
Japanese yen	**¥68,998**	¥71,994
Pound sterling	**£690**	£620
	€8,967	€9,619
Total interest-bearing borrowings	**€16,082**	€19,984

27 Provisions

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	ETS provisions	Other provisions	Total
Net book value 1 January 2023	2,400	194	673	89	132	60	**3,548**
Provisions recorded during the year	520	1	53	15	238	32	**859**
Reclassifications	4	–	–	(1)	–	(6)	**(3)**
Utilised during the year	(338)	(82)	(35)	(9)	–	(32)	**(496)**
Extinguished during the year	–	–	–	–	(98)	–	**(98)**
Release of unused amounts	(68)	(21)	(2)	(15)	(26)	(1)	**(133)**
Unwinding of discount	78	2	23	–	–	–	**103**
Remeasurements	4	–	24	–	–	–	**28**
Exchange differences	(71)	–	(1)	3	1	–	**(68)**
Net book value 31 December 2023	**2,529**	**94**	**735**	**82**	**247**	**53**	**3,740**
Analysis:							
Current	467	59	73	56	247	7	**909**
Non-current	2,062	35	662	26	–	46	**2,831**
	2,529	94	735	82	247	53	**3,740**

Restoration and handback provisions

Provisions for restoration and handback costs are maintained to meet the contractual maintenance and return conditions on aircraft held under lease. For those obligations arising on inception of an aircraft lease, the associated estimated cost is capitalised within the ROU asset. For those obligations that arise through usage or through the passage of time, the associated estimated costs are recognised in the Income statement as the associated asset is used or through the passage of time. The provision is long term in nature, typically covering the leased asset term, which for aircraft is up to 12 years.

The provisions also include an amount relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Such costs are capitalised within ROU assets.

The provisions are determined by discounting the future cash flows using pre-tax risk-free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a finance cost in the Income statement (see note 9a).

Remeasurements arising from changes in estimates relating to the effects of both discounting and inflation are recorded in the Income statement to the extent they relate to avoidable provisions or recorded as an adjustment to the right of use asset (see note 14) for those unavoidable provisions.

Where amounts are finalised and the uncertainty relating to these provisions removed, the associated liability is reclassified to either current or non-current Other creditors, dependent on the expecting timing of settlement.

Restructuring provisions

The restructuring provision includes provisions for voluntary redundancies including the collective redundancy programme for Iberia's Transformation Plan implemented prior to 2023, which provides for payments to affected employees until they reach the statutory retirement age. The amount provided for has been determined by an actuarial valuation made by independent actuaries, and was based on the same assumptions as those made to determine the provisions for obligations to flight crew below, with the exception of the discount rate, which in this case was 3.2 per cent. The payments related to this provision will continue over the next six years.

At 31 December 2023, €88 million of this provision related to collective redundancy programmes (2022: €185 million).

Employee leaving indemnities and other employee related provisions

This provision includes employee leaving indemnities relating to staff under various contractual arrangements. As part of these provisions, the Group recognises provisions relating to the Iberia flight crew (both pilots and cabin crew):

- *Pilots* – under the relevant collective bargaining agreement, pilots have the option at the age of 60 to elect to: continue in full-time employment; being placed on reserve and retaining their employment relationship until reaching the statutory retirement age (referred to as 'active'); or alternatively taking early retirement (referred to as 'inactive'). Additionally, and in certain cases, those pilots from the age of 55, may apply for retaining their employment relationship, but with reduced activity (referred to as 'special leave'); and
- *Cabin crew* – under the relevant collective bargaining agreement, cabin crew have the option at the age of 62 to elect to: continue in full-time employment; being transferred to active status; or being transferred to inactive status. Additionally, and in certain cases, those cabin crew employees from the age of 57, may apply for 'special leave'.

The Group is required to remunerate these employees until they reach the statutory retirement age. In determining the provision to be recognised for the proportion of employees that will elect either special leave or to be inactive, the Group estimates a number of financial assumptions, including, but not limited to: (i) medium to long-term salary growth and inflation; (ii) the discount rate to apply; (iii) the rate of public social security growth; (iv) mortality rates; and (v) staff turnover.

The provision was re-assessed at 31 December 2023 with the use of independent actuaries using the projected unit credit method, based on a discount rate consistent with the iBoxx index of 3.17 per cent for active employees and 2.98 per cent for inactive employees (2022: iBoxx index of 3.72 per cent and 3.50 per cent, respectively), the PER_Col_2020.1er.orden. mortality tables, and assuming contractual salary increases of up to 3.8 per cent in 2024 and 3.3 per cent in 2025 and then 2.0 per cent per annum thereafter derived from increases in the Consumer Price Index (CPI). At 31 December 2023, there were a total of 5,179 flight crew (31 December 2022: 4,827) eligible for making such elections when they reach the age of 60. At 31 December 2023, there were 479 employees who had not reached the age of retirement, and eligible to elect for early retirement ('special leave') who had elected to become inactive (31 December 2022: 426). In addition, at 31 December 2023, there were 25 employees having reached the age of retirement, who had elected to become inactive (31 December 2022: 15).

At 31 December 2023, the average length of employment of the eligible flight crew was 17 years (31 December 2022: 18 years). This is mainly a long-term provision. Remeasurements in the valuation of this provision are recorded in Other comprehensive income. The amount relating to this provision was €677 million at 31 December 2023 (2022: €611 million).

Legal claims and contractual disputes provisions

Legal claims and contractual disputes provisions include:

- amounts for multi-party claims from groups of employees on a number of matters related to their employment, including claims for additional holiday pay and for age discrimination;
- amounts related to ongoing contractual disputes arising from the Group's operations; and
- amounts related to investigations by a number of competition authorities in connection with alleged anti-competitive activity concerning the Group's passenger and cargo businesses.

The final amount required to settle the remaining claims and fines is subject to uncertainty.

ETS provisions

ETS provisions relate to the Emissions Trading Scheme for CO_2 equivalent emitted on flights within the EU, Switzerland and the UK and due to be extinguished in the year subsequent to the reporting date through settlement with the relevant authorities. See notes 2 and 4 for further information.

28 Contingent liabilities

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions which at 31 December 2023, where they could be reliably estimated, but excluding the Vueling hand luggage matter detailed below, amounted to €58 million (31 December 2022: €11 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 10.

Included in contingent liabilities is the following:

Air Europa Holdings acquisition break-fee

On 23 February 2023, the Group entered into an agreement to acquire the remaining 80 per cent of the share capital of Air Europa Holdings from Globalia that it had not previously owned. The acquisition is conditional on Globalia receiving approval from the syndicated banks that provide the loan agreements that are partially guaranteed by the *Instituto de Crédito Oficial* (ICO) and *Sociedad Estatal de Participaciones Industriales* (SEPI) in Spain. The acquisition is also subject to approval by relevant competition authorities.

In the event that the relevant approvals, detailed above, are not forthcoming within 24 months of entering into the agreement or the Group terminates the agreement at any time prior to completion, then the Group is required to pay a break-fee to Globalia of €50 million. Under the agreement, this 24-month period can be extended, by mutual consent.

At 31 December 2023 and through to the date of the consolidated financial statements, the Group considers that it is probable that the acquisition will successfully complete and accordingly does not consider it probable that the break-fee shall be paid. Given the above the Group does not consider it appropriate to record a provision for the break-fee.

Vueling commercial hand luggage policy

In the year ended 31 December 2023, Vueling received a number of information requests from the *Ministerio de Consumo* (Ministry of Consumer Affairs) in Spain, with regard to its commercial hand luggage policy, for which Vueling complied with. On 12 January 2024, the *Ministerio de Consumo* issued Vueling with a List of Charges asserting that the Vueling commercial hand luggage policy infringes consumers rights under Article 47.1 of Royal Legislative Decree 1/2007. While the List of Charges notifies Vueling of its intention to sanction the company for such infringements, it stipulates that the basis for determining such penalties is subject to the provision of further information by the company. Accordingly, it is not possible to estimate reliably any exposure that may arise from this matter until ongoing proceedings with the *Ministerio de Consumo* are further progressed. The Group, with its advisors, has reviewed the correspondence and List of Charges from the *Ministerio de Consumo* and considers it has strong arguments to support its commercial hand luggage policy and does not consider it probable that an adverse outcome will result in the future. As such, the Group does not consider it appropriate to record any provision. The Group expects further developments on this matter during the remainder of 2024.

29 Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including fuel price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The principal impacts of these on the financial statements are discussed below:

a Fuel price risk

The Group is exposed to fuel price risk. In order to mitigate such risk, under the Group's fuel price risk management strategy a variety of over the counter derivative instruments are entered into. The Group strategy is to hedge a proportion of fuel consumption up to two years within the approved hedging profile.

The following table demonstrates the sensitivity of the Group's principal exposure to a reasonable possible change in the fuel price, based on current market volatility, with all other variables held constant on the profit before tax and equity[1]. The sensitivity analysis has been performed on fuel derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the reporting date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2023 and 2022.

2023			2022		
Increase/(decrease) in fuel price per cent	**Effect on profit before tax € million**	**Effect on equity € million**	Increase/(decrease) in fuel price per cent	Effect on profit before tax € million	Effect on equity € million
40	**-**	**1,497**	45	-	1,402
(40)	**-**	**(1,526)**	(45)	-	(1,200)

1 The sensitivity analysis on equity excludes the sensitivity amounts recognised in the profit before tax.

During 2023, following a substantial recovery in the global price of crude oil and jet fuel, which continues to be impacted by geopolitical events, the fair value of such net liability derivative instruments was €115 million at 31 December 2023 (2022: net asset of €87 million), representing a decrease of €202 million since 1 January 2023. Of the carrying amount of the net liability at 31 December 2023, all (2022: all) of the associated derivatives were designated within hedge relationships.

b Foreign currency risk

The Group is exposed to foreign currency risk on revenue, purchases and borrowings that are denominated in a currency other than the functional currency of each of the Group's operating companies, being pound sterling and the euro. The currencies in which these transactions are denominated are primarily US dollar, pound sterling and the euro. The Group has a number of strategies to hedge foreign currency risk including hedging a proportion of its foreign currency sales and purchases for up to three years.

The following table demonstrates the sensitivity of the Group's principal foreign exchange exposure to a reasonable possible change in the US dollar, pound sterling and Japanese yen exchange rates, based on current market volatility, with all other variables held constant on the profit before tax and equity[1]. The sensitivity analysis has been performed on interest-bearing liabilities, lease liabilities and derivatives (both those designated in hedge relationships and those not designated in hedge relationships) denominated in foreign currencies at the reporting date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2023 and 2022.

	Strengthening/ (weakening) in US dollar rate per cent	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in pound sterling rate per cent	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in Japanese yen rate per cent	Effect on profit before tax € million	Effect on equity € million
2023	**20**	**343**	**1,005**	**20**	**6**	**262**	**20**	**(50)**	**(64)**
	(20)	**(346)**	**(1,159)**	**(20)**	**(8)**	**(262)**	**(20)**	**50**	**64**
2022	20	904	1,299	20	(20)	241	20	(58)	(70)
	(20)	(922)	(1,161)	(20)	18	(241)	(20)	58	70

1 The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the profit before tax.

At 31 December 2023, the fair value of foreign currency net liability derivative instruments was €357 million (2022: net asset of €108 million), representing a decrease of €465 million since 1 January 2023. These comprise both derivatives designated in hedge relationships and those derivatives that are not designated in a hedge relationship at inception. Of the carrying amount of the net liability at 31 December 2023, €151 million (2022: net asset of €96 million) of the associated derivatives were designated within hedge relationships. Those derivatives not designated in a hedge relationship on inception have their mark-to-market movements recorded directly in the Income statement and recognised within Net currency retranslation credits/(charges).

c Interest rate risk

The Group is exposed to changes in interest rates on debt and on cash deposits. In order to mitigate the interest rate risk, the Group's policies allow a variety of over the counter derivative instruments to be entered into.

The following table demonstrates the sensitivity of the Group's interest rate exposure to a reasonable possible change in the US dollar, euro and sterling interest rates, based on expectations regarding forward rate movements, on the profit before tax and equity[1]. The sensitivity analysis has been performed on interest rate derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the reporting date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2023 and 2022.

	Strengthening/ (weakening) in US interest rate Basis points	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in euro interest rate Basis points	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in sterling interest rate Basis points	Effect on profit before tax € million	Effect on equity € million
2023	**100**	**–**	**–**	**100**	**(12)**	**16**	**100**	**–**	**–**
	(100)	**–**	**–**	**(100)**	**12**	**(16)**	**(100)**	**–**	**–**
2022	150	–	6	150	5	17	150	(35)	–
	(150)	–	(7)	(150)	(4)	(17)	(150)	35	–

1 The sensitivity analysis on equity excludes the sensitivity amounts recognised in the profit before tax.

At 31 December 2023, the fair value of interest rate net asset derivative instruments was €28 million (2022: net asset of €60 million), representing a decrease of €32 million since 1 January 2023. Of the carrying amount of net asset at 31 December 2023, all (2022: all) of the associated derivatives were designated within hedge relationships.

d Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by operating company and by only entering into transactions with counterparties with a very low credit risk.

At each period end, the Group assesses the effect of counterparties' and the Group's own credit risk on the fair value of derivatives and any ineffectiveness arising is immediately recognised in the Income statement within Other non-operating credits.

29 Financial risk management objectives and policies *continued*

e Counterparty risk

The Group is exposed to the non-performance by its counterparties in respect of financial assets receivable. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by operating company. The underlying exposures are monitored on a daily basis and the overall exposure limit by counterparty is periodically reviewed by using available market information.

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk, without taking into account any guarantees in place or other credit enhancements.

At 31 December 2023 the Group's credit risk position, allocated by region, in respect of treasury managed cash and derivatives was as follows:

	Mark-to-market of treasury controlled financial instruments allocated by geography	
Region	**2023**	2022
United Kingdom	**55 %**	51 %
Spain	**– %**	1 %
Ireland	**16 %**	20 %
Rest of eurozone	**24 %**	27 %
Rest of world	**5 %**	1 %

f Liquidity risk

The Group invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Group has also committed revolving credit facilities.

At 31 December 2023, the Group had undrawn overdraft facilities of €53 million (2022: €53 million).

The Group held the following undrawn general and committed aircraft financing facilities:

	2023	
Million	**Currency**	**€ equivalent**
General facilities[1]		
Euro facilities expiring between March and May 2024	**€87**	**87**
Euro facility expiring March 2025[2]	**€350**	**350**
US dollar facilities expiring March 2025 and March 2026[2]	**$1,755**	**1,605**
Pound sterling facilities expiring November 2026 and September 2028[2]	**£2,000**	**2,317**
		4,359
Committed aircraft facilities		
US dollar facilities expiring between June and July 2024[4]	**$410**	**375**
		375

	2022	
Million	Currency	€ equivalent
General facilities[1]		
Euro facilities expiring between January and March 2023	€87	87
US dollar facility expiring November 2023	$50	47
Euro facility expiring March 2025[2]	€300	300
US dollar facility expiring March 2025[2]	$1,755	1,654
Pound sterling facility expiring November 2026[2]	£1,000	1,143
		3,231
Committed aircraft facilities		
US dollar facilities expiring between February and September 2023[3]	$386	364
US dollar facility expiring April 2023[3]	$273	257
US dollar facilities expiring between October 2023 and March 2024[4]	$525	495
		1,116

1 The general facilities can be drawn at any time at the discretion of the Group subject to the provision of up to three days' notice of the intended utilisation, depending on the facility.

2 Further information regarding these facilities is given in note 26b.

3 The aircraft facilities that matured in 2023 were available for specific committed aircraft deliveries.

4 The aircraft facilities maturing between June 2024 and July 2024 (2022: maturing between October 2023 and March 2024) are available for specific committed aircraft deliveries.

The following table analyses the Group's (outflows) and inflows in respect of financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	**Total 2023**
Interest-bearing loans and borrowings:						
Asset financing liabilities	(241)	(230)	(448)	(1,317)	(3,195)	**(5,431)**
Lease liabilities	(1,303)	(864)	(1,546)	(3,798)	(5,017)	**(12,528)**
Fixed rate borrowings	(59)	(16)	(588)	(1,513)	(726)	**(2,902)**
Floating rate borrowings	(15)	(38)	(27)	(42)	–	**(122)**
Trade and other payables	(5,590)	–	(219)	–	–	**(5,809)**
Derivative financial instruments (assets):						
Interest rate derivatives	12	9	8	4	1	**34**
Foreign exchange contracts	35	17	6	–	–	**58**
Fuel derivatives	5	4	26	–	–	**35**
Derivative financial instruments (liabilities):						
Interest rate derivatives	(1)	(1)	(1)	(1)	–	**(4)**
Foreign exchange contracts	(206)	(179)	(38)	–	–	**(423)**
Fuel derivatives	(42)	(43)	(35)	(39)	–	**(159)**
31 December 2023	**(7,405)**	**(1,341)**	**(2,862)**	**(6,706)**	**(8,937)**	**(27,251)**

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total 2022
Interest-bearing loans and borrowings:						
Asset financing liabilities	(196)	(190)	(374)	(1,081)	(2,823)	(4,664)
Lease liabilities	(955)	(1,050)	(2,120)	(3,374)	(5,295)	(12,794)
Fixed rate borrowings	(64)	(523)	(78)	(1,242)	(757)	(2,664)
Floating rate borrowings	(227)	(146)	(455)	(3,191)	–	(4,019)
Trade and other payables	(5,209)	–	(200)	–	–	(5,409)
Derivative financial instruments (assets):						
Interest rate derivatives	42	9	12	9	–	72
Foreign exchange contracts	245	195	46	–	–	486
Fuel derivatives	122	62	13	–	–	197
Derivative financial instruments (liabilities):						
Interest rate derivatives	(4)	(1)	(1)	(3)	–	(9)
Foreign exchange contracts	(185)	(121)	(68)	–	–	(374)
Fuel derivatives	(42)	(59)	(10)	–	–	(111)
31 December 2022	(6,473)	(1,824)	(3,235)	(8,882)	(8,875)	(29,289)

29 Financial risk management objectives and policies *continued*

g Offsetting financial assets and liabilities

The Group enters into derivative transactions under ISDA (International Swaps and Derivatives Association) documentation. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

31 December 2023

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet[1]	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet[1]	**Net amount**
Financial assets					
Derivative financial assets	151	(28)	123	(2)	**121**
Financial liabilities					
Derivative financial liabilities	595	(28)	567	(2)	**565**

1 The Group has pledged cash and cash equivalents as collateral against certain of its derivative financial liabilities. As 31 December 2023, the Group recognised €nil of collateral (2022: €nil) offset in the balance sheet and €2 million (2022: €5 million) not offset in the Balance sheet.

31 December 2022

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet	Net amount
Financial assets					
Derivative financial assets	760	(34)	726	(5)	721
Financial liabilities					
Derivative financial liabilities	505	(34)	471	(5)	466

h Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure, to reduce the cost of capital and to provide returns to shareholders.

The Group monitors capital on the basis of the net debt to EBITDA before exceptional items ratio. For the year to 31 December 2023, the net debt to EBITDA before exceptional items was 1.7 times (2022: 3.1 times). The definition and calculation for this performance measure is included in the Alternative performance measures section.

Further detail on liquidity and capital resources and capital risk management is disclosed in the going concern section in note 2.

30 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments at 31 December 2023 and 31 December 2022 by nature and classification for measurement purposes is as follows:

31 December 2023

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Other equity investments	–	188	–	–	**188**
Derivative financial instruments	–	–	42	–	**42**
Other non-current assets	211	–	–	221	**432**
Current assets					
Trade receivables	1,559	–	–	–	**1,559**
Other current assets	545	–	–	1,029	**1,574**
Derivative financial instruments	–	–	81	–	**81**
Other current interest-bearing deposits	1,396	–	–	–	**1,396**
Cash and cash equivalents	5,441	–	–	–	**5,441**

	Financial liabilities			
€ million	Amortised cost	Fair value through Income statement	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities				
Lease liabilities	7,141	–	–	**7,141**
Interest-bearing long-term borrowings	5,964	726	–	**6,690**
Derivative financial instruments	–	106	–	**106**
Other long-term liabilities	151	–	68	**219**
Current liabilities				
Lease liabilities	1,826	–	–	**1,826**
Current portion of long-term borrowings	416	9	–	**425**
Trade and other payables	5,198	–	392	**5,590**
Derivative financial instruments	–	461	–	**461**

31 December 2022

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	Total carrying amount by balance sheet item
Non-current assets					
Other equity investments	–	55	–	–	55
Derivative financial instruments	–	–	81	–	81
Other non-current assets	180	–	–	182	362
Current assets					
Trade receivables	1,330	–	–	–	1,330
Other current assets	308	–	–	918	1,226
Derivative financial instruments	–	–	645	–	645
Other current interest-bearing deposits	403	–	–	–	403
Cash and cash equivalents	9,196	–	–	–	9,196

30 Financial instruments *continued*

€ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through Income statement	Non-financial liabilities	Total carrying amount by balance sheet item
Non-current liabilities				
Lease liabilities	7,853	–	–	7,853
Interest-bearing long-term borrowings	8,692	596	–	9,288
Derivative financial instruments	–	84	–	84
Other long-term liabilities	131	–	69	200
Current liabilities				
Lease liabilities	1,766	–	–	1,766
Current portion of long-term borrowings	1,068	9	–	1,077
Trade and other payables	4,898	–	311	5,209
Derivative financial instruments	–	387	–	387

b Fair value of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values and using the following methods and assumptions:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at the balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings. The fair value of financial liabilities and financial assets incorporates own credit risk and counterparty credit risk, respectively.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Derivative instruments are measured based on the market value of instruments with similar terms and conditions using forward pricing models, which include forward exchange rates, forward interest rates, forward fuel curves and corresponding volatility surface data at the reporting date. The fair value of the principal derivative financial assets and liabilities are determined as follows, incorporating adjustments for own credit risk and counterparty credit risk:

- commodity reference contracts including swaps and options transactions, referenced to: (i) CIF NWE cargoes jet fuel; (ii) ICE Gasoil; (iii) ICE Brent; (iv) ICE Gasoil Brent crack; (v) Jet Differential and (vi) Jet fuel Brent crack - the mark-to-market valuation prices are determined by reference to current forward curve and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- currency forward and option contracts – by reference to current forward prices and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate; and
- interest rate swap contracts – by discounting the future cash flows of the swap contracts at market interest rate valued with the current forward curve.

The fair value of the Group's interest-bearing borrowings, excluding lease liabilities, is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date. The fair value of the Group's interest-bearing borrowings is adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets. For other equity investments where cash flow information is not available, an adjusted net asset method is applied. For the methodology in the determination of the fair value of the investment in Air Europa Holdings, see note 19.

The fair value of cash and cash equivalents, other current interest-bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying value largely due to the short-term maturities of these instruments.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2023 are as follows:

	Fair value				**Carrying value**
€ million	Level 1	Level 2	Level 3	Total	**Total**
Financial assets					
Other equity investments	1	–	187	188	**188**
Other non-current financial assets	–	12	–	12	**25**
Derivative financial assets:					
Interest rate swaps[1]	–	32	–	32	**32**
Foreign exchange contracts[1]	–	58	–	58	**58**
Fuel derivatives[1]	–	33	–	33	**33**
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	3,900	–	3,900	**4,427**
Fixed rate borrowings	2,429	53	–	2,482	**2,574**
Floating rate borrowings	–	111	–	111	**114**
Derivative financial liabilities:					
Interest rate derivatives[2]	–	4	–	4	**4**
Foreign exchange contracts[2]	–	415	–	415	**415**
Fuel derivatives[2]	–	148	–	148	**148**

1 Current portion of derivative financial assets is €81 million.

2 Current portion of derivative financial liabilities is €461 million.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2022 are set out below:

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	–	–	55	55	55
Other non-current financial assets	–	20	–	20	31
Derivative financial assets:					
Interest rate swaps[1]	–	66	–	66	66
Foreign exchange contracts[1]	–	467	–	467	467
Fuel derivatives[1]	–	193	–	193	193
Financial liabilities					
Interest-bearing loans and borrowings:					
Asset financed liabilities	–	2,925	–	2,925	3,819
Fixed rate borrowings	2,538	72	–	2,610	2,967
Floating rate borrowings	–	3,419	–	3,419	3,579
Derivative financial liabilities:					
Interest rate derivatives[2]	–	6	–	6	6
Foreign exchange contracts[2]	–	359	–	359	359
Fuel derivatives[2]	–	106	–	106	106

1 Current portion of derivative financial assets is €645 million.

2 Current portion of derivative financial liabilities is €387 million.

Financial assets, other equity instruments, financial liabilities and derivative financial assets and liabilities are all measured at fair value in the consolidated financial statements. Interest-bearing borrowings, with the exception of the €825 million convertible bond due 2028 which is measured at fair value, are measured at amortised cost.

30 Financial instruments *continued*

c Level 3 financial assets reconciliation

The following table summarises key movements in Level 3 financial assets:

€ million	**2023**	2022
Opening balance for the year	**55**	31
Additions - other	**5**	2
Addition of Air Europa Holdings	**-**	22
Transfers to Level 1 financial assets	**(1)**	-
Net gains recognised in Other comprehensive income	**128**	2
Net losses recognised in the Income statement	**-**	(2)
Closing balance for the year	**187**	55

For details regarding the valuation of Air Europa Holdings, see note 19.

During the year to 31 December 2023, the Group recorded a transfer of an Other equity instrument of €1 million from Level 3 to Level 1 following the public listing of the associated investment. There have been no other transfers between levels of the fair value hierarchy during the year.

d Hedges

Cash flow hedges

At 31 December 2023, the Group's principal risk management activities that were hedging future forecast transactions were:

- foreign exchange contracts, hedging foreign currency exchange risk on cash inflows and certain operational payments. Remeasurement gains and losses on the derivatives are (i) recognised in equity and transferred to the Income statement, where the hedged item is recorded directly in the Income statement, to the same caption as the underlying hedged item is classified; (ii) recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability, are recorded to the Balance sheet to the same caption as the hedged item is recognised; and (iii) recognised in equity and transferred to the Income statement, where the hedged item is a financial asset or liability, at the same time as the financial asset or liability is recorded in the Income statement. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement when the future transaction is no longer expected to occur and recorded in the relevant Income statement caption to which the hedged item is classified;
- crude, gas oil and jet kerosene derivative contracts, hedging price risk on fuel expenditure. Remeasurement gains and losses on the derivatives are: (i) recognised in equity and transferred to the Income statement within Fuel, oil costs and emissions charges to match against the related fuel cash outflow, where the underlying hedged item does not give rise to the recognition of fuel inventory; and (ii) recognised in equity and transferred to the Balance sheet within Inventory, where the underlying hedged item is fuel inventory. Gains and losses recorded within Inventory are recognised in the Income statement when the underlying fuel inventory is consumed, within Fuel, oil costs and emission charges. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement within Fuel, oil costs and emissions charges when the future transaction is no longer expected to occur;
- interest rate contracts, hedging interest rate risk on floating rate debt and certain operational payments. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Interest expense; and
- future loan repayments denominated in foreign currency are designated in a hedge relationship hedging foreign exchange fluctuations on revenue cash inflows. Remeasurement gains and losses on the associated loans are recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability when the loan repayments are made (generally in instalments over the life of the loan).

The amounts included in equity are summarised below:

Losses/(gains) in respect of cash flow hedges included within equity

€ million	**2023**	2022
Loan repayments to hedge future revenue	**22**	87
Foreign exchange contracts to hedge future revenue and expenditure[1]	**94**	(178)
Crude, gas oil and jet kerosene derivative contracts[1]	**67**	(127)
Derivatives used to hedge interest rates[1]	**(1)**	(46)
Instruments for which hedge accounting no longer applies[1, 2]	**123**	213
	305	(51)
Related deferred tax (credit)/charge	**(75)**	20
Total amount included within equity	**230**	(31)

1 The carrying value of derivative instruments recognised in assets and liabilities is analysed in parts a and b above.

2 Relates to previously terminated hedge relationships for which the underlying forecast transactions remain expected to occur.

Notional amounts of significant financial instruments used as cash flow hedging instruments:

Notional principal amounts (€ million)	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	**Total 31 December 2023**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pound sterling[1]	1.21	1.05 to 1.35	3,147	1,239	–	–	**4,386**
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	1.00	0.86 to 1.24	2,458	939	305	–	**3,702**
Foreign exchange contracts to hedge future revenue and expenditure from euros to pound sterling[1]	1.21	1.07 to 1.42	479	375	357	124	**1,335**
Fuel commodity price contracts to hedge future US dollar fuel expenditure[2]	722	489 to 1,200	5,425	1,948	980	–	**8,353**
Interest rate contracts to hedge future interest expenditure[3, 4]	1.83	(0.06) to 3.90	2,127	912	493	2	

1 Expenditure includes both operating and capital expenditure.

2 Notional amounts of fuel commodity price hedging instruments represent 10.0 million metric tonnes of jet fuel equivalent and the hedge range is expressed as the US dollar price per metric tonne, which for those products typically priced in barrels, has been determined using a conversion factor of 7.88.

3 The hedge range for interest rate contracts is expressed as a percentage.

4 The notional amounts of interest rate contracts at 31 December 2023 were €1,354 million. Amounts included reflect the notional amortising amounts outstanding at the end of each period and align with the profiles of the underlying hedged items.

Notional principal amounts (€ million)	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	Total 31 December 2022
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pound sterling[1]	1.23	1.05 to 1.45	3,582	1,355	–	–	4,937
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros[1]	1.08	0.91 to 1.26	2,578	1,318	–	–	3,896
Foreign exchange contracts to hedge future revenue and expenditure from euros to pound sterling[1]	1.23	1.00 to 1.42	371	406	458	14	1,249
Fuel commodity price contracts to hedge future US dollar fuel expenditure[2]	718	416 to 2,200	2,935	331	–	–	3,266
Interest rate contracts to hedge future interest expenditure[3, 4]	1.04	(0.03) to 3.13	2,360	504	238	9	

1 Expenditure includes both operating and capital expenditure.

2 Notional amounts of fuel commodity price hedging instruments represent 5.4 million metric tonnes of jet fuel equivalent and the hedge range is expressed as the US dollar price per metric tonne, which for those products typically priced in barrels, has been determined using a conversion factor of 7.88.

3 The hedge range for interest rate contracts is expressed as a percentage.

4 The notional amounts of interest rate contracts at 31 December 2022 were €1,703 million. Amounts included reflect the notional amortising amounts outstanding at the end of each period and align with the profiles of the underlying hedged items.

30 Financial instruments *continued*

Movements recorded in the cash flow hedge reserve

For the year to 31 December 2023 (€ million)	Amounts recognised in the Income statement: Ineffectiveness[1]	Discontinuance of hedge accounting	Reclassified to the Income statement	Total recognised movements	Fair value movements recognised in Other comprehensive income[2]	Amounts transferred to the Balance sheet
Foreign exchange contracts to hedge future revenue and expenditure	**(1)**	**–**	**31**	**30**	**234**	**3**
Crude, gas oil and jet kerosene derivative contracts	**9**	**–**	**99**	**108**	**71**	**13**
Derivatives used to hedge interest rates	**–**	**–**	**48**	**48**	**(3)**	**–**
Loan repayments to hedge future revenue	**–**	**–**	**–**	**–**	**(47)**	**(18)**
Instruments for which hedge accounting no longer applies	**–**	**–**	**–**	**–**	**–**	**(92)**
	8	**–**	**178**	**186**	**255**	**(94)**
Related deferred tax				**(44)**	**(60)**	**10**
Total movements recorded in the cash flow hedge reserve				**142**	**195**	**(84)**

For the year to 31 December 2022 (€ million)	Amounts recognised in the Income statement: Ineffectiveness[1]	Discontinuance of hedge accounting	Reclassified to the Income statement	Total recognised movements	Fair value movements recognised in Other comprehensive income[2]	Amounts transferred to the Balance sheet
Foreign exchange contracts to hedge future revenue and expenditure	–	29	228	257	(525)	43
Crude, gas oil and jet kerosene derivative contracts	19	–	1,299	1,318	(1,249)	66
Derivatives used to hedge interest rates	–	–	(12)	(12)	(95)	–
Loan repayments to hedge future revenue	–	–	–	–	(1)	(7)
Instruments for which hedge accounting no longer applies	–	–	–	–	–	(27)
	19	29	1,515	1,563	(1,870)	75
Related deferred tax				(330)	398	(1)
Total movements recorded in the cash flow hedge reserve				1,233	(1,472)	74

1 Ineffectiveness recognised in the Income statement is presented as Realised and Unrealised gains and losses on derivatives not qualifying for hedge accounting within non-operating items.

2 Amounts recognised in Other comprehensive income represent gains and losses on the hedging instrument.

Discontinuance of hedge accounting

The losses associated with the discontinuance of hedge accounting recognised in the Income statement and the subsequent fair value movements of those derivative instruments recorded in the Income statement through to the earlier of the reporting date and the maturity date of the derivative are set out below:

€ million	**2023**	2022
Losses associated with the discontinuance of hedge accounting recognised in the Income statement	**–**	(29)
Fair value movements subsequently recorded in the Income statement	**–**	–
Total effect of discontinuance of hedge accounting in the Income statement	**–**	(29)

Fair value hedges

At 31 December 2023, the Group's principal risk management activities associated with fair value hedging were related to interest rate contracts hedging the fair value risk on fixed rate lease liabilities. Remeasurement gains and losses on both the derivatives and the host financial liability are recognised in Income statement within Other non-operating credits.

The carrying values of the hedged items and hedging instruments of the Group's fair value hedges at 31 December 2023 are as follows:

€ million	**2023**	2022
Carrying value of lease liabilities to which fair value hedging has been applied (hedged items)[1]	**(65)**	–
Carrying amount of the interest rate derivatives (hedging instruments)	**(4)**	–
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	**(2)**	–
Change in value used for calculating hedge ineffectiveness	**3**	–

1 Hedged items included in the fair value hedges are presented within Borrowings in the Balance sheet and in note 26.

31 Share capital, share premium and treasury shares

Allotted, called up and fully paid	Number of shares '000s	Ordinary share capital € million	Share premium € million
31 December 2022: Ordinary shares of €0.10 each	4,971,476	497	7,770
31 December 2023: Ordinary shares of €0.10 each	**4,971,476**	**497**	**7,770**

a Treasury shares

During the year to 31 December 2023, the Group purchased 42.0 million shares at a weighted average share price of €1.83 per share totalling €77 million, which are held as Treasury shares. A total of 3.3 million shares (2022: 8.1 million) were issued to employees during the year as a result of vesting of employee share schemes. At 31 December 2023 the Group held 55.8 million shares (2022: 17.1 million) which represented 1.12 per cent (2022: 0.34 per cent) of the issued share capital of the Company.

32 Share-based payments

The Group operates share-based payment schemes as part of the total remuneration package provided to employees. These schemes comprise both share option schemes where employees acquire shares at an option price and share award plans whereby shares are issued to employees at no cost, subject to the achievement by the Group of specified performance targets.

a IAG Performance Share Plan

The IAG Performance Share Plan (PSP) was granted to senior executives and managers of the Group who are most directly involved in shaping and delivering business success over the medium to long term. Awards made from 2015 to 2020 were nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards had three independent performance measures with equal weighting: Total Shareholder Return (TSR) relative to the STOXX Europe 600 Travel and Leisure Index (2020 awards) or MSCI European Transportation Index (prior to 2020 awards), earnings per share, and Return on Invested Capital.

b IAG Restricted Share Plan

The IAG Restricted Share Plan (RSP) was introduced in 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as conditional awards, with a two-year holding period following the three-year vesting period. There are no performance measures associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. Approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

c IAG Full Potential Incentive Plan

In 2021, the Group launched the Full Potential Incentive Plan (FPIP), which was granted to key individuals involved in the delivery of a series of transformation projects that will enable the Group to deliver business success over the medium to long term. The awards have been made as conditional awards, vesting in 2025 and dependent on stretch performance targets for 2024 and the approval of the Board.

d IAG Incentive Award Deferral Plan

The IAG Incentive Award Deferral Plan (IADP) is granted to qualifying employees based on performance and service tests. It will be awarded when an annual incentive award is triggered subject to the employee remaining in employment with the Group for three years after the grant date. The relevant population will receive 50 per cent of their incentive award up front in cash, and the remaining 50 per cent in shares after three years through the IADP.

32 Share-based payments *continued*

e Share-based payment schemes summary

Number of awards '000s	Outstanding at 1 January 2023	Granted number	Lapsed number	Vested number	**Outstanding at 31 December 2023**	Exercisable 31 December 2023
Performance Share Plan	16,339	–	6,263	944	**9,132**	4,166
Restricted Share Plan	40,334	24,462	5,152	431	**59,213**	–
Full Potential Incentive Plan	27,705	5,681	3,786	–	**29,600**	–
Incentive Award Deferral Plan	2,411	1,007	173	2,387	**858**	–
	86,789	**31,150**	**15,374**	**3,762**	**98,803**	**4,166**

The weighted average share price at the date of exercise of options exercised during the year to 31 December 2023 was £1.52 (2022: £1.35).

The Group recognised a share-based payment charge of €52 million for the year to 31 December 2023 (2022: €39 million).

33 Other reserves and non-controlling interests

For the year to 31 December 2023

	Other reserves						
€ million	Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Merger reserve[5]	Capital reserves[6]	**Total other reserves**	Non-controlling interest
1 January 2023	67	(66)	(118)	(2,467)	867	**(1,717)**	6
Other comprehensive (loss)/income for the year							
Cash flow hedges reclassified and reported in net profit:							
Fuel and oil costs	(81)	–	–	–	–	**(81)**	–
Currency differences	(20)	–	–	–	–	**(20)**	–
Finance costs	(35)	–	–	–	–	**(35)**	–
Ineffectiveness recognised in other non-operating costs	(6)	–	–	–	–	**(6)**	–
Net change in fair value of cash flow hedges	(195)	–	–	–	–	**(195)**	–
Net change in fair value of other equity investments	127	–	–	–	–	**127**	–
Net change in fair value of cost of hedging	–	(120)	–	–	–	**(120)**	–
Cost of hedging reclassified and reported in net profit	–	82	–	–	–	**82**	–
Fair value movements on liabilities attributable to credit risk changes	(119)	–	–	–	–	**(119)**	–
Currency translation differences	–	–	18	–	–	**18**	–
Hedges transferred and reported in property, plant and equipment	9	(15)	–	–	–	**(6)**	–
Hedges transferred and reported in sales in advance of carriage	84	1	–	–	–	**85**	–
Hedges transferred and reported in inventory	(9)	–	–	–	–	**(9)**	–
31 December 2023	(178)	(118)	(100)	(2,467)	867	**(1,996)**	6

€ million	Other reserves: Unrealised gains and losses[1]	Cost of hedging reserve[2]	Currency translation[3]	Equity portion of convertible bond[4]	Merger reserve[5]	Redeemed capital reserve[6]	Total other reserves	Non-controlling interest
1 January 2022	(94)	24	(65)	62	(2,467)	867	(1,673)	6
Other comprehensive income/(loss) for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel and oil costs	(1,115)	–	–	–	–	–	(1,115)	–
Currency differences	(90)	–	–	–	–	–	(90)	–
Finance costs	10	–	–	–	–	–	10	–
Discontinuance of hedge accounting	(22)	–	–	–	–	–	(22)	–
Ineffectiveness recognised in other non-operating costs	(16)	–	–	–	–	–	(16)	–
Net change in fair value of cash flow hedges	1,472	–	–	–	–	–	1,472	–
Net change in fair value of other equity investments	2	–	–	–	–	–	2	–
Net change in fair value of cost of hedging	–	(115)	–	–	–	–	(115)	–
Cost of hedging reclassified and reported in net profit	–	38	–	–	–	–	38	–
Fair value movements on liabilities attributable to credit risk changes	(6)	–	–	–	–	–	(6)	–
Currency translation differences	–	–	(53)	–	–	–	(53)	–
Hedges transferred and reported in property, plant and equipment	(51)	(14)	–	–	–	–	(65)	–
Hedges transferred and reported in sales in advance of carriage	35	1	–	–	–	–	36	–
Hedges transferred and reported in inventory	(58)	–	–	–	–	–	(58)	–
Redemption of convertible bond	–	–	–	(62)	–	–	(62)	–
31 December 2022	67	(66)	(118)	–	(2,467)	867	(1,717)	6

1 The unrealised gains and losses reserve records fair value changes on equity investments and the portion of the amounts on hedging instruments in cash flow hedges that are determined to be effective hedges. The amounts at 31 December 2023 that relate to the fair value changes on equity instruments and to the cash flow hedge reserve were €138 million credit and €305 million charge, respectively.

2 The cost of hedging reserve records, amongst others, changes on the time value of options.

3 The currency translation reserve records exchange differences arising from the translation of the financial statements of non-euro functional currency subsidiaries and investments accounted for under the equity method into the Group's reporting currency of euros. The movement through this reserve is affected by the fluctuations in the pound sterling to euro foreign exchange translation rate.

4 During 2022, the Group redeemed the €500 million convertible bond with no conversion into ordinary shares. On redemption, an amount of €62 million was transferred to Retained earnings.

5 The merger reserve originated from the merger transaction between British Airways and Iberia. The balance represents the difference between the fair value of the Group on the transaction date, and the fair value of Iberia and the book value of British Airways (including its reserves).

6 Capital reserves include a Redeemed capital reserve of €70 million (2022: €70 million) associated with the decrease in share capital relating to cancelled shares and a Share capital reduction reserve of €797 million (2022: €797 million) associated with a historical reduction in the nominal value of the Company's share capital.

34 Employee benefit obligations

The Group operates a variety of post-employment benefit arrangements, covering both defined contribution and defined benefit schemes. The Group also has a scheme for flight crew who meet certain conditions and therefore have the option of being placed on reserve and retaining their employment relationship until reaching the statutory retirement age, or taking early retirement (see note 27).

Defined contribution schemes

The Group operates a number of defined contribution schemes for its employees.

Costs recognised in respect of defined contribution pension plans in Spain, UK and Ireland for the year to 31 December 2023 were €279 million (2022: €251 million).

Defined benefit schemes

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS), both of which are in the UK and are closed to new members.

APS has been closed to new members since 1984, but remains open to future accrual. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment.

NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5 per cent per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

APS and NAPS are governed by separate Trustee Boards. Although APS and NAPS have separate Trustee Boards, certain aspects of the business of the two schemes are common. APS and NAPS have developed certain joint working groups that are attended by the Trustee Board members of each scheme although each Trustee Board reaches its decisions independently. There are sub-committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees.

Triennially, the Trustees of APS and NAPS undertake actuarial valuations, which are subsequently agreed with British Airways to determine the cash contributions and any deficit payment plans through to the next valuation date, as well as ensuring that the schemes have sufficient funds available to meet future benefit payments to members. These actuarial valuations are prepared using the principles set out in UK Pension legislation. This differs from the IAS 19 'Employee benefits' valuation, which is used for deriving the Income statement and Balance sheet positions and uses a best-estimate approach overall. The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and funding levels.

During 2022, the triennial valuations, as at 31 March 2021, were finalised for APS and NAPS which resulted in a technical surplus of €343 million (£295 million) for APS and a technical deficit of €1,887 million (£1,650 million) for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 31 December 2023 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2021 compared with IAS 19 requirements used in the accounting valuation assumptions as at the reporting date. The actuarial valuation of neither APS and NAPS is updated outside of the triennial valuations, making comparability between the scheme liabilities applying the principles set out in the UK Pension legislation and the requirements of IAS 19 not possible. The principal difference relates to the discount rate applied, which under the triennial actuarial valuation, aligns with a prudent estimate of the future investment returns on the assets of the respective schemes, whereas, under IAS 19, the rates are based on high-quality corporate bond yields, regardless of how the assets are invested.

The triennial valuation as at 31 March 2021 for NAPS supersedes the previous agreements reached in 2020 and 2021 between British Airways and the Trustee of NAPS relating to the deferral of deficit contributions. The deferred deficit contributions have been incorporated into the deficit payment plan agreed as part of the triennial valuation as at 31 March 2021.

As part of the triennial valuation as at 31 March 2021 for NAPS, British Airways has agreed to provide certain property assets as security, which will remain in place until 30 September 2028.

Other plans

British Airways also operates post-retirement schemes in a number of jurisdictions outside of the UK. The principal scheme is the British Airways Plc Pension Plan (USA) based in the United States and referred to as the 'US Plan'. The US Plan is considered to be a defined benefit scheme and is closed to new members and to future accrual.

The majority of British Airways' other plans are fully funded, but there are also a number of unfunded plans, for which the Group meets the benefit payment obligations as they fall due.

In addition, Aer Lingus operates certain defined benefit plans, both funded and unfunded.

Risk associated with the defined benefit schemes

The defined benefit schemes expose the Group to a range of risks, with the following being the most significant:

- asset volatility risk - the scheme obligations are calculated using a discount rate set with reference to high-quality corporate bond yields. If scheme assets underperform this yield, this will reduce the surplus / increase the deficit, depending on the scheme. Certain of the schemes hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while creating volatility and risk in the short term;
- longevity risk – the majority of the scheme obligations are to provide benefits over the life of the scheme members. An increase in life expectancy will result in a corresponding increase in the defined benefit obligation;
- interest rate risk – a decrease in interest rates will increase plan liabilities, although this will be partially offset by an increase in the value of certain of the scheme assets;
- inflation risk – a significant proportion of the scheme obligations are linked to inflation, such that any increase in inflation will cause an increase in the obligations. While certain of the scheme assets are indexed to inflation, any expected increase in the scheme assets from inflation would be disproportionately lower than the increase in the scheme obligations; and
- currency risk – a number of scheme assets are denominated in currencies other than the pound sterling. Weakening of those currencies, or strengthening of the pound sterling, in the long term, will have the effect of reducing the value of scheme assets.

a Cash payments and funding arrangements

Cash payments in respect to pension obligations comprise normal employer contributions by the Group and deficit contributions based on the agreed deficit payment plan with NAPS. Total payments for the year to 31 December 2023 net of service costs made by the Group were €48 million (2022: €20 million) being the employer contributions of €49 million (2022: €22 million) less the current service cost of €1 million (2022: €2 million) (note 34b,c).

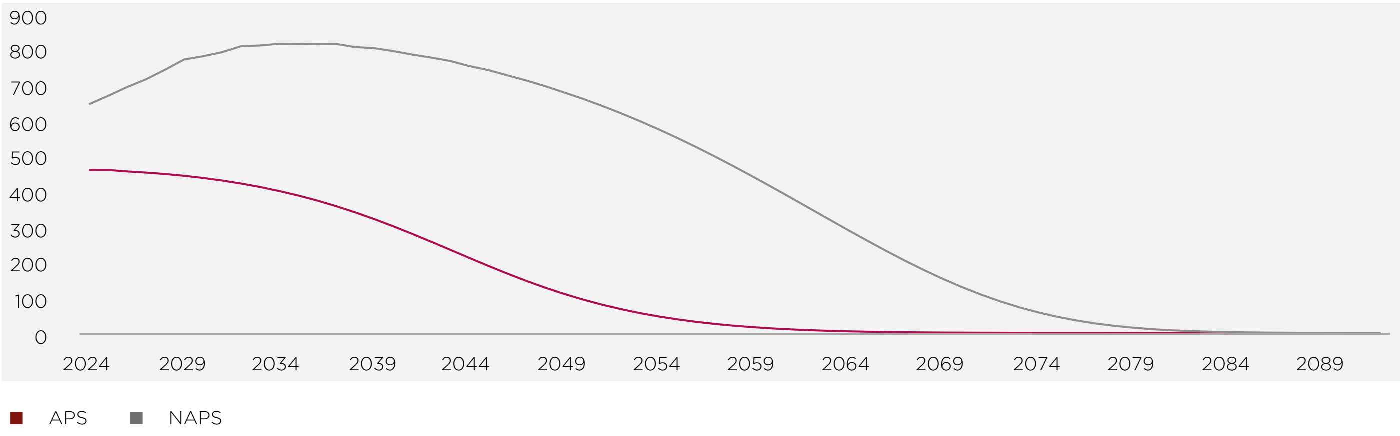
Future funding arrangements

Pension contributions for APS and NAPS were determined by actuarial valuations made at 31 March 2021, using assumptions and methodologies agreed between the Group and Trustee of each scheme.

In total, the Group expects to pay €1 million in employer contributions to APS and NAPS in 2024.

The following graph provides the undiscounted benefit payments to be made by the Trustees of APS and NAPS over the remaining expected duration of the schemes:

Projected benefit payments from the reporting date (€ million, unaudited)



The amounts and timing of these projected benefit payments are subject to the aforementioned risks to the schemes.

Deficit contributions

At the date of the actuarial valuation, the actuarial deficit of NAPS amounted to €1,887 million. In order to address the deficit in the scheme, the Group committed to deficit contribution payments through to 30 June 2023, amounting to approximately €58 million per year, increasing by €58 million each year up to 30 June 2026 and subsequently capped at €257 million per year through to 31 May 2032. The deficit contribution plan includes an over-funding protection mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions are suspended if the funding position reaches 100 per cent, with a mechanism for contributions to resume if the contribution level subsequently falls below 100 per cent, or until such point as the scheme funding level reaches 100 per cent.

During the year ended and as at 31 December 2023, the NAPS funding position exceeded 100 per cent and accordingly deficit contributions were suspended. At 31 December 2023, the valuation of the funding level incorporates significant forward-looking assumptions, such that the Group currently does not expect to make further deficit contributions. Given the long-term nature of the NAPS scheme, these assumptions are subject to uncertainty and there can be no guarantee that deficit contributions will not resume in the future or that additional deficit contributions will not need to be incorporated into future triennial actuarial valuations.

At 31 December 2023, had the over-funding protection mechanism not been applied, then the asset ceiling adjustment (as detailed in note 34c) would have been €638 million higher, reducing the surplus accordingly.

34 Employee benefit obligations *continued*

At 31 December 2023, the Group is committed to the following undiscounted deficit payments, which are deductible for tax purposes at the statutory rate of tax:

€ million	NAPS[1]	Other schemes
Within 12 months	–	36
1-2 years	–	37
2-5 years	–	38
Greater than 5 years	–	–
Total expected deficit payments	–	111

1 Committed deficit contributions, agreed as part of the 31 March 2021 actuarial valuation, were suspended at 31 December 2023 as an effect of the over-funding protection mechanism.

Deficit payments in respect of local arrangements outside of the UK have been determined in accordance with local practice.

Under the triennial valuation of NAPS as at 31 March 2021, in the period up to 31 December 2023, no dividend payment was permitted from British Airways to IAG. In the period from 1 January to 31 December 2024, any dividends paid by British Airways will be matched by contributions to NAPS of 50 per cent of the value of dividends paid. In the period from 1 January to 30 September 2025, any dividend payment from British Airways to IAG that exceeds 50 per cent of the pre-exceptional profit after tax in each financial year will require additional payments to be made to NAPS if the scheme is not at least 100 per cent funded. All dividend restrictions cease from 1 October 2025, onwards. British Airways must maintain a minimum cash level of €1,854 million (£1,600 million) as at the date of the declaration of any dividends as well as immediately following the payment of any dividends to IAG and the associated matching contributions to NAPS. The amount of any deficit contributions and dividend matching contributions in a single financial year is limited to €348 million (£300 million).

b Employee benefit scheme amounts recognised in the financial statements

i Amounts recognised on the Balance sheet

	2023			
€ million	**APS**	**NAPS**	**Other**	**Total**
Scheme assets at fair value[1]	6,070	16,724	393	**23,187**
Present value of scheme liabilities[1]	(6,048)	(14,644)	(547)	**(21,239)**
Net pension asset/(liability)	22	2,080	(154)	**1,948**
Effect of the asset ceiling[2]	(7)	(728)	–	**(735)**
Other employee benefit obligations	–	–	(8)	**(8)**
31 December 2023	15	1,352	(162)	**1,205**
Represented by:				
Employee benefit asset				**1,380**
Employee benefit obligation				**(175)**
Net employee benefit asset[3]				**1,205**

	2022			
€ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	6,283	17,029	356	23,668
Present value of scheme liabilities[1]	(6,052)	(13,692)	(548)	(20,292)
Net pension asset/(liability)	231	3,337	(192)	3,376
Effect of the asset ceiling[2]	(80)	(1,168)	–	(1,248)
Other employee benefit obligations	–	–	(11)	(11)
31 December 2022	151	2,169	(203)	2,117
Represented by:				
Employee benefit asset				2,334
Employee benefit obligation				(217)
Net employee benefit asset[3]				2,117

1 Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 31 December 2023, such assets were €322 million (2022: €320 million) with a corresponding amount recorded in the scheme liabilities.

2 APS and NAPS have an accounting surplus under IAS 19, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on both the net pension asset and the future contractual minimum funding requirements.

3 The net deferred tax asset recognised on the net employee benefit asset (2022: asset) was €48 million at 31 December 2023 (2022: €54 million). The defined benefit obligation includes €20 million (2022: €21 million) arising from unfunded plans.

ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

€ million	2023	2022
Defined benefit plans:		
Current service cost	**1**	2
Administrative expenses	**17**	19
	18	21
Defined contribution plans	**279**	251
Pension costs recorded as employee costs	**297**	272

€ million	2023	2022
Interest income on scheme assets	**(1,117)**	(633)
Interest expense on scheme liabilities	**955**	584
Interest expense on asset ceiling	**59**	23
Net financing credit relating to pensions	**(103)**	(26)

iii Amounts recognised in the Statement of other comprehensive income

€ million	2023	2022
Return on plan assets excluding interest income	**857**	9,360
Remeasurement of plan liabilities from changes in financial assumptions	**314**	(10,476)
Remeasurement of plan liabilities from changes in demographic assumptions	**55**	(202)
Remeasurement of experience losses	**430**	627
Remeasurement of the APS and NAPS asset ceilings	**(583)**	14
Exchange movements	**–**	6
Pension remeasurements credited/(charged) to Other comprehensive income	**1,073**	(671)
Tax arising on pension remeasurements	**3**	9
Pension remeasurements charged to Other comprehensive income, net of tax	**1,076**	(662)

c Fair value of scheme assets

i Investment strategies

For both APS and NAPS, the Trustee has ultimate responsibility for decision-making on investments matters, including the asset-liability matching strategy. The latter is a form of investing designed to match the movement in pension plan assets with the movement in the projected benefit obligation over time. The Trustees' investment committee adopts an annual business plan which sets out investment objectives and work required to support achievement of these objectives. The committee also deals with the monitoring of performance and activities, including work on developing the strategic benchmark to improve the risk return profile of the scheme where possible, as well as having a trigger-based dynamic governance process to be able to take advantage of opportunities as they arise. The investment committee reviews the existing investment restrictions, performance benchmarks and targets, as well as continuing to develop the de-risking and liability hedging portfolio.

Both schemes use derivative instruments for investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange, longevity and liquidity risks arising in the normal course of business. Exposure to interest rate risk is managed through the use of Inflation-Linked Swap contracts. Foreign exchange forward contracts are entered into to mitigate the risk of currency fluctuations. Longevity risk is managed through the use of buy-in insurance contracts, asset swaps and longevity swaps.

Along with existing contracts with Rothesay Life (as detailed in note 34c(iii)), APS is 90 per cent protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at 31 March 2018. APS is nearly 90 per cent protected against interest rates and inflation (on a Retail Price Index basis). NAPS is 95 per cent protected against interest rates and inflation (on a Consumer Price Index basis).

The assets held by APS and NAPS are split between 'return seeking assets' and 'liability matching assets' depending on the maturity of each scheme. At 31 December 2023, the actual asset allocation for NAPS was 19 per cent (2022: 31 per cent) in return seeking assets and 81 per cent (2022: 69 per cent) in liability matching investments. For NAPS, the Trustee agreed an updated investment framework with British Airways as part of the Scheme's 31 March 2021 actuarial valuation agreement. The Trustee aims towards an overall asset allocation with an agreed modest expected return relative to liabilities, and sufficient liquidity to manage investment risk appropriately on an on-going basis. The actual asset allocation for APS at 31 December 2023 was 1 per cent (2022: 1 per cent) in return seeking assets and 99 per cent (2022: 99 per cent) in liability matching investments. NAPS uses Liability Driven Investments (LDIs) to effectively hedge volatility in the scheme liabilities. This is achieved through direct bond holdings as opposed to the use of derivatives and as such leverage is low. Accordingly, as at 31 December 2023, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

34 Employee benefit obligations *continued*

ii Movement in scheme assets

A reconciliation of the opening and closing balances of the fair value of scheme assets is set out below:

€ million	2023	2022
1 January	**23,668**	34,370
Interest income	**1,114**	633
Administrative expenses	**(14)**	(13)
Return on plan assets excluding interest income	**(857)**	(9,360)
Employer contributions[1]	**49**	22
Employee contributions	**8**	6
Benefits paid	**(1,065)**	(1,301)
Exchange movements	**284**	(689)
31 December	**23,187**	23,668

1 Includes employer contributions to APS of €1 million (2022: €1 million) and to NAPS of €nil (2022: €nil) of which deficit-funding payments represented €nil for APS (2022: €nil) and €nil for NAPS (2022: €nil).

iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

	2023				
€ million	APS	NAPS	Other	Total	2022
Return seeking investments					
Listed equities – UK	**8**	**109**	**6**	**123**	139
Listed equities – Rest of world	**1**	**438**	**163**	**602**	1,047
Private equities	**29**	**677**	**15**	**721**	1,566
Properties	**–**	**1,577**	**14**	**1,591**	2,142
Alternative investments	**35**	**1,695**	**2**	**1,732**	1,881
	73	**4,496**	**200**	**4,769**	6,775
Liability matching investments					
Government issued fixed bonds	**861**	**5,132**	**127**	**6,120**	5,279
Government issued index-linked bonds	**874**	**9,438**	**8**	**10,320**	8,093
Asset and longevity swaps	**899**	**–**	**–**	**899**	1,114
Insurance contract	**3,353**	**–**	**38**	**3,391**	3,392
	5,987	**14,570**	**173**	**20,730**	17,878
Other					
Cash and cash equivalents	**50**	**640**	**7**	**697**	684
Derivative financial instruments	**(38)**	**(2,985)**	**8**	**(3,015)**	(1,688)
Other investments	**(2)**	**3**	**5**	**6**	19
	10	**(2,342)**	**20**	**(2,312)**	(985)
Total scheme assets	**6,070**	**16,724**	**393**	**23,187**	23,668

The fair values of the Group's scheme assets, which are not derived from quoted prices on active markets, are determined depending on the nature of the inputs used in determining the fair values (see note 30b for further details) and using the following methods and assumptions:

- private equities are valued at fair value based on the most recent transaction price or third-party net asset, revenue or earnings-based valuations that generally result in the use of significant unobservable inputs. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not updated through to the reporting date unless there are indications of significant market movements.
- properties are valued based on an analysis of recent market transactions supported by market knowledge derived from third-party professional valuers that generally result in the use of significant unobservable inputs.
- alternative investments fair values, which predominantly include holdings in investment and infrastructure funds are determined based on the most recent available valuations applying the Net Asset Value methodology and issued by fund administrators or investment managers and adjusted for any cash movements having occurred from the date of the valuation to the reporting date. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not updated through to the reporting date unless there are indications of significant market movements.
- other investments predominantly includes: interest receivable on bonds; dividends from listed and private equities that have been declared but not received at the balance sheet date; receivables from the sale of assets for which the proceeds have not been collected at the balance sheet date; and payables for the purchase of assets which have not been settled at the balance sheet date.

- derivative financial instruments are entered into predominantly to mitigate interest rate and inflation rate risks. These derivative financial instruments are stated at their fair value using pricing models and relevant market data as at the balance sheet date.
- asset and longevity swaps - APS has a contract with Rothesay Life, entered into in 2010 and extended in 2013, which covers 25 per cent (2022: 25 per cent) of the pensioner liabilities for an agreed list of members. Under the contract, to reduce the risk of long-term longevity risk, Rothesay Life makes benefit payments monthly in respect of the agreed list of members in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt) held by the scheme and the contractual payments made by APS to Rothesay Life on the longevity swaps. The Group holds the portfolio of assets at their fair value, with the government debt held at their quoted market price and the swaps accounted for at their estimated discounted future cash flows.

  During 2011, APS entered into a longevity swap with Rothesay Life, which covers an additional 21 per cent (2022: 21 per cent) of the pensioner liabilities for the same agreed list of members as the 2010 contract. Under the longevity swap, to reduce the risk of long-term longevity risk, APS makes a fixed payment to Rothesay Life each month reflecting the prevailing mortality assumptions at the inception of the contract, and Rothesay Life make a monthly payment to APS reflecting the actual monthly benefit payments to members. The cash flows are settled net each month. If pensioners live longer than expected at inception of the longevity swap, Rothesay Life will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Rothesay Life. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.
- insurance contract - During 2018 the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pensions from APS at 31 March 2018, excluding dependent children, receiving a pension at that date and members in receipt of equivalent pension only benefits, who were alive on 1 October 2018. Benefits coming into payment for retirements after 31 March 2018 are not covered. The contract covers benefits payable from 1 October 2018 onwards. The policy covers approximately 60 per cent of all benefits APS expects to pay out in future.

iv Effect of the asset ceiling

In measuring the valuation of the net defined benefit asset for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available in the form of a refund or a reduction in future contributions after they are paid into the plan. The Group has determined that the recoverability of such surpluses, including minimum funding requirements, will be subject to withholding taxes in the UK, payable by the Trustee, of 35 per cent.

The future committed NAPS deficit contributions, as detailed in note 34a, are treated as minimum funding requirements under IAS 19 and are not recognised as part of the scheme assets or liabilities. The Group has determined that upon the wind up of the scheme, that if the scheme is in surplus, including the incorporation of the minimum funding requirements, then the surplus will be available as a refund or a reduction in future contributions after they are paid into the scheme. The recovery of such amounts is subject to UK withholding tax payable by the Trustee. In measuring the recoverability of the surplus for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available upon wind up of the scheme, less the application of withholding taxes in the UK, payable by the Trustee, at 35 per cent.

A reconciliation of the effect of the asset ceiling used in calculating the IAS 19 irrecoverable surplus in APS and NAPS is set out below:

€ million	**2023**	2022
1 January	**1,248**	1,247
Interest expense	**59**	23
Remeasurements	**(583)**	14
Exchange movements	**11**	(36)
31 December	**735**	1,248

On 22 November 2023, the UK Government announced that it intended to reduce the withholding tax payable upon winding up of pension schemes from 35 per cent to 25 per cent. While this change had not been substantively enacted at the reporting date and as such not reflected in the figures above, had the rate of withholding tax been reduced to 25 per cent at 31 December 2023, the effect would have been to reduce the effect of the asset ceiling by €210 million to €525 million, with a corresponding increase in the net employee benefit asset.

34 Employee benefit obligations *continued*

d Present value of scheme liabilities

i Movement in scheme liabilities

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations is set out below:

€ million	**2023**	2022
1 January	**20,292**	31,622
Current service cost	**1**	2
Interest expense	**952**	584
Remeasurements – financial assumptions[1]	**314**	(10,476)
Remeasurements – demographic assumptions	**55**	(202)
Remeasurements of experience losses	**430**	627
Benefits paid	**(1,065)**	(1,301)
Employee contributions	**8**	6
Exchange movements	**252**	(570)
31 December	**21,239**	20,292

1 Included in the remeasurements from financial assumptions is an amount of €670 million (2022: increase of €10,299 million) that increases the scheme liabilities relating to changes in the discount rates and €356 million (2022: increase of €177 million) that reduces the scheme liabilities relating to changes in inflation rates.

ii Scheme liability assumptions

The principal assumptions used for the purposes of the IAS 19 valuations were as follows:

	2023			2022		
Per cent per annum	**APS**	**NAPS**	**Other schemes[4]**	APS	NAPS	Other schemes[4]
Discount rate[1]	**4.50**	**4.55**	**1.0 - 7.1**	4.85	4.80	0.8 - 7.2
Rate of increase in pensionable pay[2]	**3.20**	**–**	**2.0 - 5.0**	3.40	–	2.0 - 6.0
Rate of increase of pensions in payment[3]	**3.20**	**2.65**	**0.7 - 3.4**	3.40	2.80	0.3 - 3.0
RPI rate of inflation	**3.20**	**3.00**	**2.2 - 2.9**	3.40	3.20	2.2 - 3.1
CPI rate of inflation	**2.65**	**2.65**	**2.0 - 2.5**	2.80	2.80	2.0 - 2.6

1 Discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.

2 Rate of increase in pensionable pay, which reflects inflationary increases, is assumed to be in line with increases in RPI.

3 It has been assumed that the rate of increase of pensions in payment, which reflects inflationary increases, will be in line with CPI for NAPS and RPI for APS as at 31 December 2023.

4 The rate of increase in healthcare costs for schemes based in the United States, which is based on medical trends, is assumed at 7.00 per cent grading down to 5.00 per cent over six years (2022: 6.25 per cent to 5.00 per cent over five years).

The current longevities underlying the values of the scheme liabilities were as follows:

Mortality assumptions	**2023**	2022
Life expectancy at age 60 for a:		
• male currently aged 60	**27.5**	27.9
• male currently aged 40	**28.8**	29.1
• female currently aged 60	**29.0**	29.3
• female currently aged 40	**31.2**	31.5

For APS, the base mortality tables are based on the Agreed Valuation Basis (AVB) as agreed between British Airways and the trustees of APS. For NAPS, the base mortality tables are based on analysis undertaken for the purpose of the triennial valuation dated 31 March 2021. Future mortality improvements reflect the most recent model published by the UK actuarial profession's Continuous Mortality Investigation (CMI), being its 2022 model. These standard mortality tables, for both APS and NAPS, incorporate adjustments specific to the demographics of scheme members, including a long-term improvement parameter of 1.00 per cent per annum (2022: 1.00 per cent).

For schemes in the United States, mortality rates were based on the MP-2021 mortality tables incorporating adjustments for the long-term impact COVID-19 is expected to have on mortality.

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 9 years for APS (2022: 10 years) and 14 years for NAPS (2022: 15 years). The weighted average duration of the defined benefit obligations was 2 to 16 years for other schemes (2022: 3 to 19 years). The weighted average duration represents a single figure for the average number of years over which the employee benefit liability discounted cash flows is extinguished and is highly dependent on movements in the aforementioned discount rates.

iii Sensitivity analysis

Reasonable possible changes at the reporting date to significant valuation assumptions, holding other assumptions constant, would have affected the present value of scheme liabilities by the amounts shown:

	Increase in scheme liabilities		
€ million	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points)[1]	**278**	**1,020**	**29**
Future pension growth (increase of 50 basis points)[1]	**243**	**973**	**5**
Future mortality rate (one year increase in life expectancy)	**301**	**394**	**22**

1 Sensitivities smaller than those disclosed can be approximately interpolated from those sensitivities above.

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

35 Supplemental cash flow information

a Reconciliation of movements of liabilities to cash flows arising from financing activities

€ million	Bank, other loans and asset financed liabilities	Convertible bond	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2023	9,760	605	9,619	(71)	19,913
Proceeds from borrowings	1,001	–	–	–	1,001
Repayment of borrowings	(4,268)	–	–	–	(4,268)
Repayment of lease liabilities	–	–	(1,731)	–	(1,731)
Settlement of derivative financial instruments	–	–	–	(119)	(119)
Total changes from financing cash flows	**(3,267)**	**–**	**(1,731)**	**(119)**	**(5,117)**
Interest paid	(488)	(9)	(472)	44	(925)
Interest expense	476	9	508	–	993
New leases and lease modifications	–	–	1,315	–	1,315
Fair value movements	–	130	–	322	452
Other non-cash movements	1	–	(13)	(2)	(14)
Exchange movements	(102)	–	(259)	6	(355)
Balance at 31 December 2023	**6,380**	**735**	**8,967**	**180**	**16,262**

€ million	Bank, other loans and asset financed liabilities[2]	Convertible bond[2]	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2022	9,217	756	9,637	(136)	19,474
Proceeds from borrowings	1,436	–	–	–	1,436
Repayment of borrowings	(1,050)	–	–	–	(1,050)
Repayment of lease liabilities	–	–	(1,455)	–	(1,455)
Settlement of derivative financial instruments[1]	–	–	–	1,036	1,036
Total changes from financing cash flows	386	–	(1,455)	1,036	(33)
Interest paid[1]	(325)	(9)	(422)	(7)	(763)
Interest expense	368	9	464	–	841
New leases and lease modifications	–	–	1,017	–	1,017
Fair value movements	–	(151)	–	(990)	(1,141)
Other non-cash movements	11	–	(37)	–	(26)
Exchange movements	103	–	415	26	544
Balance at 31 December 2022	**9,760**	**605**	**9,619**	**(71)**	**19,913**

1 The 2022 reconciliation includes a reclassification of €7 million from the Settlement of derivative financial instruments to Interest paid to reflect the settlement loss arising on interest rate derivatives designated in hedge relationships. The reclassification of the settlement loss aligns with the classification within Net cash flows from operating activities in the Cash flow statement.

2 The 2022 reconciliation includes a reclassification to conform with the 2023 presentation, whereby, the 2028 convertible bond has been disclosed separately from the Bank, other loans and asset financed liabilities category. The reclassification resulted in an amount of €735 million and €605 million being recorded within the 2028 convertible bond at 1 January 2022 and 31 December 2022, respectively.

35 Supplemental cash flow information *continued*

b Reconciliation of movement in provisions included within Net cash flows from operating activities

€ million	2023	2022
Opening provisions	**3,548**	2,999
Non-cash additions recorded in operating profit	**862**	896
Non-cash releases of unused provisions recorded in operating profit	**(133)**	(137)
Other non-cash amounts recorded within operating profit	**4**	27
Cash settlements relating to operating provisions	**(496)**	(323)
Movements in provisions recorded within net cash flows from operating activities	**237**	463
Movements in provisions recorded within Other comprehensive income	**24**	(69)
Movements elsewhere within the Balance sheet	**(6)**	(15)
Unrealised currency differences arising on provisions recorded within operating profit	**(68)**	127
Non-cash settlement of ETS obligations	**(98)**	(10)
Movements in provisions recorded in the Income statement outside of operating profit	**103**	53
Closing provisions (note 27)	**3,740**	3,548

c Other items included within Net cash flows from operating activities

€ million	2023	2022
Non-cash equity settled share-based payments	**50**	36
Ineffectiveness arising on hedge accounting	**6**	17
Non-cash movements on derivative and non-derivative financial instruments	**16**	45
Settlement of interest rate derivatives	**44**	(7)
Other	**(5)**	(15)
	111	76

d Details of acquisition of property, plant and equipment and intangible assets within Net cash flows from investing activities

€ million	2023	2022
Purchase of property, plant and equipment – fleet	**2,715**	3,146
Purchase of property, plant and equipment – other	**193**	132
Purchase of intangible assets – ETS allowances	**264**	360
Purchase of intangible assets – other	**372**	237
	3,544	3,875

e Details of cash flows arising from lease transactions presented in the Cash flow statement

€ million	2023	2022
Cash flows arising from transactions giving rise to lease liabilities		
Total cash outflows arising from lease liabilities – aircraft	**(2,076)**	(1,699)
Total cash outflows arising from lease liabilities – other	**(127)**	(178)
Total cash inflows arising from sale and leaseback transactions – aircraft	**826**	718
Cash flows arising from transactions that do not give rise to the recognition of lease liabilities		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	**(25)**	(41)
Total cash inflows arising from the recognition of asset financed liabilities	**(999)**	1,424
Total cash outflows arising from asset financed liabilities	**(416)**	(292)

36 Related party transactions

The following transactions took place with related parties for the financial years to 31 December:

€ million	2023	2022
Sales of goods and services		
Sales to associates[1]	**5**	5
Sales to significant shareholders[2]	**261**	141
Purchases of goods and services		
Purchases from associates[3]	**72**	61
Purchases from significant shareholders[2]	**131**	113
Receivables from related parties		
Amounts owed by associates[4]	**18**	13
Amounts owed by significant shareholders[5]	**136**	25
Payables to related parties		
Amounts owed to associates[6]	**6**	–
Amounts owed to significant shareholders[5]	**12**	26

1 Sales to associates: Consisted primarily of sales for airline-related services to Dunwoody Airline Services (Holding) Limited (Dunwoody) of €4 million (2022: €4 million) and €1 million (2022: €1 million) to Serpista, S.A. and Multiservicios Aeroportuarios, S.A.

2 Sales to and purchases from significant shareholders principally relates to interline services, the purchase of cargo capacity, the provision of maintenance services and the income from licensing of the Avios brand with Qatar Airways (Q.C.S.C.).

3 Purchases from associates: Consisted primarily of €41 million of airport auxiliary services purchased from Multiservicios Aeroportuarios, S.A. (2022: €35 million), €13 million of handling services provided by Dunwoody (2022: €14 million) and €17 million of maintenance services received from Serpista, S.A. (2022: €13 million).

4 Amounts owed by associates: Consisted primarily of €17 million from a long-term loan provided to LanzaJet, Inc. (2022: €12 million) and €1 million of services provided to Multiservicios Aeroportuarios, S.A., Serpista, S.A., Dunwoody, Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A., Empresa Logística de Carga Aérea, S.A., Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, EFC, S.A. and Viajes AME, S.A.U. (2022: €1 million).

5 Amounts owed by and to significant shareholders related to Qatar Airways (Q.C.S.C.).

6 Amounts owed to associates: Consisted primarily of €2 million of maintenance of airport equipment to Serpista, S.A. (2022: €nil) and €3 million of auxiliary airport services to Multiservicios Aeroportuarios, S.A. and Dunwoody (2022: €nil).

During the year to 31 December 2023 British Airways met certain costs of administering its retirement benefit plans, including the provision of support services to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to €1 million (2022: €2 million) in relation to the costs of the Pension Protection Fund levy.

The Group has transactions with related parties that are conducted in the normal course of the airline and loyalty operating companies, which include the provision of airline and related services and loyalty services. All such transactions are carried out on an arm's length basis.

During the course of 2022, the Group renewed its loyalty currency exchange agreement with Qatar Airways (Q.C.S.C.), where Avios could be exchanged for points within the Qatar Airways (Q.C.S.C.)'s loyalty programme, the Privilege Club. In addition, in renewing the agreement, IAG Loyalty licensed the Avios brand name for use within the Privilege Club.

During the course of 2023, the Group provided a long-term shareholder loan of €5 million ($5 million) to LanzaJet, Inc., in addition to the initial long-term shareholder loan of €12 million ($14 million) provided to LanzaJet, Inc. in 2022. LanzaJet, Inc. is a company which specialises in the generation of Sustainable Aviation Fuels of which the Group has a 16.7 per cent equity interest, classified as an associate and presented within Investments accounted for using the equity method in the Balance sheet.

For the year to 31 December 2023, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2022: €nil).

36 Related party transactions *continued*

Significant shareholders

In this instance, significant shareholders are those parties who have the power to participate in the financial and operating policy decisions of the Group, as a result of their shareholdings in the Group, but who do not have control over these policies. At 31 December 2023, the only significant shareholder of the Group was Qatar Airways (Q.C.S.C.).

At 31 December 2023 the Group had cash deposit balances with shareholders holding a participation of between 3 to 5 per cent, of €nil (2022: €nil).

Board of Directors and Management Committee remuneration

Compensation received by the Group's Board of Directors and Management Committee, in 2023 and 2022 is as follows:

	Year to 31 December	
€ million	**2023**	2022
Base salary, fees and benefits		
Board of Directors		
Short-term benefits	**4**	4
Share-based payments	**1**	1
Management Committee		
Short-term benefits	**15**	15
Share-based payments	**-**	2

For the year to 31 December 2023, the Board of Directors includes remuneration for one Executive Director (31 December 2022: one Executive Director). The Management Committee includes remuneration for 14 members (31 December 2022: 14 members), and excludes remuneration for the one Executive Director.

The Company provides life insurance for the Executive Director and all members of the Management Committee. For the year to 31 December 2023, the Company's obligation was €45,000 (2022: €38,000).

At 31 December 2023 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee totalled €4 million (2022: €5 million).

No loan or credit transactions were outstanding with Directors or officers of the Group at 31 December 2023 (2022: €nil).

37 Change in presentation of the Cash flow statement

During the course of 2023, the Group has made a number of changes to the presentation of its Cash flow statement. These changes have been applied retrospectively to the Cash flow statement and are detailed below.

Net gain on sale of property plant and equipment
Previously gains/losses on the sale of property, plant and equipment were recorded in the Income statement within Other non-operating credits. Under the updated presentation, Net (gain)/loss on sale of property, plant and equipment is presented separately in the Income statement and included within Operating profit. Accordingly, operating profit included within Net cash flows from operating activities has been updated. See note 2 for further information.

Unrealised currency differences
Previously all unrealised foreign currency gains/losses arising in the Cash flow statement were recorded within Net foreign exchange differences. Under the updated presentation, Net foreign exchange differences has been amended to only include those unrealised currency differences arising from the retranslation of opening cash and cash equivalent balances, while unrealised currency differences arising from working capital used in operating activities are presented within Net cash flows from operating activities.

Other cash flows from operating activities
Previously movements in working capital balances were presented aggregated between working capital assets and working capital liabilities. Under the updated presentation working capital balances have been disaggregated by their nature to allow greater visibility as to the cash flow impacts associated with these balances. There has been no change in the overall total movement in working capital.

In addition, previously the Group presented the non-cash movements in provisions combined with other non-cash movements. Under the updated presentation these items have been separated into individual row items within the Cash flow statement.

The following table summarises the impact of the changes in presentation in the Cash flow statement for the year to 31 December 2022:

Cash flow statement (extract for the year to 31 December 2022)

€ million	As reported	Adjustment – net gain on sale of property, plant and equipment	Adjustment – unrealised currency differences	Adjustment – operating cash flow items	Restated
Cash flows from operating activities					
Operating profit	1,256	22			1,278
Depreciation, amortisation and impairment	2,070				2,070
Net gain on disposal of property, plant and equipment	–	(22)			(22)
Movement in working capital	1,884			(1,884)	–
(Increase)/decrease in trade receivables, inventories and other current assets	(914)			914	–
Increase/(decrease) in trade and other payables and deferred revenue	2,798			(2,798)	–
Employer contributions to pension schemes	(22)				(22)
Pension scheme service costs	17				17
Payments related to restructuring	(81)			81	–
Provisions and other non-cash movements	627			(627)	–
Increase in provisions	–			463	463
Unrealised currency differences	–		19		19
Other movements	–			76	76
Interest paid	(824)			7	(817)
Interest received	42				42
Tax paid	(134)				(134)
Net cash flows from operating activities before movements in working capital	4,835	–	19	(1,884)	2,970
Increase in trade receivables	–			(660)	(660)
Increase in inventories	–			(21)	(21)
Increase in other receivables and current assets	–			(233)	(233)
Increase in trade payables	–			886	886
Increase in deferred revenue	–			1,236	1,236
Increase in other payables and current liabilities	–			676	676
Net cash flows from operating activities	4,835	–	19	–	4,854
Net cash flows from investing activities	(3,463)	–	–	–	(3,463)
Net cash flows from financing activities	(56)	–	–	–	(56)
Net increase in cash and cash equivalents	1,316	–	19	–	1,335
Net foreign exchange differences	(12)		(19)		(31)
Cash and cash equivalents at 1 January	7,892				7,892
Cash and cash equivalents at year end	9,196	–	–	–	9,196
Interest-bearing deposits maturing after more than three months	403	–	–	–	403
Cash, cash equivalents and interest-bearing deposits	9,599	–	–	–	9,599

38 Post balance sheet events

Revocation of Royal Decree-Law 3/2016 in Spain

On 18 January 2024 the *Tribunal Constitucional* (Constitutional Court) in Spain, issued a ruling that a number of the amendments to corporate income tax arising from the introduction of Royal Decree-Law 3/2016 were unconstitutional and accordingly revoked. The revocation of Royal Decree-Law 3/2016 impacts the Groups operations as follows:

- *Limitation of the use of historic tax losses*
  Prior to the introduction of Royal Decree-Law 3/2016, the Spanish subsidiaries of the Group were permitted to offset up to 70 per cent of their taxable profit with historical accumulated tax losses (to the extent there were sufficient tax losses to do so). With the introduction of the Royal Decree-Law 3/2016, this limitation of tax losses applied to taxable profit was reduced to 25 per cent.
- *Tax deductibility of impairments of investment in subsidiary undertakings*
  Where companies had impaired investments in subsidiaries prior to 2013 and deducted those impairments for tax purposes, Royal Decree-Law 3/2016 retrospectively required companies to reverse those impairment charges, for tax purposes, with the effect recognised equally over the five years commencing 1 January 2016.

The Group does not consider that the ruling by the *Tribunal Constitucional* constitutes an adjusting post-balance sheet event and accordingly the impact of these changes are not reflected in the financial statements. As at the date of these financial statements, there remains uncertainty as to how the revocation of Royal Decree-Law 3/2016 will be applied and accordingly the methodology by which the Group, with its external tax advisors, quantifies the impacts of this revocation. Had the Group reflected the impact of ruling into the financial statements as at 31 December 2023, the impact would have been as follows:

- *Current tax impact of historic loss limitation and deductibility of historic impairments of investments for fiscal years 2016 through 2022*
  The Royal Decree Law 3/2016 restricted the use of prior year tax losses to 25 per cent of current year profits in the Group's Spanish companies. In addition, prior to 2013, Iberia impaired its subsidiary undertakings in Venezuela. Had the loss limitation been 70 per cent and the historic impairment been tax deductible, the tax paid to the Spanish tax authorities, would have been up to approximately €83 million lower. The Group expects to record an associated current tax credit, with a corresponding receivable from the Spanish tax authorities. The Group is currently assessing the potential interest due, if any, from the Spanish tax authorities arising on this receivable.
- *Current tax impact of loss limitation for fiscal year 2023*
  The Group measures current tax expense based on the regulations in effect as of the date when corporate income taxes are accrued. With the change in loss limitation, the Group anticipates the ability to offset up to 70 per cent of their Spanish taxable profits with prior-year losses for their 2023 Spanish taxes. If this limit had been applied at 31 December 2023 the Group foresees a reduction in the 2023 current tax expense of approximately €108 million.
- *Deferred tax impact of future loss limitation*
  The Group measures deferred tax assets at the tax rates that are expected to apply when the related asset is realised. As detailed in note 2, the Group uses future cash flow projections over periods of up to ten years to determine the recoverability of deferred tax assets. With the change in loss limitation, the Group expects to be able to utilise more of its historical tax losses within this ten-year period. Had the Royal Decree-Law 3/2016 not applied at 31 December 2023, the Group expects that the deferred tax assets of the Group, attributable to tax losses and tax credits, would have decreased by approximately €58 million, with a corresponding charge to Tax in the Income statement.

The performance of the Group is assessed using a number of alternative performance measures (APMs), some of which have been identified as key performance indicators of the Group. These measures are not defined under International Financial Reporting Standards (IFRS), should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies applicable to the Group and may differ to similarly titled measures presented by other companies. Further information on why these APMs are used is provided in the Key performance indicators section. They are used to measure the outcome of the Group's strategy based on the Group's strategic imperatives of: strengthening our core; driving earnings growth through asset-light businesses; and operating under a strengthened financial and sustainability framework.

During 2023, the Group has replaced the Levered free cash flow measure with the Free cash flow measure. The Free cash flow measure represents the cash generating ability of the Group to support operations and maintain its capital assets. This measure is monitored by the Group in making both investment and capital decisions. In addition, the Group has added an APM regarding the Ownership costs of the Group to enable a better understanding of how the capital assets of the Group contribute to the operating result in each reporting period. Other than the aforementioned change, the Group has made no changes to its pre-existing disclosures and treatments of APMs compared to those disclosed in the Annual report and accounts for the year to 31 December 2022.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

a Profit after tax before exceptional items

Exceptional items are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence to supplement the understanding of the entity's financial performance. The Management Committee of the Group uses financial performance on a pre-exceptional basis to evaluate operating performance and to make strategic, financial and operational decisions, and externally because it is widely used by security analysts and investors in evaluating the performance of the Group between reporting periods and against other companies.

While there have been no exceptional items recorded in the year to 31 December 2023, exceptional items in the year to 31 December 2022 include: significant changes in the long-term fleet plans that result in the reversal of impairment of fleet assets and legal reimbursements.

The table below reconciles the statutory Income statement to the Income statement before exceptional items of the Group:

	Year to 31 December					
€ million	**Statutory 2023**	**Exceptional items**	**Before exceptional items 2023**	Statutory 2022[1]	Exceptional items	Before exceptional items 2022[1]
Passenger revenue	**25,810**	**–**	**25,810**	19,458	–	19,458
Cargo revenue	**1,156**	**–**	**1,156**	1,615	–	1,615
Other revenue	**2,487**	**–**	**2,487**	1,993	–	1,993
Total revenue	**29,453**	**–**	**29,453**	23,066	–	23,066
Employee costs	**5,423**	**–**	**5,423**	4,647	–	4,647
Fuel, oil costs and emissions charges	**7,557**	**–**	**7,557**	6,120	–	6,120
Handling, catering and other operating costs	**3,849**	**–**	**3,849**	2,971	–	2,971
Landing fees and en-route charges	**2,308**	**–**	**2,308**	1,890	–	1,890
Engineering and other aircraft costs	**2,509**	**–**	**2,509**	2,101	–	2,101
Property, IT and other costs[2]	**1,058**	**–**	**1,058**	950	(23)	973
Selling costs	**1,155**	**–**	**1,155**	920	–	920
Depreciation, amortisation and impairment[3]	**2,063**	**–**	**2,063**	2,070	(8)	2,078
Net gain on sale of property, plant and equipment[1]	**(2)**	**–**	**(2)**	(22)	–	(22)
Currency differences	**26**	**–**	**26**	141	–	141
Total expenditure on operations	**25,946**	**–**	**25,946**	21,788	(31)	21,819
Operating profit	**3,507**	**–**	**3,507**	1,278	31	1,247
Finance costs	**(1,113)**	**–**	**(1,113)**	(1,017)	–	(1,017)
Finance income	**386**	**–**	**386**	52	–	52
Net change in fair value of financial instruments	**(11)**	**–**	**(11)**	81	–	81
Net financing credit relating to pensions	**103**	**–**	**103**	26	–	26
Net currency retranslation credits/(charges)	**176**	**–**	**176**	(115)	–	(115)
Other non-operating credits[1]	**8**	**–**	**8**	110	–	110
Total net non-operating costs	**(451)**	**–**	**(451)**	(863)	–	(863)
Profit before tax	**3,056**	**–**	**3,056**	415	31	384
Tax	**(401)**	**–**	**(401)**	16	(2)	18
Profit after tax	**2,655**	**–**	**2,655**	431	29	402

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. There is no impact on the Profit after tax. Further information is given in note 2.

The rationale for each exceptional item is given below.

2 Partial reversal of historical fine

The exceptional credit of €23 million for the year to 31 December 2022 relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission, in 2010, to British Airways regarding its involvement in cartel activity in the air cargo sector and that had been recognised as an exceptional charge. The exceptional credit has been recorded within Property, IT and other costs in the Income statement with no resultant tax charge arising. The cash inflow associated with the partial reversal of the fine was recognised during 2022.

3 Impairment reversal of fleet and associated assets

The exceptional impairment reversal of €8 million for the year to 31 December 2022 relates to six Airbus A320s in Vueling, previously stood down in the fourth quarter of 2020 and subsequently stood up in the second and third quarters of 2022. The exceptional impairment reversal was recorded within Right of use assets on the Balance sheet and within Depreciation, amortisation and impairment in the Income statement.

There is no cash flow impact and there has been a tax charge of €2 million on the recognition of the impairment reversal.

The table below provides a reconciliation of the statutory to pre-exceptional condensed alternative income statement by operating segment for the years to 31 December 2023 and 2022:

	Year to 31 December 2023														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	12,668	–	12,668	14,558	–	14,558	5,262	–	5,262	3,181	–	3,181	2,209	–	2,209
Cargo revenue	757	–	757	869	–	869	275	–	275	–	–	–	55	–	55
Other revenue	898	–	898	1,032	–	1,032	1,421	–	1,421	17	–	17	10	–	10
Total revenue	14,323	–	14,323	16,459	–	16,459	6,958	–	6,958	3,198	–	3,198	2,274	–	2,274
Employee costs	2,577	–	2,577	2,960	–	2,960	1,284	–	1,284	399	–	399	471	–	471
Fuel, oil costs and emissions charges	3,825	–	3,825	4,395	–	4,395	1,496	–	1,496	907	–	907	639	–	639
Ownership costs	1,015	–	1,015	1,166	–	1,166	411	–	411	256	–	256	150	–	150
Supplier costs	5,475	–	5,475	6,288	–	6,288	2,827	–	2,827	1,240	–	1,240	789	–	789
Total expenditure on operations	12,892	–	12,892	14,809	–	14,809	6,018	–	6,018	2,802	–	2,802	2,049	–	2,049
Operating profit	1,431	–	1,431	1,650	–	1,650	940	–	940	396	–	396	225	–	225
Operating margin (%)	10.0%		10.0%				13.5%		13.5%	12.4%		12.4%	9.9%		9.9%

	Year to 31 December 2023					
	IAG Loyalty (£)			IAG Loyalty (€)		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	837	–	837	961	–	961
Other revenue	455	–	455	524	–	524
Total revenue	1,292	–	1,292	1,485	–	1,485
Employee costs	61	–	61	70	–	70
Ownership costs	10	–	10	11	–	11
Supplier costs	941	–	941	1,083	–	1,083
Total expenditure on operations	1,012	–	1,012	1,164	–	1,164
Operating profit	280	–	280	321	–	321
Operating margin (%)	21.7%		21.7%			

	Year to 31 December 2022[1]														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	9,215	–	9,215	10,790	–	10,790	4,042	–	4,042	2,584	–	2,584	1,679	–	1,679
Cargo revenue	1,060	–	1,060	1,245	–	1,245	347	–	347	–	–	–	80	–	80
Other revenue	755	–	755	886	–	886	1,122	–	1,122	14	–	14	10	–	10
Total revenue	11,030	–	11,030	12,921	–	12,921	5,511	–	5,511	2,598	–	2,598	1,769	–	1,769
Employee costs	2,100	–	2,100	2,464	–	2,464	1,161	–	1,161	370	–	370	393	–	393
Fuel, oil costs and emissions charges	2,929	–	2,929	3,432	–	3,432	1,313	–	1,313	739	–	739	539	–	539
Ownership costs[1]	1,081	–	1,081	1,268	–	1,268	364	–	364	206	(8)	214	134	–	134
Supplier costs	4,595	(19)	4,614	5,391	(23)	5,414	2,284	–	2,284	1,088	–	1,088	646	–	646
Total expenditure on operations[1]	10,705	(19)	10,724	12,555	(23)	12,578	5,122	–	5,122	2,403	(8)	2,411	1,712	–	1,712
Operating profit[1]	325	19	306	366	23	343	389	–	389	195	8	187	57	–	57
Operating margin (%)[1]	2.9%		2.8%				7.1%		7.1%	7.5%		7.2%	3.2%		3.2%

	Year to 31 December 2022					
	IAG Loyalty (£)			IAG Loyalty (€)		
Million	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	569	–	569	676	–	676
Other revenue	274	–	274	325	–	325
Total revenue	843	–	843	1,001	–	1,001
Employee costs	50	–	50	56	–	56
Ownership costs	7	–	7	8	–	8
Supplier costs	546	–	546	655	–	655
Total expenditure on operations	603	–	603	719	–	719
Operating profit	240	–	240	282	–	282
Operating margin (%)	28.4%		28.4%			

1 Segment information for 2022 has been restated for the reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment.

b Adjusted earnings per share (KPI)

Adjusted earnings are based on results before exceptional items after tax and adjusted for earnings attributable to equity holders and interest on convertible bonds, divided by the weighted average number of ordinary shares, adjusted for the dilutive impact of the assumed conversion of the bonds and employee share schemes outstanding.

€ million	Note	**2023**	2022
Profit after tax attributable to equity holders of the parent	a	**2,655**	431
Exceptional items	a	**–**	29
Profit after tax attributable to equity holders of the parent before exceptional items		**2,655**	402
Income statement impact of convertible bonds	11	**15**	(104)
Adjusted profit		**2,670**	298
Weighted average number of ordinary shares in issue used for basic earnings per share	11	**4,933**	4,958
Weighted average number of ordinary shares used for diluted earnings per share	11	**5,277**	5,344
Basic earnings per share (€ cents)		**53.8**	8.7
Basic earnings per share before exceptional items (€ cents)		**53.8**	8.1
Adjusted earnings per share before exceptional items (€ cents)		**50.6**	5.6

c Ownership costs

Ownership costs represents the income statement impact of the historical purchase of capital assets and is defined as depreciation, amortisation and impairment, arising on both property, plant and equipment and intangible assets, and the net loss/(gain) on the sale of property, plant and equipment. The Group believes that this measure is useful to the users of the financial statements in understanding the impact of capital assets in deriving the operating result of the Group.

€ million	2023	2022
Depreciation, amortisation and impairment	**2,063**	2,070
Net gain on sale of property, plant and equipment	**(2)**	(22)
Ownership costs	**2,061**	2,048

d Airline non-fuel costs per ASK

The Group monitors airline unit costs (per available seat kilometre (ASK), a standard airline measure of capacity) as a means of tracking operating efficiency of the core airline business. As fuel costs can vary with commodity prices, the Group monitors fuel and non-fuel costs individually. Within non-fuel costs are the costs associated with generating Other revenue, which typically do not represent the costs of transporting passengers or cargo and instead represent the costs of handling and maintenance for other airlines, non-flight products in BA Holidays and costs associated with other miscellaneous non-flight revenue streams. Airline non-fuel costs per ASK is defined as total operating expenditure before exceptional items, less fuel, oil costs and emission charges and less non-flight specific costs divided by total available seat kilometres (ASKs), and is shown on a constant currency basis (abbreviated to 'ccy').

€ million	Note	2023 Reported	ccy adjustment	2023 ccy	2022[1]
Total expenditure on operations[1]	a	25,946	408	26,354	21,788
Add: exceptional items in operating expenditure	a	–		–	(31)
Less: fuel, oil costs and emission charges	a	7,557	6	7,563	6,120
Non-fuel costs[1]		18,389	402	18,791	15,699
Less: Non-flight specific costs[1]		2,141	68	2,209	1,716
Airline non-fuel costs		16,248	334	16,582	13,983
ASKs (millions)		323,111		323,111	263,592
Airline non-fuel unit costs per ASK (€ cents)		**5.03**		**5.13**	5.30

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment.

e Free cash flow (KPI)

Free cash flow represents the cash generated by the businesses and is defined as the net cash flows from operating activities taken from the Cash flow statement, less the cash flows associated with the acquisition of property, plant and equipment and intangible assets reported in net cash flows from investing activities from the Cash flow statement. The Group believes that this measure is useful to the users of the financial statements in understanding the cash generating ability of the Group to support operations and maintain its capital assets.

€ million	2023	2022
Net cash flows from operating activities	**4,864**	4,854
Acquisition of property, plant and equipment and intangible assets	**(3,544)**	(3,875)
Free cash flow	**1,320**	979

f Net debt to EBITDA before exceptional items (KPI)

To supplement total borrowings as presented in accordance with IFRS, the Group reviews net debt to EBITDA before exceptional items to assess its level of net debt in comparison to the underlying earnings generated by the Group in order to evaluate the underlying business performance of the Group. This measure is used to monitor the Group's leverage and to assess financial headroom against internal and external security analyst and investor benchmarks.

Net debt is defined as long-term borrowings (both current and non-current), less cash, cash equivalents and current interest-bearing deposits. Net debt excludes supply chain financing arrangements which are classified within trade payables (note 23).

EBITDA before exceptional items is defined as operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	Note	2023	2022[1]
Interest-bearing long-term borrowings	26	**16,082**	19,984
Less: Cash and cash equivalents	22	**5,441**	9,196
Less: Other current interest-bearing deposits	22	**1,396**	403
Net debt		**9,245**	10,385
Operating profit[1]	a	**3,507**	1,278
Add: Depreciation, amortisation and impairment	a	**2,063**	2,070
EBITDA		**5,570**	3,348
Add: Exceptional items (excluding those reported within Depreciation, amortisation and impairment)	a	**–**	(23)
EBITDA before exceptional items		**5,570**	3,325
Net debt to EBITDA before exceptional items (times)		**1.7**	3.1

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment.

g Return on invested capital (KPI)

The Group monitors return on invested capital (RoIC) as it gives an indication of the Group's capital efficiency relative to the capital invested, as well as the ability to fund growth and to pay dividends. RoIC is defined as EBITDA before exceptional items, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and is expressed as a percentage.

Invested capital is defined as the average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets.

€ million	Note	2023	2022[1, 2]
EBITDA before exceptional items	f	**5,570**	3,325
Less: Fleet depreciation multiplied by inflation adjustment		**(1,976)**	(1,944)
Less: Other property, plant and equipment depreciation		**(194)**	(247)
Less: Software intangible amortisation		**(185)**	(210)
		3,215	924
Invested capital			
Average fleet value[3]	13	**16,919**	15,717
Less: Average progress payments[4]	13	**(993)**	(910)
Fleet book value less progress payments		**15,926**	14,807
Inflation adjustment[5]		**1.18**	1.18
		18,811	17,435
Average net book value of other property, plant and equipment[6]	13	**2,143**	2,037
Average net book value of software intangible assets[7]	17	**737**	640
Total invested capital		**21,691**	20,112
Return on invested capital		**14.8%**	4.6%

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment.

2 The 2022 RoIC calculation excludes the effect of the €29 million credit recorded in Depreciation, amortisation and impairment in the Income statement relating to the de-designation of hedge accounting (see note 6 of the Group financial statements).

3 The average net book value of aircraft is calculated from an amount of €17,520 million at 31 December 2023 and €16,317 million at 31 December 2022.

4 The average net book value of progress payments is calculated from an amount of €914 million at 31 December 2023 and €1,071 million at 31 December 2022.

5 Presented to two decimal places and calculated using a 1.5 per cent inflation (31 December 2022: 1.5 per cent inflation) rate over the weighted average age of the fleet at 31 December 2023: 11.0 years (31 December 2022: 11.3 years).

6 The average net book value of other property, plant and equipment is calculated from an amount of €2,256 million at 31 December 2023 and €2,029 million at 31 December 2022.

7 The average net book value of software intangible assets is calculated from an amount of €837 million at 31 December 2023 and €637 million at 31 December 2022.

h Results on a constant currency basis

Movements in foreign exchange rates impact the Group's financial results. The IAG Board and Management Committee review the results, including revenue and operating costs at constant rates of exchange. These financial measures are calculated at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Board and Management Committee do not believe that these measures are a substitute for IFRS measures, the Board and Management Committee do believe that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the Group financial statements.

The following table represents the main average and closing exchange rates for the reporting periods. Where 2023 figures are stated at a constant currency basis, the 2022 rates stated below have been applied:

Foreign exchange rates

	Weighted average		Closing	
	2023	2022	**2023**	2022
Pound sterling to euro	**1.15**	1.17	**1.16**	1.14
Euro to US dollar	**1.09**	1.05	**1.09**	1.06
Pound sterling to US dollar	**1.26**	1.23	**1.27**	1.21

'Section i' below was inadvertently omitted from the English version of the Group's Annual Report and Accounts filed on 5 March 2024 and is included below for completeness.

i Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and develop funding initiatives to maintain this resilience.

Liquidity is used by analysts, investors and other users of the financial statements as a measure of the financial health and resilience of the Group.

Liquidity is defined as Cash and cash equivalents plus Current interest-bearing deposits, plus Committed general undrawn facilities and Committed aircraft undrawn facilities.

€ million	Note	**2023**	2022
Cash and cash equivalents	22	**5,441**	9,196
Current interest-bearing deposits	22	**1,396**	403
Committed general undrawn facilities	29f	**4,359**	3,231
Committed aircraft undrawn facilities	29f	**375**	1,116
Overdrafts and other facilities	29f	**53**	53
Total liquidity		**11,624**	13,999

Subsidiaries

British Airways

Name and address	Principal activity	Country of Incorporation	Percentage of equity owned
BA and AA Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
BA Call Centre India Private Limited (callBA) F-42, East of Kailash, New-Delhi, 110065	Call centre	India	100 %
BA Cityflyer Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100 %
BA Euroflyer Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100 %
BA European Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
BA Excepted Group Life Scheme Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Life insurance	England	100 %
BA Healthcare Trust Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Healthcare	England	100 %
BA Holdco Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
BA Number One Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
BA Number Two Limited IFC 5, St Helier, JE1 1ST	Holding company	Jersey	100 %
Bealine Plc Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100 %
BritAir Holdings Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
British Airways (BA) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100 %
British Airways 777 Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100 %
British Airways Associated Companies Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
British Airways Avionic Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100 %
British Airways Capital Limited Queensway House, Hilgrove Street, St Helier, JE1 1ES	Aircraft financing	Jersey	100 %
British Airways Holdings B.V. Strawinskylaan 3105, Atrium, Amsterdam, 1077ZX	Holding company	Netherlands	100 %
British Airways Holidays Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Tour operator	England	100 %
British Airways Interior Engineering Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100 %
British Airways Leasing Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100 %
British Airways Maintenance Cardiff Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100 %
British Airways Pension Trustees (No 2) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Trustee company	England	100 %
British Midland Airways Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Former airline	England	100 %
British Midland Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100 %
Flyline Tele Sales & Services GmbH Hermann Koehl-Strasse 3, 28199, Bremen	Call centre	Germany	100 %
Gatwick Ground Services Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Ground services	England	100 %
Overseas Air Travel Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Transport	England	100 %
Speedbird Insurance Company Limited* Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100 %
Teleflight Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Call centre	England	100 %
British Mediterranean Airways Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Former airline	England	99 %
Avios Group (AGL) Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty programmes	England	86 %[1]

Iberia

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Compañía Operadora de Corto y Medio Radio Iberia Express, S.A.* Calle Alcañiz 23, Madrid, 28006	Airline operations	Spain	100 %
Compañía Explotación Aviones Cargueros Cargosur, S.A. Calle Martínez Villergas 49, Madrid, 28027	Cargo transport	Spain	100 %
Iberia LAE México SA de CV Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez, Mexico City, 03020	Aircraft technical assistance	Mexico	100 %
Iberia Líneas Aéreas de España, S.A. Operadora* Calle Martínez Villergas 49, Madrid, 28027	Airline operations and maintenance	Spain	100 %[2]
Iberia Operadora UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %[1]
Iberia Tecnología, S.A.* Calle Martínez Villergas 49, Madrid, 28027	Aircraft maintenance	Spain	100 %
Iberia Desarrollo Barcelona, S.L.* Avenida de les Garrigues 38-44, Edificio B, El Prat de Llobregat, Barcelona, 08220	Airport infrastructure development	Spain	75 %
Avios Group (AGL) Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty programmes	England	14 %[1]

Aer Lingus

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Aer Lingus (Ireland) Limited Dublin Airport, Dublin	Provision of human resources support to fellow group companies	Republic of Ireland	100 %
Aer Lingus 2009 DCS Trustee Limited Dublin Airport, Dublin	Trustee	Republic of Ireland	100 %
Aer Lingus Beachey Limited Penthouse Suite, Analyst House, Peel Road, Douglas, IM1 4LZ	Dormant	Isle of Man	100 %
Aer Lingus Group DAC* Dublin Airport, Dublin	Holding company	Republic of Ireland	100 %[3]
Aer Lingus Limited* Dublin Airport, Dublin	Airline operations	Republic of Ireland	100 %
Aer Lingus (UK) Limited Aer Lingus Base, Belfast City Airport, Sydenham Bypass, Belfast, Co. Antrim, BT3 9JH	Airline operations	Northern Ireland	100 %
ALG Trustee Limited 33-37 Athol Street, Douglas, IM1 1LB	Trustee	Isle of Man	100 %
Dirnan Insurance Company Limited Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100 %
Santain Developments Limited Dublin Airport, Dublin	Dormant	Republic of Ireland	100 %

IAG Loyalty

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Avios South Africa Proprietary Limited Block C, 1 Marignane Drive, Bonaero Park, Gauteng, 1619	Dormant	South Africa	100 %
IAG Loyalty Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100 %
IAG Loyalty Retail Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Retail services	England	100 %

IAG Cargo

Name and address	Principal activity	Country of Incorporation	Percentage of equity owned
Cargo Innovations Limited Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	Dormant	England	100 %
Zenda Group Limited Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	Dormant	England	100 %

Vueling

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
Yellow Handling, S.L.U Carrer de Catalunya 83, Viladecans, Barcelona 08840	Ground handling services	Spain	100 %

LEVEL

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
FLYLEVEL UK Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100 %
Openskies SASU 3 Rue le Corbusier, Rungis, 94150	Airline operations	France	100 %

International Consolidated Airlines Group, S.A.

Name and address	Principal activity	Country of incorporation	Percentage of equity owned
AERL Holding Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100 %
British Airways Plc* Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100 %[4]
FLY LEVEL, S.L. Camino de la Muñoza s/n, El Caserío, Iberia Zona Industrial 2, Madrid, 28042	Airline operations	Spain	100 %
IAG Cargo Limited* Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, TW6 2JS	Air freight operations	England	100 %
IAG Connect Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB	Inflight eCommerce platform	Republic of Ireland	100 %
IAG GBS Limited* Waterside, PO Box 365, Harmondsworth, UB7 0GB	IT, finance, procurement services	England	100 %
IAG GBS Poland sp z.o.o.* Ul. Opolska 114, Krakow, 31-323	IT, finance, procurement services	Poland	100 %
IB Opco Holding, S.L. Calle Martínez Villergas 49, Madrid, 28027	Holding company	Spain	100 %[2]
Vueling Airlines, S.A.* Carrer de Catalunya 83, Viladecans, Barcelona 08840	Airline operations	Spain	100 %

* Principal subsidiaries

1 The Group holds 100% of both the nominal share capital and economic rights in Avios Group (AGL) Limited, held directly by British Airways Plc, which owns 86% and Iberia Operadora UK Limited which owns 14%.

2 The Group holds 49.9% of both the total nominal share capital and the total number of voting rights in IB Opco Holding, S.L. (and thus, indirectly, in Iberia Líneas Aéreas de España, S.A. Operadora), such stake having almost 100% of the economic rights in these companies. The remaining shares, representing 50.1% of the total nominal share capital and the total number of voting rights belong to a Spanish company incorporated for the purposes of implementing the Iberia nationality structure.

3 The Group holds 49.75% of the total number of voting rights and the majority of the economic rights in Aer Lingus Group DAC. The remaining voting rights, representing 50.25%, correspond to a trust established for implementing the Aer Lingus nationality structure.

4 The Group holds 49.9% of the total number of voting rights and 99.65% of the total nominal share capital in British Airways Plc, such stake having almost 100% of the economic rights. The remaining nominal share capital and voting rights, representing 0.35% and 50.1% respectively, are held by a trust established for the purposes of implementing the British Airways nationality structure.

Associates

Name and address	Country of Incorporation	Percentage of equity owned
Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A. Carretera Aerocaribbean y Final, Terminal No 5 Jose Martí Airport, Wajay, Municipio Boyeros, Havana	Cuba	50 %
Empresa Logística de Carga Aérea, S.A. Carretera de Wajay km 1 ½, Jose Martí Airport, Havana	Cuba	50 %
Mundiplan Turismo y Ocio S.L. Calle Hermanos García Noblejas 41, Madrid, 28037	Spain	50 %
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras 46, 2ª planta, Madrid, 28050	Spain	49 %
Dunwoody Airline Services Limited Building 552 Shoreham Road East, London Heathrow Airport, Hounslow, TW6 3UA	England	40 %
Serpista, S.A. Calle Cardenal Marcelo Spínola 10, Madrid, 28016	Spain	39 %
Air Miles España, S.A. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7 %
Inloyalty by Travel Club, S.L.U. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7 %
Viajes Ame, S.A.U. Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	26.7 %
LanzaJet Inc. 520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015	USA	16.7 %

Joint ventures

Name and address	Country of incorporation	Percentage of equity owned
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. Calle de O'Donnell 12, Madrid, 28009	Spain	50.5 %

Other equity investments

The Group's principal other equity investments are as follows:

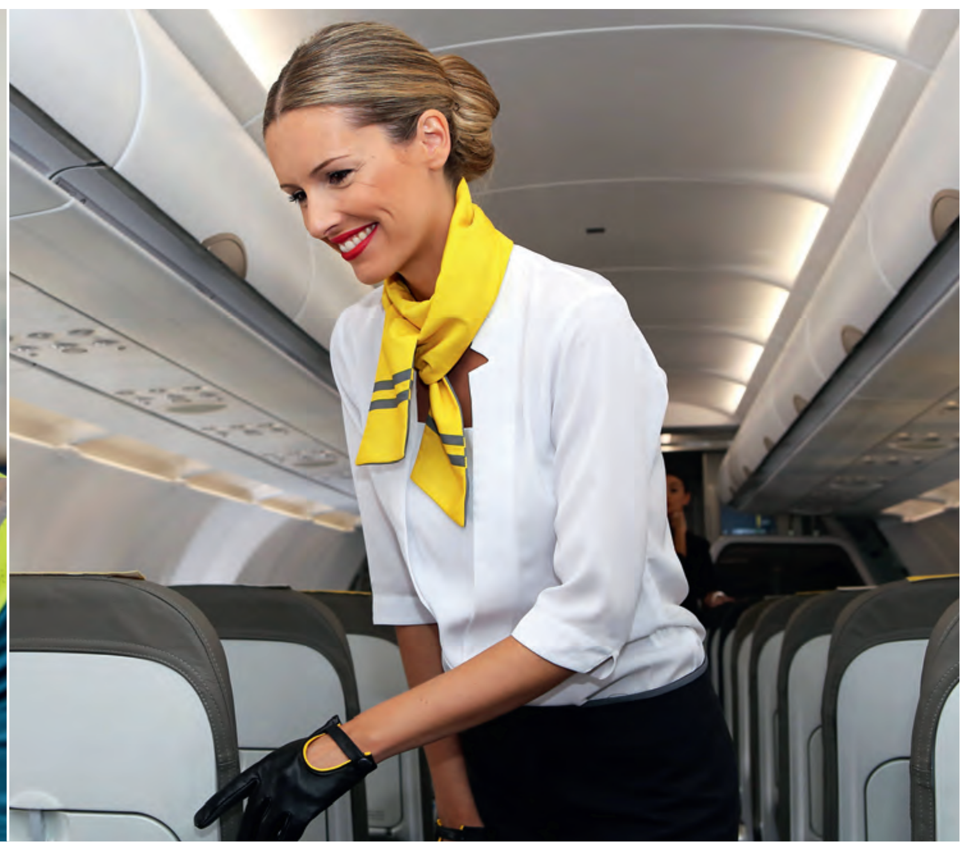
Name and address	Country of incorporation	Percentage of equity owned	Currency	Shareholder's funds (million)	Profit/(loss) before tax (million)
Air Europa Holdings S.L.[1] Carretera Arenal - Llucmajor, km 21.5, Llucmajor, 07620	Spain	20 %	€	25	–
Servicios de Instrucción de Vuelo, S.L. Camino de la Muñoza s/n, El Caserío, Iberia Zona Industrial 2, Madrid, 28042	Spain	19.9 %	€	70	6
The Airline Group Limited 5th Floor, Brettenham House South, Lancaster Place, London, WC2N 7EN	England	16.7 %	£	241	–
Travel Quinto Centenario, S.A. Calle Alemanes 3, Sevilla, 41004	Spain	10 %	€	–	–
i6 Group Limited Farnborough Airport, Ively Road, Farnborough, Hampshire, GU14 6XA	England	7.4 %	£	2	(2)
Monese Limited Eagle House 163 City Road, London, EC1V 1NR	England	4.8 %	£	8	(31)

1 The Shareholder funds and result before tax of Air Europa Holdings S.L. represent the data for the year to 31 December 2022 and are prepared under Spanish GAAP. The Group does not have access to financial information other than that reported in the statutory financial statements of the company, which are published subsequent to the authorisation of these consolidated financial statements.

INTERNATIONAL AIRLINES GROUP

International Consolidated Airlines Group, S.A. and Subsidiaries

Consolidated Management Report for the year ended 31 December 2023

Connecting people, businesses and countries

Who we are

We are International Airlines Group (IAG). One of the world's largest airline groups, made up of our airline portfolio brands and our non-airline businesses. Our world-class airline brands have distinct identities, customer propositions and strategies.

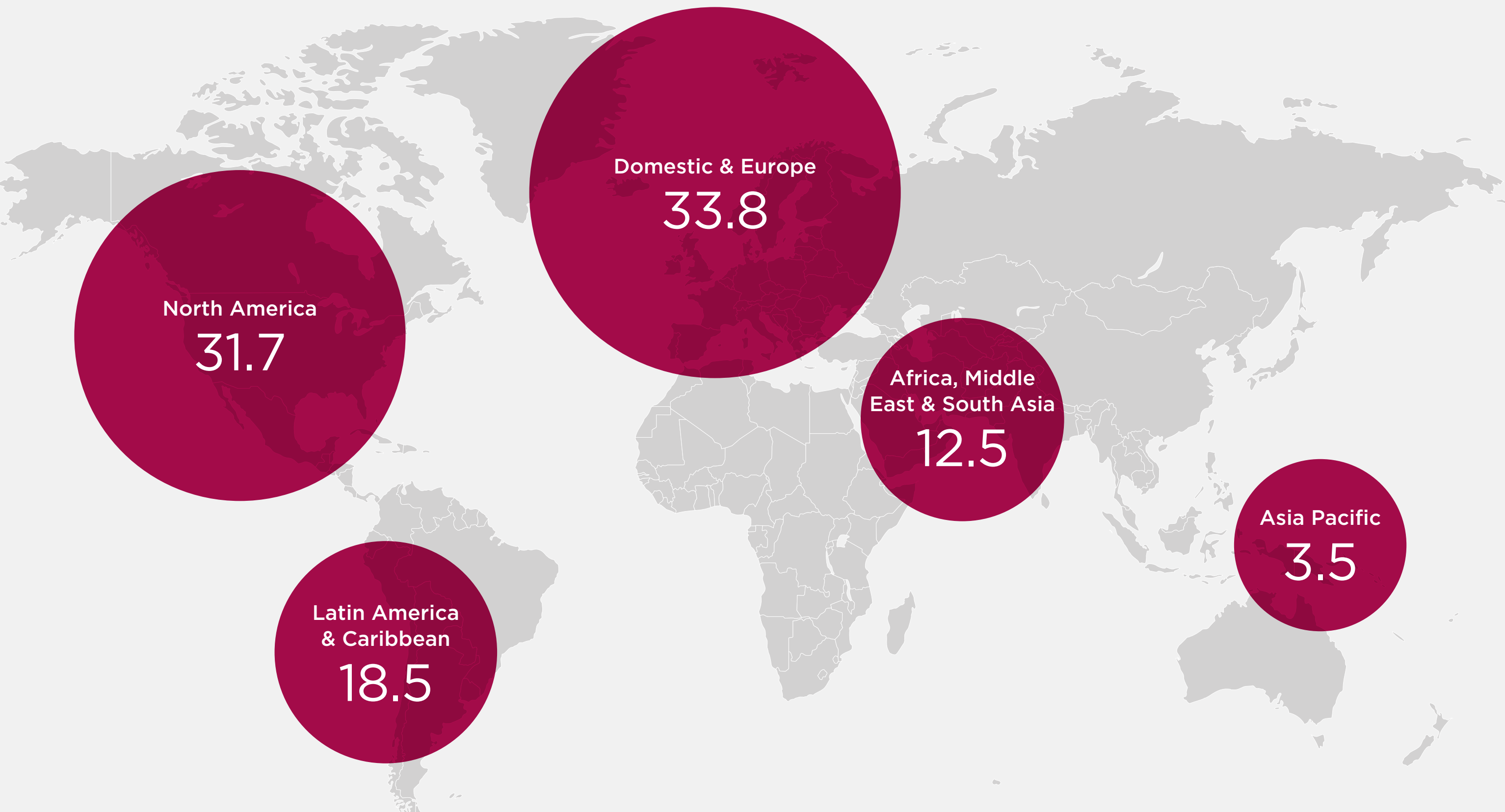
We have a portfolio of world-class brands and operations

For more information see the operating companies' sections

Our stakeholders

- Customers
- Employees
- Suppliers
- Shareholders, lenders and other financial stakeholders
- Governments and regulators

Creating global connections



Available seat kilometres (ASK % of IAG 2023 network)

250+
destinations across 91 countries

115.6 million
passengers

71,794
employees globally

582
fleet

4.7 billion
cargo tonne kilometres

142.8 billion
Avios issued

Our proven structure facilitates transformation and innovation

Corporate parent company

Drive portfolio and financial strategy

- Drive Group corporate strategy; set the portfolio
- Allocate capital and manage the balance sheet
- Manage investor relations and financial stakeholders
- Drive value through mergers and acquisitions, partnerships and joint businesses

Performance manage

- Performance manage the operating companies
- Oversee transformation of the operating companies

Facilitate value capture and share best practices

- Set the ambition and facilitate asset-light growth
- Drive top talent management and pipeline
- Drive sustainability agenda
- Facilitate capture of additional synergies
- Drive innovation
- Provide centres of excellence to facilitate best-practice sharing

Operating companies

- Performance accountability
- Commercial independence
- Operational independence
- Customer value proposition and relationship
- People management
- Manage relevant stakeholders

Central platform

Allow our airlines to benefit from scale and world-class expertise

IAG, as the parent company, defines the Group ambition and drives its long-term strategy. Its independence from the operating companies enables IAG to set performance targets for these, manage their progress, oversee their transformation initiatives, and efficiently allocate capital within the Group. IAG supports intra-Group coordination, best practices sharing and talent management, facilitating the capture of synergies. Our model also allows the Group to take part more effectively in industry consolidation, with IAG ensuring inorganic options are aligned with the Group's strategy and providing a central platform to the benefit of new operating companies joining the Group.

The Group's structure allows our brands to focus their efforts on their addressable markets, customer proposition, cultural identity, commercial strategy and their industrial relations, while its scale supports innovation and investment in new products and services to enhance our operating companies' customer experience.

The Group's portfolio sits on a central platform, which drives efficiency and transformation. The IAG central platform leads collective efforts for the Group to be at the forefront of innovation and sustainability in the airline industry, by supporting and scaling top emerging technologies in travel and aviation and working towards ambitious sustainability targets.

Our focus is on maximising total shareholder returns

Strengthening our core	Driving earnings growth through asset-light businesses	Operating under a strengthened financial and sustainability framework
1. Growing our portfolio of global leadership positions	3. Growing IAG Loyalty	5. Disciplined capital allocation and balance sheet management
2. Strengthening our portfolio of world-class brands and operations	4. Further developing and leveraging our strategic airline partnerships	6. Industry leader to net zero

Transforming our business

- Proven structure and business model
- Investing in unrivalled network and customer proposition
- Driving efficiency and innovation
- World-class and diverse team

Sustainable growth + Delivering world-class margins = Maximising total shareholder returns

Our medium-term ambitions

- 12-15% operating margin[1]
- 13-16% ROIC[1]
- +4-5%[2] organic ASK growth
- <1.8x leverage[1] through cycle to support inorganic growth

1 For further detail refer to the Alternative performance measures section of the financial statements
2 2024 to 2026

Strategic imperatives expanded

Strengthening our core

How we create value:

Growing our portfolio of global leadership positions and strengthening our portfolio of world-class brands and operations

Our activity in 2023

In 2023, following a strong demand recovery environment across the industry, the Group has kept its focus on continuing to strengthen its core by maintaining and growing its global leadership positions and strengthening our portfolio of world-class brands.

1. Growing our portfolio of global leadership positions

Our brands have experienced sustained strong demand that has driven positive unit revenues across all regions. With a resilient leisure and premium leisure demand environment, Aer Lingus, Iberia, LEVEL Spain and Vueling have managed to grow capacity ahead of 2019 levels, whilst British Airways' recovery remains slower driven by a softer business travel environment after the pandemic and limited capacity to fly east. The Group operating companies have capitalised on the positive demand landscape to grow organically in our core markets. For example, Iberia has focused on increasing capacity on primary cities in Latin America, such as Bogota, Lima and Mexico City, operating the airline's busiest schedule to the region thus far. British Airways also started a new year-round service to Cincinnati and announced the resumption of Abu Dhabi in 2024, whilst Aer Lingus announced the resumption of Minneapolis and the launch of a new direct service to Denver for 2024. Vueling put a special emphasis on de-seasonalisation during the 2023 winter season through increased utilisation, adding more capacity to winter sun destinations, such as the Canary Islands and flying almost 37 million in 2023, a Vueling record.

2. Strengthening our portfolio of world-class brands and operations

Throughout 2023, we have continued to improve and transform our brands to be able to provide our customers with an unrivalled proposition and reach the full potential of our businesses in the long term. The Group is embedding transformation across all our business portfolio, looking at all business areas in forensic detail, building on our strong foundations of previous execution to drive a step-change in revenue, costs and operations.

Despite the air traffic control (ATC) challenges in Europe, which have resulted in frequent passenger disruption, our airlines' investments in transformation have delivered enhancements in operational efficiency. For example, Iberia managed to achieve continued global leadership in on-time performance (OTP) by investing in multiple efficiency initiatives, including increasing crew resources and coordination between scheduling and operations, whilst Vueling attained an improvement of more than 4.7 percentage points in OTP, ahead of its transformation targets. British Airways faced punctuality challenges over the year, driven by both internal and external factors, but started seeing gradual improvements from the fourth quarter after the implementation of new initiatives such as the re-shape of London Heathrow Terminal 5 minimum connection times, the optimisation of scheduled block hours and the smoothing of the schedule to even out handling workload.

Our brands also continued to improve the customer experience by investing in enhancing our product across all the journey touchpoints. For example, Iberia rolled out its 'Next' suite-style seat with direct aisle access on its Airbus A350 business cabins and redesigned the catering proposition across cabins on long-haul flights, including an additional meal in economy and premium economy. British Airways implemented numerous customer initiatives, such as trialling biometrics to speed up the boarding process, and continued to fit its new business cabin seat, the Club Suite, onto existing long-haul aircraft.

The Group also remains committed to invest in the digitalisation of the customer journey to provide our customers with a more personalised and elevated travel experience. During the year, Aer Lingus delivered a significant transformation in its Customer Contact Centre by investing in technology, redesigning its process workflow and implementing bot automation that have brought the average wait time below two minutes and increased customer satisfaction rates by 30% compared with 2022. British Airways initiated the re-platforming of its website and the British Airways app, which allow for deeper personalisation, full online serviceability, end-to-end trip management and a fast product release cycle. Vueling implemented a new social media platform to make case management more efficient and partnered with industry-leading technology organisations to digitalise customer care and disruption management.

Our priorities for 2024

During 2024, the Group will aim to continue strengthening our core markets and hubs where we have a geographical advantage and cultural links, including the US, Latin America and Spain, whilst continuing to explore the potential of future profit pools.

IAG will also continue participating in the industry's consolidation process when value-accretive merger and acquisition (M&A) opportunities arise. We aim to complete the Air Europa acquisition by the end of 2024, subject to receipt of regulatory clearance, which will enable the Group to tap into new markets in Latin America and increase global connectivity at the Madrid hub.

Our operating companies will remain focused on delivering the transformation plans for their different business segments and accelerating digital transformation, which will ensure the Group remains well-positioned to continue to create value for our customers and all our stakeholders.

Driving earnings growth through asset-light businesses

How we create value:

Growing IAG Loyalty and further developing and leveraging our strategic airline partnerships

Our activity in 2023

Alongside strengthening our core flying operations, in 2023 the Group has focused on driving a larger portion of asset-light earnings into our portfolio, generating in turn additional value for our airlines, our customers and building a more robust, diversified and resilient business.

3. Growing IAG Loyalty

In 2023, IAG Loyalty leveraged its positive momentum and continued to contribute greatly to the Group. The strength of the business was reflected in record membership growth surpassing 8.2 million active members with heightened levels of member activity through increased levels of Avios collection and spend.

This has been achieved through continuous investment in the customer proposition to drive deeper customer engagement and to deliver a strong contribution to the Group. We are continuing to develop our global loyalty currency, Avios. Following the adoption by Qatar Airways in 2022, Finnair was next to announce the adoption of Avios in early 2024, further building Avios' position as a global currency. We successfully leverage our large portfolio of air and non-air partners who provide compelling collection opportunities for our customers in travel, retail or financial services. Our partnerships with American Express, Barclays and Santander continue to provide strong levels of external remuneration and we continue to expand new partnerships with, for example, partnerships launched with open-air retailer Bicester Village or World Duty Free. Redemption opportunities, meant to further enhance the utility of Avios for our customers, are also growing with the launch of Avios-only flights, which started in November 2023 with a flight to Sharm El Sheikh and the announcement of several more destinations in 2024. Additionally, this year we transitioned the Group's loyalty programmes to a spend-based earn model to further support member engagement.

4. Further developing and leveraging our strategic airline partnerships

During 2023, IAG continued to develop and leverage our portfolio of strategic airline partnerships, driving asset-light growth and incremental value. Our joint businesses provide our airlines and partners with the ability to develop a market-leading customer proposition through combined networks, loyalty reciprocity and an overall improved flying experience.

The Atlantic Joint Business (AJB) between IAG carriers and American Airlines is the leader in the highly attractive Europe-US market. In 2023, Aer Lingus continued advancing its integration in the AJB through codeshare expansion with American Airlines and improved loyalty benefits for customers. The AJB also continued to invest in our customer experience, with British Airways and Iberia now co-locating with American Airlines at JFK Airport in New York whilst offering a new premium check-in area, new lounges and an overall improved network connectivity and experience at the airport.

The Group continued extracting value from its unique relationship with Qatar Airways. In addition to the joint business, it includes the joint loyalty currency Avios, the interline relationship between the Cargo businesses and leveraging of the combined size of IAG and Qatar Airways for joint procurement of an increasing number of categories.
The joint business with Qatar Airways is the world's largest in terms of countries covered. Iberia joined in 2023 and launched a daily flight to Doha from Madrid, adding dozens of new destinations for Iberia customers connecting on to Qatar in Doha, a truly asset-light way of increasing Iberia's footprint in Asia, Middle East, Africa and Oceania. We also continue to collaborate strongly on the loyalty side with Qatar Airways. For instance, IAG and Qatar launched a new joint co-brand credit card in India, further enhancing our footprint in the world's most-populous country.

The reopening of Asia saw British Airways rebuild its network to China and reactivate its joint business with China Southern, whilst the airline restored its network to Tokyo, part of the Siberian Joint Business with our partners Japan Airlines and Finnair.

Our priorities for 2024

In 2024, IAG Loyalty will continue to develop its capabilities and invest in its customer experience with the development of single Avios balances and improved member benefits. These will include additional Avios-only flights, enhanced pay-with-Avios capabilities with British Airways and improved redemption for hotels and car hires. We will also support Finnair's adoption of Avios and in parallel explore opportunities with new partners to expand the global reach of Avios.

In 2024, the Group will continue to strengthen its airline partnerships to maintain our leading customer proposition with best-in-class product and a seamless customer journey. In our AJB we will enhance our joint loyalty proposition with aligned mileage accrual, explore further airport co-location opportunities and increase capacity to popular destinations. With Qatar Airways, our first focus will be to integrate Iberia into the Qatar Joint Business whilst we look for further opportunities to grow our network.

Operating under a strengthened financial and sustainability framework

How we create value:

Disciplined capital allocation and balance sheet management

Industry leader to net zero

Our activity in 2023

This year we continued to experience volatility across the global economy. Regular increases in interest rates following record high inflation levels, and supply chain and operations disruptions, all aggravated by the wars in Ukraine and the Middle East, have impacted our businesses. Despite this, IAG's companies demonstrated the ability to meet market demand, while carrying out transformation initiatives, resulting in a strong performance across the Group. We managed a robust recovery in our margins and balance sheet, which has allowed us to reinvest in the business, and reduce our debt.

5. Disciplined capital allocation and balance sheet management

In 2023, we have achieved a strong operating profit of €3,507 million for the full year, driven by strong demand and our teams' efforts in revenue and cost transformation initiatives, helping to offset investment and inflation. On the revenue side, we have invested in commercial technology and skills, and upgraded customer journey experiences. On the cost side, we put a special focus into OTP and resilience to minimise disruption in a very challenging operating environment, and end-to-end process re-engineering, among other initiatives.

Following the past three challenging years, having a disciplined approach to capital allocation has been especially crucial. Our framework meets the needs of all stakeholders: investors, employees, customers and society; whilst our targets, like maintaining a lower than 1.8x net leverage ratio through the cycle, ensure resilience and access to more favourable funding. This allows IAG to pursue our strategy by investing in the business, our customer experience, digital infrastructure and sustainability targets, whilst growing organically and/or inorganically if value-accretive opportunities exist and returning value to the shareholders.

During 2023 we reduced our gross debt position by €3.9 billion, including the payment of a £2.0 billion (€2.3 billion) loan to British Airways partially guaranteed by the UKEF, and loans totalling €1.0 billion to Iberia and Vueling, partially backed by Spain's ICO. Efforts to deleverage and improve operating performance contributed to both IAG and British Airways regaining their investment-grade credit ratings with S&P at the end of the third quarter of 2023.

6. Industry leader to net zero

Alongside a robust financial framework, creating a truly sustainable business is fundamental to our long-term growth. While aviation is essential to our global society, there is no denying that the industry must undergo great efforts to minimise its carbon footprint and fight climate change. IAG has led industry action on sustainability for over a decade, having been the first airline group worldwide to commit to net zero emissions by 2050. SAF is a key solution in our transition plan to net zero and we have committed to a target of 10% SAF use by 2030.

We are continuously working towards our sustainability targets, having secured c.33% of our total committed SAF to date. This year, we have agreed deals with several SAF producers. An example is the UK's Nova Pangaea Technologies, a clean-tech company developing advanced biofuels used to produce SAF from non-food agricultural waste and wood residues. IAG will support the building of its first waste-to-fuel commercial-scale production facility, and the UK's first of its kind. Additionally, Microsoft co-funded IAG's purchase of 14,700 tonnes of SAF, the largest co-funded purchase agreement of SAF for emissions reductions globally. Additionally, we continued to engage with cutting-edge technology companies such as ZeroAvia, i6 and Heirloom through our innovation accelerator Hangar 51, to provide multiple decarbonisation solutions.

Our priorities for 2024

During 2024, the Group will keep operating under a disciplined and resilient financial framework whilst investing in our strategy for the years to come and delivering on our sustainability targets.

Using our financial framework, we plan to continue re-investing in the business, with an expected annual average capital expenditure of c.€4.5 billion for the next three years. This spending will further improve our product and customer proposition, supporting IAG in advancing with our fuel efficiency targets, and allowing the Group to continue to pursue sustainable growth.

In terms of our sustainability ambition, we will continue to work with the industry, technology start-ups and government institutions to further accelerate SAF production efforts, and explore new technologies and ways to accelerate the industry decarbonisation process. This includes maintaining our efforts with the UK and EU governments to persuade them to commit and invest in more SAF production.

Overall, IAG is committed to ensure sustainable growth and value creation for all our stakeholders, investing in our customers, people and the broader society while we create long-term value for our shareholders.

Tracking our performance

We use key performance indicators (KPIs) to assess and to monitor the Group's performance. We evaluate opportunities based on the strategic imperatives of the Group and use the KPIs to identify and generate sustainable value for our shareholders.

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(%)[1,2]

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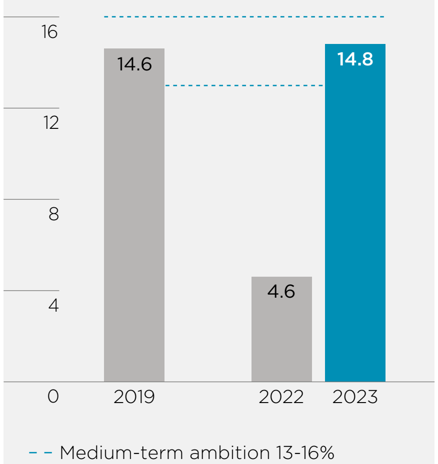


Link to strategic imperatives

Definition and purpose

Return on Invested Capital (RoIC) is defined as EBITDA before exceptional items, less fleet depreciation adjusted for inflation, other depreciation and software amortisation, divided by average invested capital. We use 12-month rolling RoIC to assess how well the Group generates returns in relation to the capital invested in the business, together with its ability to fund growth and to pay dividends.

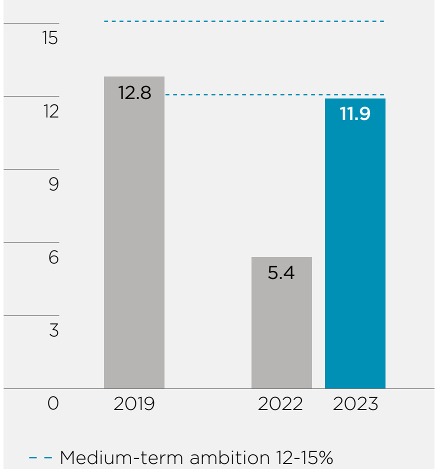
Performance

The Group's RoIC improved to 14.8% from 4.6% in 2022 reflecting the Group's strong operating performance, with EBITDA before exceptional items of €5.6 billion. Invested capital was 8% higher, reflecting 34 aircraft deliveries and the investment in customer product and IT during the period. The weighted average age of fleet was marginally lower at 11.0 years compared to 11.3 years in 2022, reflecting the net impact of the ageing of the existing fleet, older aircraft withdrawn from service and new aircraft delivered in 2023.

Operating margin

(%)[1,2]

A



Link to strategic imperatives

Definition and purpose

Operating margin is the operating result before exceptional items as a percentage of revenue. We use this indicator to measure the efficiency and profitability of our business and the financial performance of the individual operating companies within the Group.

Performance

The Group's operating margin before exceptional items recovered to 11.9% from 5.4% in 2022. Total revenue rose by €6.4 billion to €29.5 billion, reflecting a 22.6% increase in capacity versus 2022 together with a load factor 3.5 points higher and yields (per revenue passenger kilometre) 3.8% higher. Cargo revenue was down 28.4% on 2022, driven by lower yields with cargo volumes 17.2% higher. Other revenue was up €494 million from 2022 reflecting growth of IAG Loyalty and recovery of Iberia's third-party maintenance business. Non-fuel costs were down 4.4% on a unit basis and unit fuel costs were 0.7% higher than 2022.

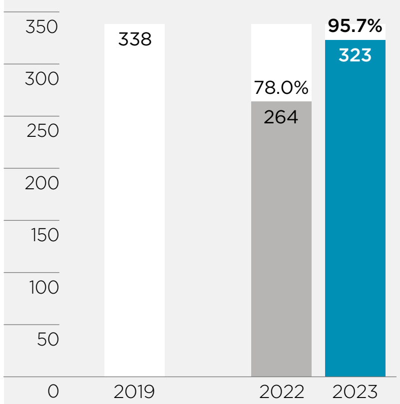
Key

- (A) Alternative performance measure
- (R) Measure linked to remuneration of Management Committee
- Link to our strategic imperatives

Strategic imperatives

- Strengthening our core
- Driving earnings growth through asset-light businesses
- Operating under a strengthened financial and sustainability framework

Capacity
(ASKs billion)



Medium-term ambition +4-5% ASK growth

% of 2019 capacity

Link to strategic imperatives

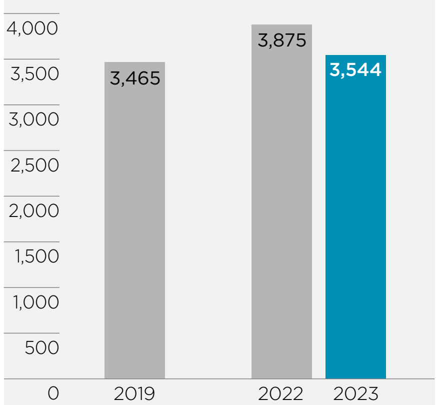
Definition and purpose

Capacity in the airline industry is measured in available seat kilometres (ASKs) which is the number of seats available for sale multiplied by the distance flown.

Performance

The Group continued to restore its passenger capacity, following the significant reductions due to COVID-19, with passenger capacity now at 95.7% of that of 2019. Passenger load factor was 85.3%, 3.5 points higher than in the previous year and 0.7 points higher than in 2019.

Gross CAPEX
(€ million)



Link to strategic imperatives

Definition and purpose

Gross capex (capital expenditure) is defined as the acquisition of property, plant and equipment, and intangible assets reported in the Group's consolidated cash flow statement and includes fleet, customer product, IT, ETS allowances and infrastructure, including those assets initially purchased and then subject to subsequent sale and leaseback transactions and recognised as right of use assets. We track the planned capital expenditure through our business planning cycle to ensure it is in line with achieving our other financial targets.

Performance

Gross capex for 2023 was €3.5 billion. Fleet and fleet-related capex represented 77% of the total capital expenditure and included final delivery payments related to 27 aircraft, together with pre-delivery payments and maintenance spend. Other spend includes customer product, property and IT investments, together with ETS allowances. In addition, the Group took delivery of seven aircraft on direct leases, including one that was originally planned as a delivery from the aircraft manufacturer. Direct leases do not result in capital expenditure for the Group.

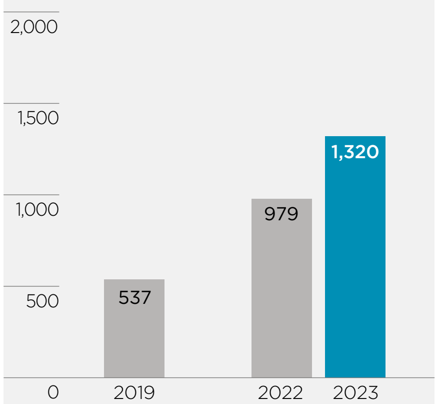
For the KPIs, 2019 comparatives are shown to give a benchmark against the most recent year before the disruption brought about by the impact of COVID-19.

1 For further detail refer to the Alternative performance measures section of the financial statements.

2 The 2019 and 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. The 2019 results include a restatement for the treatment of administration costs associated with the Group's defined benefit pension schemes.

Free cash flow
(€ million)[1]

Ⓐ



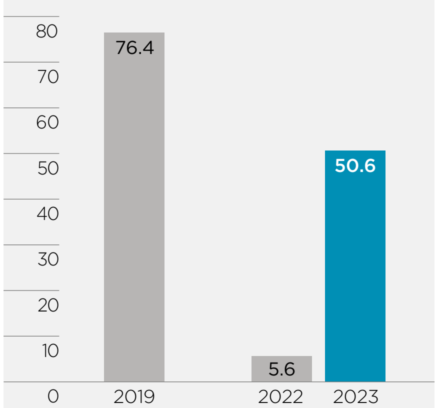
Link to strategic imperatives

Definition and purpose
Free cash flow is the cash generated in the year, defined as the net cash flows from operating activities less the cash flows associated with the acquisition of property, plant and equipment and intangible assets. It represents the cash-generating ability of the Group to support operations and maintain its capital assets, and is monitored by the Group in making both investment and capital decisions.

Performance
The Group's free cash flow for 2023 was €1.3 billion, €0.3 billion up from 2022 driven by strong cash flows from operating activities at €4.9 billion which reflect EBITDA performance and gross capex for the period €0.3 billion lower than in 2022.

Adjusted EPS
(€ cents)[1, 2]

Ⓐ Ⓡ



Link to strategic imperatives

Definition and purpose
Adjusted earnings per share (EPS) represents the diluted earnings for the year before exceptional items attributable to ordinary shareholders.

Performance
Adjusted earnings per share was 50.6 € cents compared to 5.6 € cents in 2022, driven by the strong operating performance, with net non-operating costs also lower by €0.4 billion reflecting lower net interest costs and a favourable impact of net retranslation credits in the year driven primarily by the weakening of the US dollar. The number of dilutive shares fell in 2023, reflecting the full-year impact of the repayment of the IAG €500 million convertible bond in 2022. From 2020 the IAG number of shares increased from 2.0 billion to 5.0 billion as a result of the rights issue IAG completed in September 2020.

Key

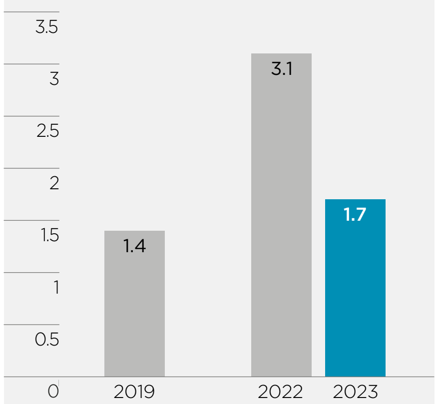
Ⓐ	Alternative performance measure
Ⓡ	Measure linked to remuneration of Management Committee
	Link to our strategic imperatives

Strategic imperatives

	Strengthening our core
	Driving earnings growth through asset-light businesses
	Operating under a strengthened financial and sustainability framework

Net debt to EBITDA before exceptional items[1, 2] (times)

A



Link to strategic imperatives

Definition and purpose

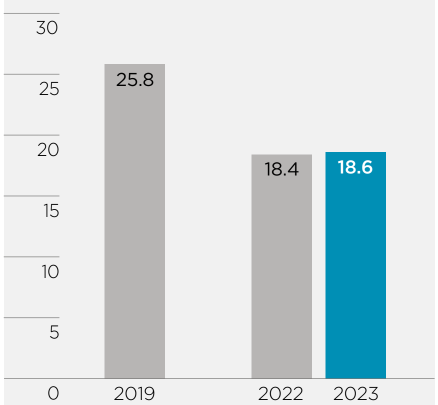
Net debt to EBITDA before exceptional items (leverage) is calculated as long-term borrowings (both current and non-current), less cash, cash equivalents and other current interest-bearing deposits at 31 December, which is divided by EBITDA before exceptional items for the year. IAG uses this measure to monitor leverage, to assess financial headroom against our target maximum leverage of 1.8 times over the cycle.

Performance

The Group's leverage improved to 1.7 times from 3.1 times in 2022, driven by strong EBITDA before exceptional items of €5.6 billion on net debt lower by €1.1 billion. During the year gross debt reduced by €3.9 billion to €16.1 billion, driven by the repayment of €4.0 billion of non-aircraft borrowings partially offset by the net increase of aircraft lease liabilities in the period.

Net Promoter Score (NPS)

R



Link to strategic imperatives

Definition and purpose

At IAG a transactional NPS is measured: customers respond about their likelihood of recommending an IAG operating carrier no more than seven days after taking a flight. Including NPS targets in the Group's employee bonus scheme has driven a stronger focus on improving the customer experience which, together with customer advocacy, drives competitive advantage, leading to faster organic growth.

Performance

In 2023, NPS increased by 0.2 points compared to 2022. Positive impacts can be attributed to substantial investment in our cabins and cabin product, the enhancement of food and drink offering, the effort to digitalise the customer journey, and the improvements in customer care. On-time performance (OTP) was negatively impacted by disruptions, stemming from diverse factors such as air traffic control failures, strikes, adverse weather events, supply chain challenges, and baggage issues across key airports. Our operating companies responded proactively to these challenges through initiatives and transformation plans aimed at improving OTP and all baggage-related processes, among others.

For the KPIs, 2019 comparatives are shown to give a benchmark against the most recent year before the disruption brought about by the impact of COVID-19.

1 For further detail refer to the Alternative performance measures section of the financial statements.
2 The 2019 and 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment. The 2019 results include a restatement for the treatment of administration costs associated with the Group's defined benefit pension schemes.

Connecting with our stakeholders

Our key stakeholders

We believe that IAG thrives when the interests of our different stakeholders are appropriately balanced so that they all share in our success. It is therefore important that we fully understand all stakeholders' priorities, expectations and concerns.

Our long-term commitment to sustainability and corporate social responsibility is embedded in all we do at a Group and operating company level, from our interactions with our customers through to employees and shareholders. We do not identify our communities or the environment as distinct stakeholder groups as they are integral to the way in which we work. Our aim is to be a force for good in the communities in which we operate and, in so doing, create value for all our stakeholders. More detailed information is provided in the operating companies and Sustainability sections of this report.

The nature of our business lends itself to continuous dialogue with a wide group of stakeholders, whilst considering our environmental and social impact. Set out below is an overview of our key stakeholders, their relevance for IAG's business model and strategy, the manner in which the Group has engaged, key topics of interest, and the challenges as well as outcomes of our engagement.

Our statement in relation to section 172(1) of the UK Companies Act, 2006, as well as further information on our engagement with shareholders and our workforce, is set out in the Corporate Governance section of this report.

Customers

Our customers are central to the success of IAG. Customers choose us primarily for our extensive network and schedule and because they trust our brands. We fly to five continents. Through our wide range of partnerships, our customers benefit from an even larger global network covering most countries in the world.

Key metrics

NPS

18.6

+0.2 pts vly

Other metrics used to track engagement include:

- Customer satisfaction (CSAT) – rates a customer's experience on key touch points in their customer journey
- NPS and CSAT inform business priorities during the business planning stage, helping to prioritise internal initiatives to drive satisfaction improvements
- Claims and complaints – a Group consolidated figure provides deeper insights into customer challenges and is used to assess the effectiveness of efforts to address concerns
- Contact centre key performance indicators – help assess the efficiency, effectiveness and quality of customer interactions

Why they are important

- We aim to provide unrivalled customer propositions and a portfolio of world-class brands targeting specific demand spaces and travel occasions
- Passenger revenues, including fares and ancillaries, are the most important source of revenue for IAG
- Delivering outstanding customer experience at all levels of the business and all brands will give us a leading position
- Recognising our most loyal customers through loyalty programmes, earning rewards on a broad range of items when flying with our airlines and partners, creates value for both IAG and our customers, and builds the relationship

How we engaged

- Daily "Customer Voice" survey is sent to customers who have recently flown with us, collecting feedback on their experience
- Customer feedback through a variety of channels (contact centres, social media, feedback from customer-facing employees) and partners (crews, lounge colleagues and ground handling agents) help us understand key pain points throughout the customers' journeys
- Brand surveys are done to understand and meet the needs and expectations of our customers
- Claims and complaints are raised through different channels and monitored to accommodate our customers and enable action where necessary
- Contact Centre services and other digital channels, for example chat bots on our websites or WhatsApp 24/7, are used so that customers can reach out when needed
- Communicating information including latest changes in service or product enhancements through various channels, including websites, e-mails and dynamic social media accounts
- Guidance and a high standard of customer care throughout the customer journey from both airport and on-board colleagues

Key topics

- Self-service and self-management capabilities, particularly when there is disruption
- Punctuality and operational resilience
- Digitalisation of customer journey
- Sustainability
- Expansion of our partnerships

British Airways – proactive customer care

In 2023, British Airways launched a customer care initiative to revolutionise our service by proactively addressing our customers' needs. Our dedicated team focuses on identifying opportunities for proactive interventions. Utilising specific channels and innovative practices, we aim to address issues before customers are even aware or before they feel the need to contact us. This proactive approach has started to become standard practice with our team reaching out, seemingly unexpectedly, to resolve impending issues.

One significant improvement is our ability to support customers while they are in the air, a service we call 'Connected Teams'. This addresses a previous gap in our service and allows us to provide assistance at 35,000 feet.

This new service has already supported multiple onward passengers who risked missing their connecting flights. Through Connected Teams, cabin crew have been able to request and obtain flight and gate information for tight connections, passing this on to passengers, and helping them get to their new gate as efficiently as possible on landing.

We are committed to identifying and resolving issues before they impact the customer experience.

Challenges	Outcomes
• Loss of customer loyalty – dissatisfied customers are more likely to switch to competitors • Reputation and brand equity – unhappy customers are prone to sharing negative experiences, which can harm the airlines' reputation and brand image • Decreased growth – negative reviews may make it difficult for the airline to attract new customers, impacting growth • Financial risks – there are costs associated with addressing customer complaints, providing compensation and marketing efforts to repair the brand image • Employee satisfaction and productivity – poor customer experiences may affect employee morale and job satisfaction leading to lower productivity • Customer experience – although our teams work diligently to elevate customer experience through investment in digitalisation and customer care, we continue to identify opportunities for improvement and learning, particularly in areas such as ensuring timely and comprehensive communication to customers about schedule changes	Feedback is key to enhancing our customer experience. IAG's holistic approach uses all available data from various channels to inform product and service strategy decisions. Data is continuously analysed, supplementing it with additional customer research when necessary. 2023 outcomes include those set out below: • Digitalisation of the customer journey to improve ability to self-service. All operating companies invested to digitalise the customer journey. Examples include Iberia's incorporation of GenAI to its WhatsApp and voice bot channels, and smart voice assistance to call centres; British Airways introduced a conversational AI solution to the call centre system; Vueling implemented new digital disruption solutions, e.g. launch of self-management and the deployment of i-coupon; Aer Lingus is investing in digital self-service and disruption management capabilities through a mobile first approach • Delivering best-in-class customer care included the formation of a new 'Proactive Customer Care' team in British Airways (see example below), or the second iteration of Iberia's 'Todo empieza conmigo', a programme focused on the delivery of cultural transformation and warm, customer-centric service. Aer Lingus and Vueling are conducting training for cabin crew and other customer-facing employees. Vueling streamlined its refund and compensation process • Improved WiFi on long-haul flights through collaboration with providers to launch new satellites and enhance connectivity resulting in a notable improvement in customer satisfaction • Food and drink propositions continue to be improved including current offerings and introducing complimentary products • In-flight service improvements included upgrading and significantly increasing in-flight entertainment systems content, better quality economy headsets and a new informative video at the start of long-haul flights to clarify the service for that flight. The number of public announcements on early morning / late night flights ('whisper flights') were reduced resulting in improved customer satisfaction • Baggage-related processes were improved including customer notifications about baggage arrival or proactive delivery assistance; retrofitting of overhead bins to address customer and crew complaints about the lack of trolley bag space on narrow-body aircraft; enhanced communication of baggage allowances through clearer web and email communication, targeted push notifications, and collaborating with agencies for accurate customer information

Iberia – WhatsApp Holistic Strategy

Iberia uses WhatsApp to improve engagement and communication with customers. A chat bot developed using AI and machine learning recognises customer intent with 95% accuracy and is prepared to answer the most frequently asked questions. Usage has grown 300% in the last three years, reaching more than 850,000 sessions in 2023. For some requests, customers prefer human contact, and an experienced pool of agents in the customer centres is ready to engage when required, and ensures a 'fast track' for Business customers or anyone that has suffered a disruption. During 2023 more than 250,000 customers used live chat.

This year, using real-time operational data, Iberia deployed proactive notifications to its most loyal customers with relevant information about their journey. Since the launch this summer, more than 200,000 notifications were sent to customers. Following this strategy, two new customer-centric initiatives were introduced:

- WhatsApp Premium, a dedicated channel and 100% human assisted for Top Tier frequent flyers from the IB Plus loyalty programme, and
- WhatsApp Crew, an agile channel for crew to escalate customer issues and get real-time responses for them, generating a WOW effect while flying with proactive communication for the customers.

Employees

The IAG model empowers each operating company to deliver for its customers and people. Employee contribution is paramount to our strategy, prompting each company to establish effective ways to engage, listen and act on employee feedback. Our employees shape our business and are representative of our international footprint. We are proud of the diversity within our operating companies and the progress made on our journey to making IAG more diverse and inclusive.

Key metrics

Recruited over

13,500

colleagues across our IAG operating companies and platform businesses

Continued investment in skills

74,282

employees trained, total of 3,219,091 training hours, and around an average of 45.8 hours per employee[1]

Why they are important

- Our colleagues are integral to the delivery of our service, business transformation and strategic priorities
- The Group's key values enable us to fulfil our purpose. In addition to this, each operating company and platform business has its own corporate culture and values which support its unique brand, business, customer and employee propositions. The focus is on building and embedding the culture needed to be competitive, achieve our transformation agenda and provide a work environment in which colleagues can thrive
- We continue to advance our equity, diversity and inclusion ambition to create a diverse and inclusive culture representative of the communities we live and work in, and the customers we serve. We continue to make good progress towards our ambition of 40% of senior leadership roles held by women by 2025, and have introduced an ethnic diversity ambition of 10% for our UK senior leaders by the end of 2027

Further metrics and details on people and equity, diversity and inclusion can be found in the People section of this annual report

How we engaged

- Our operating companies and platform businesses use a variety of formal and informal channels for two-way communication, adapted to their company culture and employees' work environment. This includes online employee forums, internal social networks, local cascade meetings, newsletters, workshops, engagement surveys and social media
- A Group-wide Organisational Health Index (OHI) survey is conducted in each of the operating companies and platform businesses every six months, in addition to company specific engagement surveys
- Employee-led network groups and communities provide valuable channels for colleagues' concerns and for collecting feedback on plans and initiatives
- Local employee representatives and unions provide formal channels for collective agreements as well as informal channels for raising issues and concerns
- IAG European Works Council facilitates communication and consultation between employees and management on transnational European matters. It includes representatives from the different European Economic Area (EEA) countries, meeting regularly throughout the year to be informed and where appropriate, consulted on transnational matters impacting employees in two or more EEA countries
- Designated IAG Board members conduct workforce engagement visits with colleagues across our operating companies, meeting a variety of employees and leaders in their work context to better understand first-hand the challenges and opportunities of the different businesses, employee issues and levels of engagement. More detail on workforce engagement can be found in the Corporate Governance section of this report

Key topics

- Fair and competitive reward, cost-of-living and pay conditions
- Ways of working including office/hybrid working
- Terms and conditions including flexible working practices
- Building capacity and resilience in operations and managing operational challenges including maintenance and third-party suppliers
- Growth and investments in our network and fleet
- Transformation and investments in technology
- Training, development and career opportunities
- Safety and wellbeing
- Culture and engagement
- Diversity and inclusion
- Investment in facilities and work environment
- Sustainability

1 Average training hours is based on the total training hours performed per average headcount, pro-rated to Full Time Equivalent.

Challenges

- IAG and each of the operating companies and platform businesses have strengths, challenges and opportunities related to their individual contexts. Themes of culture, management practices and employee engagement are reflected in the six-monthly OHI survey results and captured through other employee communication channels, including any company-specific engagement surveys. These outputs contribute to the creation of company-specific people and culture plans
- In the context of 2023, we continued to build capacity and improve the resilience and flexibility of our operations, reflected in increasing resourcing levels and flexibility to reflect seasonality
- Challenges expressed by employees in 2023 included:
  - opportunity to improve communication;
  - desire to increase recognition of employees;
  - need for greater clarity regarding the company's strategy;
  - opportunity to support innovation by introducing effective channels for sharing ideas;
  - concerns about facilities and related matters; and
  - building a more inclusive workplace.

Outcomes

- British Airways' 'Above & Beyond' colleague recognition platform, launched in 2022, received more than 100,000 recognitions in 2023 encompassing over 75% of all British Airways colleagues
- Vueling's 'Make it Better' initiative encourages employee contribution to new ideas with the goal of generating savings and increasing engagement, collaboration and innovation in the next year. The platform generated 288 ideas, engaging 817 employees in transforming concepts into reality
- Aer Lingus launched a new Aer Waves communication and ideas platform in response to colleague feedback and launched a range of development programmes, including the Supervisor Development, Professional Development and Leadership Development programmes
- Iberia's 2023 Iberia Lab encouraged innovation aligned with the five pillars of the 'Iberia Next Chapter' strategic plan. Over 1,200 ideas were submitted by more than 800 employees, 20 finalist ideas were selected by expert committees, with five winning ideas being taken forward for implementation along with the winners of the two 'public vote' awards
- Iberia formed a network of more than 200 Diversity Ambassadors reflecting the engagement and commitment of employees in promoting diversity and inclusion
- IAG Cargo incorporated active employee listening as part of its culture plan with over 600 participants across different shifts, directorates and continents
- Iberia Express launched English lessons in working hours for staff, a flexible remote working scheme once a week and a new resting room at Madrid Airport for crews
- Vueling, LEVEL, IAG Cargo and IAG Loyalty's new offices, designed in collaboration with employees, had a positive impact. Facilities include new open spaces, gym, better canteen, operations centres and space for in-house pilot and cabin crew training. IAG Loyalty formed a 'colleague squad' with representatives from across the business to engage and lead on the move to new offices providing valuable input for the transition
- IAG extended its suite of flexible benefits to include salary sacrifice for gym membership and travel insurance as well as a range of financial planning tools

Suppliers

IAG is dependent on the performance of key suppliers that provide goods and services to our customers and the Group including aircraft, engine, maintenance, airport operations and catering suppliers.

IAG Procurement, a centralised Group function, provides a supplier management framework to manage individual suppliers by ensuring consistent and compliant governance throughout the supply chain, actively managing key suppliers.

Key metrics

16,000
individual suppliers

320
of the 582 aircraft in the IAG fleet were financed using operating leases (at end December 2023)

3,300
supplier-associated initiatives to reduce supplier CASK (cost per available seat kilometre)

Why they are important

- Suppliers are fundamental to ensuring we meet the high standards expected by customers and other key stakeholders, to avoid potential impacts on operational and financial performance, customer disruption and reputational damage
- Supply chain integrity is critical to meet customers' needs, ensure the reliability of our services and support IAG's sustainability agenda
- Suppliers adhere to the IAG Supplier Code of Conduct which links to our commitment to sustainable growth
- Collaboration brings strong reciprocal benefits – supporting long-term working relationships, centred on clear and proactive contract management, shared goals and mutual brand association

How we engaged

- Supplier Relationship Management principles help classify and prioritise key suppliers and build relationships, as well as monitor and manage supplier and contract performance
- Through the Hangar 51 accelerator programme we identified start-up suppliers aligned to our sustainability strategy and our desire to lead in innovation
- We assessed the sustainability performance of c.3,000 suppliers, representing more than 90% of our supplier spend through our EcoVadis partnership. Results drive change in the supply chain, with targeted remedial plans for identified areas for improvement (less than 15%)
- The new Watershed partnership enabled engagement through our carbon accounting programme, providing detailed information about carbon emissions, allowing us to monitor and improve the supply chain's environmental impact
- We became members of SEDEX, a world leader in responsible sourcing, to support our assessment of labour, health and safety, business ethics and environment risks across our supply chain. Its methodology complies with EU legislation and supports UK Modern Slavery Act compliance and will enable us to increase the number of audits carried out to prevent anomalies in our supply chain
- We attended a range of industry conferences across all supply categories to collaborate with suppliers
- Engagement with aircraft and engine manufacturers occurs at all levels. We manage technical and operational issues through regular contact and scheduled meetings. More senior employees manage commercial activities and overall relationship management up to and including the Group Chief Executive
- We have relationships with air-frame manufacturers through regular engagement
- Engagement on lease renewals, returns and the in-service fleet are largely managed by the Fleet teams in the operating airlines
- IAG's Fleet and Environment teams engaged in detailed discussions with major manufacturers to understand and influence activities to support delivery of our environmental targets

Key topics

- Benchmarking exercises
- RFIs, RFPs
- Resolution of commercial and contractual disputes
- Innovation programmes
- Contract Lifecycle Management
- Supplier Relationship Management
- ESG scoring and corrective action plans
- Access to more fuel-efficient aircraft with lower carbon emissions, reduced community noise, improved local air quality through reduced NOX emissions
- Importance of positioning to take advantage of new technology
- Role of major aircraft manufacturers to support delivery of environmental targets
- Supply chain Scope 3 emissions from suppliers' manufacturing activities

Challenges	Outcomes
• Delays in the delivery of aircraft and maintenance, repair and overhaul (MRO) activities on existing aircraft and engines from: • supply chain issues; • design and manufacturing capacity; and • impact of extended regulatory certification processes in the US and EU. • Supply-side limits for new aircraft through inability of aircraft and engine manufacturers to meet demand. Although IAG is well positioned, there are potential impacts from other airlines on lease renewals and limiting flexibility in aircraft selection • Suppliers must adhere to the Supplier Code of Conduct which emphasises the importance of sustainability and fair treatment of employees • Prior to onboarding, and at least annually thereafter, suppliers undergo screening for relevant compliance risks, such as anti-bribery and corruption, export controls and trade sanctions, and key suppliers are subject to financial risk screening. Where necessary, mitigation plans are put in place for suppliers identified as having potentially higher levels of risk. Issues are flagged to the relevant risk owners within the Group to take appropriate action • To meet the requirements of the Supplier Code of Conduct and legislation, including the UK Modern Slavery Act, suppliers are subject to a risk assessment supported by a third party (SEDEX) and if necessary, an audit process. Through SEDEX we have accessed 38 relevant audits in 2023 • Risk-based third-party due diligence including screenings, external reports, interviews and site visits serve to identify, manage and mitigate bribery and corruption risks • Ongoing assessment of sustainable performance to drive change and improvement throughout the supply chain • Risk of achieving environmental and social targets for Scope 1, 2 and 3 targets • Third-party risk management is key, with a particular focus on cybersecurity, and suppliers are required to adhere to IAG's security requirements • Additional maintenance requirements for fleet using Pratt & Whitney GTF engines. Refer to the Regulatory Environment section for further information	• Secured access to more fuel-efficient aircraft with lower carbon emissions, reduced community noise and improved air quality • One of two airline groups given 'A' rating for supplier engagement for 2022 by the Carbon Disclosure Project ('CDP'). CDP stated that 'Companies have much greater potential to reduce global emissions when they engage with and cascade action down their supply chains'. The shared carbon targets drive levels of collaboration and innovation across IAG and IAG GBS, key to delivering change to meet targets • Engagement on long-term engine maintenance arrangements with key engine suppliers mitigated the impact of supply chain challenges on MRO operations of the Group's airlines. Worked closely with suppliers to protect deliveries, replan fleets to cope with extended ground times or delivery delays • Continued to secure access to new short-haul fleet with firm orders and options addressing the inability of manufacturers to meet demands. We acquired both new and used leased long-haul aircraft where appropriate, and secured option delivery positions for later this decade • New risk-monitoring technologies will identify existing and future supplier risks and enable a proactive, joint approach to anticipate and mitigate risks through targeted action plans • A Group-wide third-party risk management process was put in place to integrate cybersecurity due diligence into procurement sourcing and contracting processes, including ongoing monitoring of the Group's top 200 suppliers. An inventory of suppliers presenting cybersecurity, information or operational risks enables tracking of different engagements with suppliers throughout the Group • A joint procurement partnership was created with another airline for the purchase of the latest design aircraft tyres to optimise costs, improve product quality and reduce carbon emissions from longer lifespan tyres with less waste generated from replacement; they are lighter, burning less fuel and reducing emissions; and use fewer raw materials in production, reducing the environmental impact • Established a steering committee to consider issues arising from the use of Pratt & Whitney GTF engines and oversee action to mitigate operational disruption and offset cost impacts

Group Procurement breathes new life into old uniforms

In 2023, Group Procurement supported the roll out of new uniforms for British Airways and Iberia. As a result, we needed a sustainable solution for the responsible disposal or reuse of the old uniforms. By engaging with existing suppliers and proactively sourcing specialists in the area of fabric recycling, Group Procurement expects to be able to give a second life to the unneeded garments, by exploring options to turn the fabric into customer blankets, remove logos and repurpose items to be donated to those in need, or to fashion aircraft seat covers from the remnant fabrics.

Shareholders, lenders and other financial stakeholders

This includes equity and credit investors, credit lenders, research analysts, credit rating agencies and aircraft operating lessors. Our investors are looking for a stable business with a strong balance sheet and sustainable demand for travel. This, along with a competitive cost base which allows our airlines to offer attractive fares, will drive competitive margins and Return on Invested Capital greater than the Group's cost of capital, leading to positive free cash flows and the opportunity for regular shareholder returns as well as further capital distributions, alongside continued investment in the business.

Key metrics

Significant shareholders at 31 December were

Qatar Airways

25.1%

Capital Group

5.0%

Key metrics used by the Investor Relations team in its engagement include:

- Number of investor and analyst meetings held
- Consensus management
- Share price valuation

Why they are important

- As the main providers of capital, this stakeholder group enables IAG to invest in and grow the Group's businesses. Investors, particularly long-term shareholders, share the risk of the business
- Strategy and business plan delivery requires:
  - external funding for the substantial amount of capital expenditure required to replace or grow our fleet; and
  - efficient external capital to fund our operations and invest in our asset base in a cost-effective manner.
- Their views are critical in supporting strategy formulation, which drives operational and financial performance to generate and optimise sustainable returns
- Availability and access to external capital on competitive terms influences the financial strength and positioning of the Group and its operating companies

How we engaged

- Active and frequent communication through open and transparent dialogue to understand performance/concerns, in person or online
- Annual General Meeting and four quarterly results briefings where shareholders, investors and equity and credit analysts could interact with the Board (General Meetings) and management
- Capital Markets Day (CMD) where Board members, the Management Committee and other senior management from across the Group engaged with investors and analysts. A wide range of investors, credit providers and lenders were invited, including current and previous shareholders, and sell-side equity analysts from across Europe. For more information see the summary of the CMD 2023 at the end of the Group Chief Executive's review
- Mailbox for institutional and individual shareholders
- Management attendance at investor conferences hosted by major financial institutions
- Investor Relations (IR) organises and attends roadshows globally to meet investors with diverse perspectives, with directors and/or management depending on the focus. Road shows were held in London, Madrid, Paris, the US, Tokyo and Hong Kong during 2023
- IR has ongoing dialogue with equity, credit and ESG research analysts to understand investors' views of the Group
- Group Treasury engages with credit analysts, global banks, debt investors and credit rating agencies
- The Chairman and Remuneration Committee Chair met with some of our larger investors in one-to-one meetings

Key topics

- Impacts of potential economic recession and geopolitical issues on consumer demand, especially Europe
- Recovery in volume of business customers, particularly at British Airways
- Relative competitor performance, in particular their capacity strategies
- Performance – operating results including unit revenue and unit costs, capacity and traffic data, gross and net debt, cash liquidity, free cash flow generation, cash and credit facilities
- Strategic and operational issues and initiatives – Group and operating company
- Funding – cash flows, sources, leverage, liquidity
- Capital spending and debt repayment commitments
- ESG performance, including climate change initiatives
- Long-term growth and financial targets, such as those communicated at the CMD
- Employee negotiations on pay, cost-of-living, productivity, competitiveness and financial performance
- M&A, industry consolidation (Air Europa)

Challenges	Outcomes
• Successfully communicating IAG's investment case to drive wider share ownership and share price appreciation against a backdrop of wider macroeconomic and geopolitical uncertainty • Building relationships with existing and new investors to understand their priorities and to ensure support for strategy and management proposals • Funding mechanisms, including dividend policy decisions, may not suit all shareholder or financial stakeholder profiles, requiring a balancing of shareholder and financial stakeholder views with the corporate interest • Increased focus on climate change and diversity has potential reputation impacts and requires consideration of shareholder expectations	• IAG held a CMD in November and the presentations and further details of the day are set out in CMD page. There was a question-and-answer session with all the members of the Management Committee participating and further interaction between external and internal attendees during the day • Feedback received from investors and analysts who attended the CMD was shared with the Board. This included recognition of IAG's ability to generate free cash flow, its focus on the balance sheet and its commitment to paying dividends. This feedback has been considered in reporting and strategic discussion • Feedback is also collated both formally and informally after results, investor meetings and investor events which is shared with the Board and senior leaders • Meetings were held with investor governance and ESG representatives, including members of the IAG Sustainability team, in which our sustainability policies, initiatives and targets were explained and discussed • A customer relationship management system records engagement, tracks meetings, notes topics, questions and discussions with an automatic feedback collection mechanism based on determined questions

Q&A session with IAG's Management Committee at the recent IAG Capital Markets Day in November 2023

Government and Regulators

Due to the nature of its business, IAG engages with a wide range of government and regulatory stakeholders. This includes members of national parliaments, ministers and officials of national governments across multiple departments (including transport, trade, finance, tourism or international affairs), MEPs and other representatives of the institutions of the European Union (including at DG MOVE, and other relevant directorates as well as representatives of individual member states in Brussels). This wide stakeholder body also encompasses civil aviation regulators in the countries in which our airlines are based and the countries of destination. We also engage with competition authorities, including DG-COMP in the EU, the CMA in the UK and, for aviation alliances, the Department of Transportation in the US.

Key metrics

- We use quantitative and qualitative metrics to monitor and adjust our engagement plan. Quantitative metrics include the different types of engagement, range of policies, and seniority of engagement. Qualitative appraisal includes assessment of policy outcomes and tracking the evolution of policy dossiers to ensure that the Government Affairs function is targeted appropriately
- We monitor quantitative metrics, which for 2023 included:
  - more than 80 contacts held with stakeholders in EU Institutions;
  - meetings with more than 70 Members of the UK Parliament and Peers;
  - five visits organised for policymakers to British Airways and Vueling; and
  - participation in 23 government-to-government air services negotiations.

Why they are important

- Government policies and decisions impact many aspects of IAG's business across a wide range of areas including transport, consumer rights, practical operational issues, commercial practices, and the environment. We must comply with relevant regulations but seek to engage responsibly to influence policy developments to benefit our customers and achieve our business goals
- Engagement with policymakers is essential to understand plans and encourage proportionate outcomes to achieve our vision to be a world-leading airline group on sustainability and ensure we collectively meet our global climate goals
- Our airlines are subject to regulation by civil aviation regulators in the countries of registration and those of destination, requiring frequent engagement on safety, security, consumer rights and a variety of other policy and administrative issues
- Regular engagement around the world is needed to manage market access issues under international air services agreements and secure the necessary operating permits

How we engaged

- IAG's head office Government Affairs team undertakes direct engagement with stakeholders in all the countries in which our airlines are based as well as with EU institutions in Brussels. It coordinates the efforts of the Government Affairs teams of individual operating companies to ensure consistent and coordinated approaches
- We engage directly with policy, market and regulatory stakeholders on questions of interest to convey IAG positions and contribute technical expertise to discussions. This has included arranging visits to our airlines' bases to enhance understanding of operations and the impacts of policy proposals
- As well as direct contact, we engage through various international, regional, and local trade associations as well as general business organisations
- This engagement involves senior executives including the Group Chief Executive, Management Committee members, and senior executives from airline operating companies where appropriate, mainly in the EU, the UK, Spain and Ireland
- IAG aims to provide a factual basis in support of its policy positions and in 2023 commissioned an extensive study on the Group's economic impacts from PwC and additional research on the benefits of Sustainable Aviation Fuels
- In the field of international air services, IAG representatives joined diplomatic talks wherever possible including those of the EU-US Joint Committee on aviation and ICAO's Air Services Negotiation Event (ICAN) in Saudi Arabia in December to support operating companies' access to market

Key topics

- Impacts of the war in Ukraine and the Middle East and associated sanctions regimes
- Sustainability, particularly climate and decarbonisation and all aspects of environmental policy affecting aviation such as availability of and support for investment in SAF and noise impacts
- Economic impacts of aviation, including tax policy and economic regulation
- Infrastructure regulation including airspace modernisation, the Single European Sky, airport charges and slot allocation policy
- Diversity and inclusion for employment as well as development of skills
- Consumer rights
- Safety, security and immigration rules
- International relations including air service agreements and wet leasing, and immigration policy

Challenges	Outcomes

• External factors such as air traffic control (ATC) strikes or geopolitical events such as the war in Ukraine and the Middle East can have relevant impacts on our business
• Political upheaval presents a challenge to consistent policymaking. Changes in political leadership through electoral cycles are anticipated
• With sector recovery post pandemic, decarbonisation is a predominant area of interest for our stakeholders, requiring engagement with regulators on various aspects of IAG's industry position and commitments in relation to new technology
• Consumer rights and customer service are of increasing interest to our stakeholders, bringing additional interest in operational performance from stakeholders in the US, EU and UK
• IAG's airlines regularly engage in discussions with governments and aviation authorities in their relevant markets to respond to and mitigate the risk that states use international air service agreements to promote the interests of their own airlines, given their view that international air services and national carriers are strategic interests
	• Sustainability – From both direct meetings and joint efforts with industry and trade associations on EU climate-related issues, relevant IAG requests were included in the revision and development of different legislation on sustainability, for example:
	  • 20 million free allowances were allocated for SAF use for 2024-2030 (and could be further extended until 2034); and
	  • the recognition of price stabilisation mechanisms (contracts for difference) in view of the ETS Innovation Fund or the inclusion of aviation as part of the EU Taxonomy.
	In the UK, direct engagement and indirect contacts through trade associations were instrumental in securing a legal requirement to consult on the form of a price support mechanism to encourage investment in SAF plants in the UK.
	Regular IAG opinion surveys of UK Members of Parliament on reputation and policy showed increasing support for the use of SAF and other innovations, rather than demand management to reach net zero emissions.
	Refer to the Sustainability section of this report for more information
	• Customer service and resilience – The European commitment to sustainability saw a focus on improving consumer digital access and travel options. Initiatives such as the EU proposal for digital multi-modal services, to provide greater accessibility to other modes of transport, were postponed in line with the sector's request not to force intermediation that could increase ticket prices for European customers
	Regular engagement with the UK Department for Transport's Resilience team to ensure a proper appreciation of operational disruptions. For example, understanding the impacts of bad weather on operations at congested airports
	• Airport charges – IAG made the case for strong regulation of monopoly providers of airport services so that reasonable levels of charges are set. This engagement contributed to Spain keeping charges flat in 2023. However, due to combination of existing adjustment mechanisms and inflation rates, an increase of 4% is expected for 2024, lower than that initially proposed by AENA. In the UK, the regulatory authorities recognised IAG's and other airlines' arguments and confirmed a downward price path for Heathrow's charges for the remainder of the regulatory period to 2026, and denied an additional £2 billion that Heathrow airport requested that would have been reflected in charges to airlines. Refer to the Regulatory Environment section of the report
	• Market access – IAG supported operating companies to secure the necessary market access through engagement in international negotiations, including British Airways' operating permits for new destinations in the Caribbean or for BA Euroflyer in North Africa, as well as enabling new code-share partnerships, including with Indigo in India

Proposed revision of EU Slot Regulation

The existing EU Slot Regulation system enabled the EU to become one of the most connected regions, benefiting EU citizens by providing more travel alternatives and allowing competing business to develop. It allows airlines to plan schedules with predictability, providing the essential stability for network airlines to build efficient hubs. It has also allowed low-cost carriers to build and grow operations, increasing the number of routes that they serve.

In 2022/2023 the European Commission explored the possibility of a revision of the EU Slot Regulation with the objective of further enhancing the EU slots system and promoting sustainability. One of the aspects under discussion was the 80% rule: if an airline operates 80% of a slot (landing and take-off right) at a given airport in a summer or winter season, it maintains the right to operate the slot again the corresponding next season. This threshold builds in the flexibility airlines depend on to reallocate resources and minimise the impact of unavoidable disruption of passengers. This allows the maximum number of passengers to get to their destination in a timely manner. For example, an airline may take one aircraft from a route where there are several daily flights, to replace a grounded aircraft for a destination served by only one daily flight. The revision of this rule in the EU would limit the flexibility to reallocate resources, with a subsequent negative impact for passengers.

Through engagement, IAG demonstrated that although the objective of an airline was to operate to its planned schedule, in exceptional situations such as technical problems, adverse weather, industrial actions or other unavoidable last-minute disruption, cancellations may be necessary. During the consultation process opened by the European Commission, IAG shared detailed know-how and experience. IAG also organised technical meetings between the senior experts of the airline operating companies and the relevant decision-makers in Brussels and Madrid. IAG also engaged directly with relevant stakeholders at EU Institutions and at a national level in Spain and Ireland. As it is a technically complex topic, we promoted simpler messages through our trade associations to ensure that the negative consequences of the revision of the slots regulation for passengers could be easily understood by non-aviation experts.

As a result of the inputs from the airline industry, the EU halted its policy plans in this area.

Strengthening our financial performance

IAG achieved strong operating profits in 2023, as we continue to transform our businesses to deliver world-class operating margins and returns on invested capital. This result led to strong cash generation in the year, strengthening our balance sheet, with net leverage back within IAG's target range and improved credit ratings, and enabling us to invest in improving our customer experience.

Delivering world-class operating margins and returns on invested capital

In 2023, the Group benefited from its high-quality and increasingly diverse revenue stream, with recovery seen in all our businesses and with particular strength in Spain and the North and South Atlantic. Passenger capacity operated across the year was close to the levels operated in 2019 before the COVID-19 pandemic and we were able to generate higher unit revenues than in 2019, which offset higher fuel costs and supplier cost inflation.

The result was a strong operating profit before exceptional items of €3,507 million compared with €1,247 million in 2022. The shape of the recovery differed across our businesses, with the strongest recovery in Iberia and Vueling, both of which delivered record operating profits, with Aer Lingus and British Airways also seeing a significant improvement on the previous year.

The recovery has been led by leisure travel across the Group's networks and in all cabins, with the premium leisure segment showing particularly strong performance. Corporate travel also improved versus the previous year, but at a slower rate than anticipated. We continue to grow other revenue streams, including IAG Loyalty, which achieved an operating profit of £280 million. Our cargo business saw increased volumes in 2023, but also reduced yields, linked to increases in global cargo capacity, the macroeconomic conditions and the reversal of the positive impact on yields of supply chain disruption in 2022. However, its focus on increasing its premium product business contributed to delivering yields above 2019 levels. Fuel costs remained volatile during the year, with the average fuel unit cost similar to 2022, but up over 30% compared with 2019. Non-fuel unit costs improved 4.4% compared with the previous year, with our ongoing transformation programme partially offsetting the impact of inflation; we also made some additional investment in the airlines' operations, IT and the customer experience.

Disciplined approach to capital allocation to support sustainable growth and margins

The Group's financial performance and cash generation in 2023 allowed us to deliver a strengthened balance sheet, with positive free cash flow of €1,320 million enabling a reduction in leverage, which is now at 1.7 times net debt to EBITDA before exceptional items, back within our target maximum of 1.8 times. Both S&P and Moody's increased their credit ratings of the Group, with S&P returning IAG to investment grade. British Airways' separate credit ratings were also upgraded, with British Airways' rating now at investment grade with S&P and Fitch.

With our strong cash generation, we took the opportunity to rebalance our mix of gross debt and cash and in the second half of the year we repaid €3,271 million of non-aircraft debt in British Airways, Iberia, Vueling and Aer Lingus. These loans, raised due to the impacts of the COVID-19 pandemic, had floating interest rates, which had risen significantly over the last two years, and hence were amongst the most expensive of the Group's debt; following the early repayment of this debt the Group will benefit from a reduced interest expense in future years.

At a Group level we also repaid a €500 million bond on maturity and did not seek refinancing. These actions have resulted in a reduction in gross debt of €3,902 million in 2023. We retain strong liquidity, with total liquidity at 31 December 2023 of €11,624 million, including cash of €6,837 million and committed and undrawn general and aircraft facilities of €4,787 million.

Our free cash flow of €1,320 million was after capital expenditure of €3,544 million. We continue to invest in our strategy and are rebuilding capacity with a more modern, fuel-efficient fleet. We also invested in our infrastructure, customer experience and sustainability. In addition to organic growth, we are also pursuing inorganic growth opportunities where they offer a good strategic fit. In February 2023, we agreed with Globalia the acquisition of the remaining 80% of equity in Air Europa, subject to regulatory approval in 2024.

It is pleasing to finish 2023 having achieved the objective we set down in these pages in last year's report: to return the Group to historical levels of profit and to continue to strengthen the balance sheet. We are aware of the uncertainties we face as we enter 2024, including geopolitical events outside of our control. We will continue to strengthen our balance sheet, transform our businesses and apply discipline to how and where we allocate capital, in order to fulfil our objective to deliver sustainable shareholder returns.

Nicholas Cadbury
Chief Financial Officer

In the commentary below, references are made in selected places to variances versus 2019 to aid understanding, due to the significant reductions in capacity the Group's airlines made due to the impact of the COVID-19 pandemic in the period from 2020 to 2022. It is anticipated that 2023 will be the last year for which analysis versus 2019 is required.

IAG capacity

In 2023, passenger capacity operated, measured in available seat kilometres (ASKs), rose by 22.6% versus 2022. For the year, capacity operated was 95.7% of 2019 levels and capacity was almost fully restored to 2019 levels by the end of the year, reaching 98.6% of 2019 levels in the final quarter.

Capacity operated by region

Year to 31 December 2023	ASKs higher/ (lower) v2022	ASKs higher/ (lower) v2019	Passenger load factor (%)	Higher/ (lower) v2022	Higher/ (lower) v2019
Domestic	7.8 %	8.4 %	89.5	4.0pts	2.3pts
Europe	15.4 %	(3.1)%	85.9	4.4pts	2.3pts
North America	23.0 %	3.2 %	82.9	3.6pts	(1.2)pts
Latin America and Caribbean	18.8 %	(1.7)%	87.6	2.5pts	1.2pts
Africa, Middle East and South Asia	32.2 %	1.1 %	83.3	2.2pts	0.3pts
Asia Pacific	258.0 %	(59.7)%	88.4	4.4pts	2.6pts
Total network	**22.6 %**	**(4.3)%**	**85.3**	**3.5pts**	**0.7pts**

Whilst capacity was fully restored to most of IAG's markets, the recovery in the Asia Pacific region was slower, linked to later easing of COVID-19 restrictions in the region.

Capacity operated by airline

Year to 31 December 2023	ASKs higher/ (lower) v2022	ASKs higher/ (lower) v2019	Passenger load factor (%)	Higher/ (lower) v2022	Higher/ (lower) v2019
Aer Lingus	20.3 %	4.4 %	80.6	3.7pts	(1.2)pts
British Airways	28.1 %	(9.9)%	83.6	3.8pts	0.0pts
Iberia	18.5 %	3.2 %	87.2	3.0pts	0.0pts
LEVEL	33.1 %	(32.8)%	93.4	3.7pts	9.5pts
Vueling	10.5 %	8.5 %	91.4	4.2pts	4.5pts
Group	**22.6 %**	**(4.3)%**	**85.3**	**3.5pts**	**0.7pts**

In 2023, British Airways had only restored 90.1% of its total 2019 capacity, as the substantial majority of the Group's capacity to the Asia Pacific region in 2019, for which recovery following COVID-19 has been slower, was operated by British Airways. Capacity for British Airways was also impacted by the accelerated retirement of its Boeing 747-400 fleet during the COVID-19 pandemic and further restoration of capacity is planned for British Airways in 2024 and 2025. The reduction in LEVEL versus 2019 relates to the discontinuation of operations from Paris Orly in 2020, with the capacity of LEVEL's operation in Barcelona up 32.4% versus 2019.

Domestic and Europe

Capacity and passenger numbers in IAG's Domestic markets, which are predominantly within mainland Spain and to the Canary and Balearic Islands, increased in line with strong leisure demand, with capacity 7.8% higher than 2022, and with a higher passenger load factor of 89.5%, which was up 4.0 points versus the previous year. Capacity and the passenger load factor were also higher than in 2019, up 8.4% and 2.3 points respectively.

The Group's capacity in Europe was 15.4% higher than in 2022, also boosted by the demand for leisure travel. Aer Lingus began services to Brindisi, Kos and Olbia. British Airways expanded the flying undertaken by its subsidiary launched at London Gatwick airport in 2022, BA Euroflyer, with new routes including Corfu, Mykonos, Innsbruck, and Fuerteventura. Vueling's new routes include a service from Barcelona to Rovaniemi (Finland) and the airline added an extra aircraft at its Bilbao base, with six new routes launched. Passenger load factor for the region was up 4.4 points versus 2022 to 85.9% and was up 2.3 points versus 2019.

North America

The Group's airlines launched new routes and increased services to North America, one of the Group's core profit pools, with capacity 23.0% higher than in 2022 and 3.2% higher than in 2019. Aer Lingus started flights to Cleveland and resumed its route to Hartford, Connecticut, together with additional frequencies to Los Angeles, Seattle, Orlando, and Washington DC. The airline will resume its service to Minneapolis and launch a new route to Denver in 2024. British Airways launched services from London Heathrow to Cincinnati and from London Gatwick to Vancouver, a destination already served from its London Heathrow hub. The airline plans further increases in 2024, including doubling its services to San Diego in the summer. Iberia increased its recently-launched routes to Dallas and Washington to year-round services. LEVEL increased its capacity to North America by 23.8% in 2023 and in 2024 will increase further, with a new route from Barcelona to Miami and significant capacity increases to Boston, Los Angeles and New York, JFK. Passenger load factor for the region was up 3.6 points versus 2022 to 82.9% and was down 1.2 points versus 2019.

Latin America and Caribbean (LACAR)

IAG's other core international profit pool is the Latin America and Caribbean region, including Iberia's network of 20 daily flights to the region and British Airways flights to the Caribbean. British Airways launched flights from London Gatwick to Aruba and Guyana. Iberia increased its capacity to primary cities such as Bogotá, Lima, Mexico City, Montevideo and Quito. LEVEL increased its route to Santiago de Chile to operate as a year-round service, with LEVEL's capacity to the region up 45.4% versus 2022. IAG's capacity in LACAR grew 18.8% versus 2022, although was still down 1.7% on 2019, linked to the retirement of aircraft following the COVID-19 pandemic, with further long-haul aircraft due for delivery in 2024. Passenger load factor for the region at 87.6% increased 2.5 points versus 2022 and was up 1.2 points versus 2019.

Africa, Middle East and South Asia (AMESA)

Capacity to this region was up 32.2% on 2022 and up by 1.1% versus 2019. BA Euroflyer launched a service from London Gatwick to Sharm El Sheikh. British Airways began flights from London Gatwick to Accra and the airline will resume flights to Abu Dhabi in 2024. Iberia started services to Cairo and launched a new route to Doha, which will serve to develop its network with partner Qatar Airways. Vueling's new routes from Barcelona included Luxor and Sharm El Sheikh. Passenger load factor for the region was up 2.2 points versus 2022 to 83.3% and was up 0.3 points versus 2019.

Asia Pacific

During 2023, the Asia Pacific continued to be the least recovered region from COVID-19, as restrictions linked to the pandemic were lifted later than in other markets and industry recovery has been slower. British Airways services to Shanghai and Beijing resumed in the summer 2023 travel season and during the year the airline increased frequencies to Hong Kong and Tokyo Haneda. Iberia will re-open its route to Tokyo in October 2024. The increases during 2023 led to capacity 258.0% higher than 2022 but still 59.7% lower than 2019, with the passenger load factor for the region up 4.4 points versus 2022 to 88.4% and up 2.6 points versus 2019.

Basis of preparation

In its assessment of going concern over the period of at least 12 months from the date of approval of this report (the 'going concern period'), the Group has prepared extensive modelling, including considering a severe but plausible downside scenario. Having reviewed these scenarios and sensitivities, and the Group's aircraft financing requirements, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period, and hence continue to adopt the going concern basis in preparing the consolidated financial statements.

Summary

The Group was able to substantially restore its capacity compared with 2019 and saw recovery in all its businesses, with particular strength in Spain and the North and South Atlantic. Fuel costs were substantially higher than in 2019 and the Group also faced higher supplier cost inflation. The Group was able to successfully offset both of these challenges through its high-quality and increasingly diverse revenue stream, and through continued transformation of its businesses. The net result was an Operating profit for the year of €3,507 million, versus an Operating profit of €1,278 million in 2022. The Profit after tax for the year was €2,655 million, versus a profit of €431 million in 2022.

Profit for the year

Statutory results € million	**2023**	2022[1]	Higher/ (lower) vly
Operating profit	**3,507**	1,278	2,229
Profit before tax	**3,056**	415	2,641
Profit after tax	**2,655**	431	2,224

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment within Operating profit. Accordingly, for the year to 31 December 2022, the Group has reclassified gains of €22 million from Other non-operating credits to Expenditure on operations. There is no impact on the Profit before or after tax.

Summary of exceptional items

The Group uses Alternative performance measures (APMs) to analyse the underlying results of the business excluding exceptional items, which are those that in management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance.

There were no exceptional items in 2023. During 2022, the Group recorded exceptional credits relating to the partial reversal of a fine issued to British Airways in 2010 and the reversal of the impairment of certain aircraft returned to service in 2022.

A summary of the exceptional items relating to 2022 is given below, with more detail in the Alternative performance measures section, including a breakdown of the exceptional items by operating company.

Income statement line	Exceptional item description	Credit/(charge) to the Income statement € million 2023	2022
Property, IT and other costs	Reversal of fine	-	23
Depreciation, amortisation and impairment	Impairment reversal of fleet and associated assets	-	8
Tax	Tax on exceptional items	-	(2)

The Operating profit before exceptional items for 2023 of €3,507 million was €2,260 million better than the Operating profit before exceptional items of €1,247 million for 2022, driven by the increased capacity and higher revenues, net of higher operating costs, as explained further below. The Profit after tax and before exceptional items was €2,655 million, €2,253 million higher than the 2022 profit of €402 million.

Alternative performance measures (before exceptional items) € million	2023	2022[1]	Higher/ (lower) vly
Operating profit	**3,507**	1,247	2,260
Profit before tax	**3,056**	384	2,672
Profit after tax	**2,655**	402	2,253

1 The 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment within Operating profit. Accordingly, for the year to 31 December 2022, the Group has reclassified gains of €22 million from Other non-operating credits to Expenditure on operations. There is no impact on the Profit before or after tax.

Revenue

€ million	2023	Higher/ (lower) vly	Higher/ (lower) vly (%)
Passenger revenue	**25,810**	6,352	32.6 %
Cargo revenue	**1,156**	(459)	(28.4)%
Other revenue	**2,487**	494	24.8 %
Total revenue	**29,453**	6,387	27.7 %

Total revenue increased €6,387 million versus 2022, after adverse foreign exchange rate movements of €490 million, mainly due to the translation of British Airways' and IAG Loyalty's results from pound sterling into euro, which resulted in an adverse variance of €379 million versus 2022.

Passenger revenue

The increase in Passenger revenue of €6,352 million, or 32.6%, was ahead of the increase in passenger capacity of 22.6%, driven by higher yields and higher load factors than in 2022. The growth in Passenger revenue was linked to the reopening of markets, strong leisure demand, together with increases in ticket prices to reflect higher fuel prices and supplier price inflation. The recovery in corporate travel was slower than that of leisure travel, with the Group's premium leisure segment continuing to perform strongly.

The passenger load factor for the year of 85.3% was 3.5 points higher than in 2022 and 0.7 points higher than in 2019. Passenger yields, measured as passenger revenue per revenue passenger kilometre (RPK) were 3.8% higher than in 2022 and up 19.0% on 2019. The resulting passenger unit revenue (passenger revenue per ASK) for the year was 8.2% higher than in 2022 and 20.1% higher than in 2019.

Cargo revenue

Cargo revenue, at €1,156 million, was 28.4% lower than in 2022. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 17.2% higher than the previous year, as the Group's airlines further restored their operations, leading to an increase in both passenger and cargo capacity. Cargo yields, measured as cargo revenue per cargo tonne kilometre, were 38.9% lower than in 2022, reflecting the substantial growth in global cargo capacity across the industry, together with softer market demand, reflecting the macro-economic conditions. In 2022, cargo yields had benefited from disruption to global supply chains, and disruption to shipping, particularly in the first half of the year. Cargo yields benefited from a growth in premium products, enabled by the opening of a new premium cargo facility at London Heathrow. At Madrid, IAG Cargo's investment in a perishable goods handling facility was completed, further boosting cargo handling capacity.

Cargo revenue increased by €39 million, or 3.5% versus 2019. The increase was primarily driven by a 23.8% increase in cargo yields compared with 2019, which included the impact of transformation initiatives. The higher cargo yields more than compensated for a decline in volumes, which were 16.4% lower than in 2019, mainly due to weaker market demand and reduced cargo capacity, particularly from the Asia Pacific region.

Other revenue

One of the Group's strategic imperatives is to drive earnings growth through asset-light businesses, with the growth of IAG Loyalty a particular priority. The impact of the growth in IAG Loyalty contributes both to the airlines' Passenger revenue and to Other revenue, through both the issuance and redemption of its loyalty currency, Avios. IAG Loyalty delivered another strong year of growth in the number of members collecting Avios, including through its partnership with American Express. IAG Loyalty's Other revenue was up 61% versus 2022 to €524 million.

The largest Other revenue streams for the Group are BA Holidays and Iberia's maintenance, repair and overhaul (MRO) business. BA Holidays grew revenues in line with the continued increase in flying activity and holiday and hotel services revenue increasing by €133 million to €938 million. Iberia's MRO business saw increased engine maintenance activity for third-party airlines, with revenues from maintenance and overhaul services up €155 million to €683 million. Revenue from ground handling, at €195 million, was flat versus 2022. After a competitive tender process for ground handling contracts, the final resolution in September 2023 resulted in the loss of third-party handling contracts at eight airports for Iberia and as a result Iberia will see a reduction in ground handling activity and revenues in 2024.

Overall for the year, Other revenue was up 24.8% versus 2022 to €2,487 million, 29.5% higher than in 2019.

Operating costs

Total operating expenditure rose from €21,788 million in 2022 to €25,946 million in 2023, linked to the higher volume of flights and passenger numbers and after favourable foreign currency movements of €408 million, of which €351 million were due to the translation of the operating costs of British Airways and IAG Loyalty from pound sterling into euros.

Employee costs

€ million	2023	Higher/ (lower) vly	Higher/ (lower) vly (%)
Employee costs	**5,423**	776	16.7 %

The rise in Employee costs of €776 million or 16.7% versus 2022 reflected the continued restoration of the Group's capacity and the related increase in employee numbers, as well as the investment in British Airways' London hub to improve operational performance. Average headcount for the year was 69,762, up 9,962 or 16.7% versus 2022. The Group agreed pay deals with the substantial majority of its bargaining groups and employees during 2023.

On a unit basis per ASK, Employee costs were down 4.8% versus 2022.

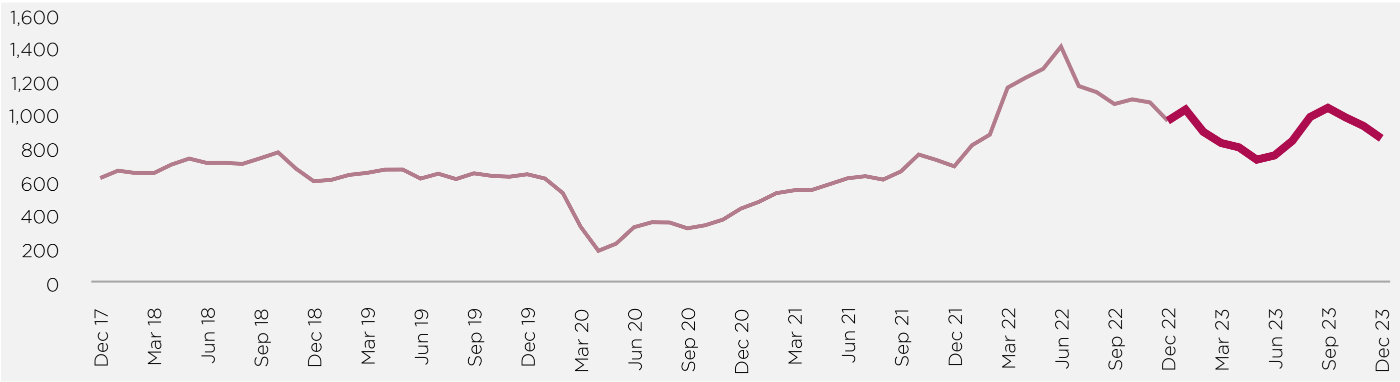
Fuel, oil costs and emissions charges

€ million	2023	Higher/ (lower) vly	Higher/ (lower) vly (%)
Fuel, oil costs and emissions charges	**7,557**	1,437	23.5 %

Fuel, oil costs and emissions charges were up €1,437 million versus 2022, principally reflecting increased flying volumes. In 2022, the impact of the significant increase in commodity fuel prices, following the Russian invasion of Ukraine in February of that year, was mitigated by the Group's fuel hedging programme. In 2023, whilst average spot fuel prices linked to fuel purchase contracts were 17% lower than in 2022, the impact of hedging was neutral, with the result that the Group's effective fuel price after hedging was similar to the previous year. Foreign exchange movements accounted for only €6 million of the increase, with the impact of a weaker US dollar against the euro and pound sterling offset by translation exchange between the pound sterling and euro. Within Fuel, oil costs and emissions charges, the cost of complying with emissions trading schemes was €238 million, up from €134 million in 2022, reflecting both the higher level of capacity flown, market prices under such schemes, and the reduction in free allowances issued across the EU and UK.

On a unit basis per ASK, Fuel, oil costs and emissions charges were up 0.7% versus 2022.

Jet fuel price trend ($ per metric tonne)



Fuel hedging

The Group seeks to reduce the impact of volatile commodity prices by hedging prices in advance. The Group's current fuel hedging policy was approved by the Board in May 2021 (and has been regularly reviewed for appropriateness by the Audit and Compliance Committee subsequently) and is designed to provide flexibility to respond to both significant unexpected reductions in travel demand or capacity and/or material or sudden changes in jet fuel prices. The policy allows for differentiation within the Group, to match the nature of each operating company, and the use of call options for a proportion of the hedging undertaken. The policy operates on a two-year rolling basis, with hedging of up to 60% of anticipated requirements in the first 12 months and up to 30% in the following 12 months, and with flexibility for low-cost airlines within the Group to adopt hedging up to 75% in the first 12 months. For all Group airlines, hedging between 25 and 36 months ahead is only undertaken in exceptional circumstances.

Fuel consumption

The Group continued to benefit from reduced fuel consumption, associated with the investment in new fleet, with 35 newer-generation and more fuel-efficient aircraft entering service in the year. Increased passenger load factors versus 2022 also contributed to reduced carbon intensity, measured as grammes of CO_2 per passenger kilometre, which was down 3.6% versus 2022.

Supplier costs

€ million	2023	Higher/ (lower) vly	Higher/ (lower) vly (%)
Handling, catering and other operating costs	**3,849**	878	29.6 %
Landing fees and en-route charges	**2,308**	418	22.1 %
Engineering and other aircraft costs	**2,509**	408	19.4 %
Property, IT and other costs[1]	**1,058**	108	11.4 %
Selling costs	**1,155**	235	25.5 %
Currency differences	**26**	(115)	(81.6)%
Total Supplier costs	**10,905**	1,932	21.5 %

1 For 2022 includes an exceptional credit of €23 million related to the partial reversal of the historical fine, plus accrued interest, initially issued by the European Commission to British Airways for involvement in cartel activity and recognised as an exceptional charge in 2010. Further information is given in the Alternative performance measures section.

Total Supplier costs rose by €1,932 million, or 21.5% to €10,905 million, slightly below the increase in capacity. Supplier costs were impacted by continued high levels of inflation and disruption costs, although the impact was partially mitigated by the Group's procurement and transformation initiatives.

Supplier costs include a €26 million currency differences charge in 2023 versus a €141 million currency differences charge in the previous year; 2022 had been impacted by a significant strengthening of the US dollar against both the pound sterling and the euro versus 2021. Total foreign currency impacts on Supplier costs, including currency differences, were €298 million favourable versus 2022, including a favourable impact of €163 million related to translating British Airways' and IAG Loyalty's supplier costs from pound sterling into euro and the €141 million favourable currency differences charge outlined above.

On a unit basis per ASK, Supplier costs were down 1.1% versus 2022.

Ownership costs

Ownership costs include Depreciation, amortisation and impairment of tangible and intangible assets, including right of use assets, and the Net gain on sale of property, plant and equipment.

€ million	2023	Higher/ (lower) vly	Higher/ (lower) vly (%)
Depreciation, amortisation and impairment	**2,063**	(7)	(0.3)%
Net gain on sale of property, plant and equipment	**(2)**	20	(90.9)%
Ownership costs[1]	**2,061**	13	0.6 %

1 For 2022, includes an exceptional credit of €8 million related to the partial reversal of an impairment relating to fleet assets that were previously stood down in 2020. Further information is given in the Alternative performance measures section.

The increase in ownership costs versus 2022 is mainly driven by the increase in the Group's fleet of aircraft, linked to the restoration of capacity and 34 deliveries of new aircraft in the year. The Net gain on sale of property, plant and equipment was €2 million, reflecting the disposal of aircraft withdrawn from service and related spare parts. On a unit basis per ASK, Ownership costs were down 18.2% versus 2022, mainly reflecting the restoration of capacity and improvements in aircraft utilisation.

Aircraft fleet

In 2023, the in-service fleet increased by 24 aircraft: 37 aircraft entered service and 13 aircraft were retired. Of the aircraft entering service, five re-entered service having previously been stood down and two were delivered in late 2022. In total, 34 aircraft were delivered in the year, of which four aircraft entered service early in 2024.

Number of fleet

Number of fleet in-service	**2023**	2022	Higher/ (lower) vly
Short-haul	**389**	381	2.1 %
Long-haul	**193**	177	9.0 %
	582	558	4.3 %

In addition to the in-service fleet, there were a further nine aircraft not in service, made up of five aircraft held by the Group pending disposal or lease return and four aircraft delivered late in 2023 and not in service by 31 December 2023.

Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro to the Group's reporting currency of euro, primarily pound sterling related to British Airways and IAG Loyalty. From a transaction perspective, the Group's performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in 2023 the Group operating profit before exceptional items was reduced by €82 million due to adverse exchange rate impacts.

Exchange rate impact before exceptional items

	2023		
€ million Favourable/(adverse)	**Translation impact**	**Transaction impact**	**Total exchange impact**
Total exchange impact on revenue	(379)	(111)	**(490)**
Total exchange impact on operating expenditures	351	57	**408**
Total exchange impact on operating profit	(28)	(54)	**(82)**

	2022		
€ million Favourable/(adverse)	Translation impact	Transaction impact	Total exchange impact
Total exchange impact on revenue	97	685	782
Total exchange impact on operating expenditures	(129)	(975)	(1,104)
Total exchange impact on operating profit	(32)	(290)	(322)

The exchange rates of the Group were as follows:

	2023	2022	Higher/ (lower) vly
Translation - Balance sheet			
£ to €	**1.16**	1.14	1.8 %
Translation - Income statement (weighted average)			
£ to €	**1.15**	1.17	(1.7)%
Transaction (weighted average)			
£ to €	**1.15**	1.17	(1.7)%
€ to $	**1.09**	1.05	3.8 %
£ to $	**1.26**	1.23	2.4 %

Total net non-operating costs

Total net non-operating costs for the year were €451 million, versus €863 million in 2022. Finance costs of €1,113 million were €96 million higher than in 2022, although they fell in the fourth quarter by 16.3% or €48 million, linked to the early debt repayments described in 'Early repayment of debt raised in 2020 and 2021' below and in note 3 to the Group financial statements. Finance income was up €334 million, reflecting the Group's strong cash balances and the higher interest rates earned on deposits. The other main movement was for net currency retranslation, with a credit of €176 million in 2023 versus a charge of €115 million in 2022, principally reflecting the weakening of the US dollar.

The Net change in the fair value of financial instruments of €11 million reflects fair value adjustments at 31 December 2023 of IAG's €825 million convertible bond maturing in 2028.

Other non-operating credits of €8 million in 2023 (2022: credit of €110 million) mainly represent net gains or losses on derivative contracts for which hedge accounting is not applied, together with a net gain of €10 million in 2023 on the sale of investments.

Tax

The tax charge on the Profit for the year was €401 million (2022: tax credit of €16 million), and the effective tax rate was 13.1% (2022: negative 3.9%).

The substantial majority of the Group's activities are taxed where the main operations are based: in the UK, Spain and Ireland, which had statutory corporation tax rates of 23.5%, 25.0% and 12.5% respectively for 2023. The expected effective tax rate for the Group is determined by applying the relevant corporation tax rate to the profits or losses of each jurisdiction.

The geographical distribution of profits and losses in the Group results in the expected tax rate being 23.5% for the year to 31 December 2023. The difference between the actual effective tax rate of 13.1% and the expected tax rate of 23.5% is primarily due to the recognition of previously unrecognised tax losses in the Group's Spanish companies.

The Profit after tax for the year was €2,655 million (2022: €431 million).

On 3 March 2021, the UK Chancellor of the Exchequer announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25% from April 2023. On 24 May 2021, the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances and will increase the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances in UK entities, a charge of €13 million (2022: €17 million credit) is recorded in the Income statement and a credit of €3 million (2022: €10 million charge) is recorded in Other comprehensive income.

The Group is monitoring the OECD's proposed two-pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system is designed to ensure that multinational enterprises with consolidated worldwide annual turnover exceeding €750 million will be subject to a minimum 15% effective tax rate, and also proposes to address the geographical allocation of profits for the purposes of taxation. On 15 December 2022, the Council of the European Union formally adopted the EU Pillar Two Directive. On 22 December 2022, the EU Minimum Tax Directive was published.

On 11 July 2023, the UK enacted Finance (No. 2) Act 2023 which introduced the Multinational Top-up Tax and the Domestic Top-up Tax with effect for accounting periods beginning on or after 31 December 2023. These taxes are the UK's adoption of the income inclusion rule and domestic minimum top-up tax rule referenced in the OECD's Pillar Two reform.

On 18 December 2023, Ireland enacted Finance (No. 2) Act 2023 which, pursuant to the EU Minimum Tax Directive, provided for the introduction of a new minimum effective rate of tax for certain businesses. These rules provide for a Qualified Domestic Top-Up Tax where an in-scope group's Irish operations have an effective rate of tax of less than 15%. They come into force for accounting periods beginning on or after 31 December 2023.

On 19 December 2023, Spain's Council of Ministers approved a draft law to implement the EU Minimum Tax Directive. This is to be subject to consultation, prior to being sent to Parliament.

For 2023, the predominant jurisdiction in which the Group operates with an effective tax rate of less than 15% is Ireland through Aer Lingus. While the impact on the Group of the adoption of Pillar Two is not yet reasonably possible to estimate, for indicative purposes, in 2023 Aer Lingus recorded a current tax expense of €24 million relating to its Irish operations, representing an effective tax rate of 12.8%. Had the effective tax rate applied by Aer Lingus to its Irish operations been 15%, the current period tax expense would have increased by €4 million to €28 million, which would have increased the overall Group effective tax rate from 13.1% to 13.3%.

On 18 January 2024, the *Tribunal Constitucional* (Constitutional Court) in Spain issued a ruling that the amendments to corporate income tax arising from the introduction of Royal Decree-Law 3/2016 were unconstitutional and accordingly revoked. The Group has not adjusted the financial statements for this revocation, but expects to recognise a tax receivable, excluding interest arising, from the Spanish tax authorities of approximately €191 million and an associated deferred tax charge of approximately €58 million.

Operating profit performance of airline operating companies

	Aer Lingus € million		British Airways £ million		Iberia € million		Vueling € million	
Statutory	**2023**	Higher/ (lower) vly	**2023**	Higher/ (lower) vly	**2023**	Higher/ (lower) vly	**2023**	Higher/ (lower) vly
Passenger revenue	2,209	530	12,668	3,453	5,262	1,220	3,181	597
Cargo revenue	55	(25)	757	(303)	275	(72)	–	–
Other revenue	10	–	898	143	1,421	299	17	3
Total revenue	**2,274**	505	**14,323**	3,293	**6,958**	1,447	**3,198**	600
Fuel, oil costs and emissions charges	639	100	3,825	896	1,496	183	907	168
Employee costs	471	78	2,577	477	1,284	123	399	29
Supplier costs	789	143	5,475	880	2,827	543	1,240	152
Ownership costs[1]	150	16	1,015	(66)	411	47	256	50
Operating profit	**225**	168	**1,431**	1,106	**940**	551	**396**	201
Operating margin	9.9%	6.7 pts	10.0%	7.0 pts	13.5%	6.4 pts	12.4%	4.9 pts

Alternative performance measures[2]								
Passenger revenue	2,209	530	12,668	3,453	5,262	1,220	3,181	597
Cargo revenue	55	(25)	757	(303)	275	(72)	–	–
Other revenue	10	–	898	143	1,421	299	17	3
Total revenue before exceptional items	**2,274**	505	**14,323**	3,293	**6,958**	1,447	**3,198**	600
Fuel, oil costs and emissions charges	639	100	3,825	896	1,496	183	907	168
Employee costs	471	78	2,577	477	1,284	123	399	29
Supplier costs	789	143	5,475	861	2,827	543	1,240	152
Ownership costs[1]	150	16	1,015	(66)	411	47	256	42
Operating profit before exceptional items	**225**	168	**1,431**	1,125	**940**	551	**396**	209
Operating margin before exceptional items	9.9%	6.7 pts	10.0%	7.2 pts	13.5%	6.4 pts	12.4%	5.2 pts

1 Ownership costs reflects Depreciation, amortisation and impairment, and the Net (gain)/loss on the sale of property, plant and equipment.

2 Further detail is provided in the Alternative performance measures section.

The Iberia numbers in the table above are presented on the same basis as in note 5 to the consolidated financial statements and exclude LEVEL Spain.

Review by operating company

All of the airline operating companies saw a significant increase in profitability in 2023, with Iberia and Vueling achieving record levels of operating profit, reflecting strong passenger yields, which were able to offset the impacts of higher effective fuel prices and inflation.

British Airways operated the lowest passenger capacity relative to 2019, with ASKs at 90.1% of 2019, partly linked to the delayed restoration of its capacity to the Asia Pacific region, which saw COVID-19 restrictions continue longer than the rest of IAG's markets. Aer Lingus operated at 104.4% of 2019 capacity, including the impact of its new UK base at Manchester Airport opened in October 2021. Iberia and Vueling both increased capacity versus 2019, operating at 103.2% and 108.5% of 2019 levels respectively.

Operating profit before exceptional items

	2023	2022[1]	2019[1, 2]
Aer Lingus (€ million)	**225**	57	276
British Airways (£ million)	**1,431**	306	1,893
Iberia (€ million)	**940**	389	498
Vueling (€ million)	**396**	187	241
IAG Loyalty (£ million)	**280**	240	176

1 The 2019 and 2022 results include a reclassification to conform with the current year presentation for the Net gain on sale of property, plant and equipment within Operating profit.

2 The 2019 results have been restated for the treatment of administration costs associated with the Group's defined benefit pension schemes.

IAG Loyalty showed significant growth in its non-airline partner revenue streams, together with benefiting from the recovery in the Group's airlines, leading to a second successive year of record operating profits, with operating profit before exceptional items of £280 million (€321 million), up from £240 million (€282 million) in 2022. IAG Loyalty's operating margin for 2023 was 21.7%, with the reduction of 6.7 points from 28.4% in 2022 due to the increased level of Avios redemption activity as well as the mix of Avios issued between the Group's airlines and other partners.

Capital expenditure

In 2023, the Group continued to invest in its aircraft fleets, customer products and services, IT infrastructure and sustainability, as the business continued to recover and restore capacity. Capital expenditure, measured as the Acquisition of property, plant and equipment and intangible assets from the Cash flow statement, was €3,544 million, compared with €3,875 million in 2022, with the reduction of €331 million due to the profile of fleet deliveries and pre-delivery payments, with investment in IT higher than in 2022, as the Group continues to invest in its IT estate and transformation projects. In 2023, the Group took delivery of 34 aircraft: ten for British Airways, 14 for Iberia, six for Vueling, two for Aer Lingus and two for LEVEL. Of these deliveries, 28 were aircraft acquired from Airbus and Boeing and six were leased directly from aircraft lessors (2022: 25 aircraft acquired from Airbus and Boeing and two leased directly from aircraft lessors). One of the aircraft acquired from Airbus in 2023 was novated to a lessor immediately prior to the point of delivery as part of a sale and leaseback arrangement, which resulted in the final delivery payment for the aircraft being made by the lessor, rather than by the Group as capital expenditure; the Group also received a refund of the pre-delivery payments it had made in advance of the delivery date in respect of that aircraft.

Aircraft deliveries	**2023**	2022
Airbus A320ceo	**2**	–
Airbus A320neo family	**19**	12
Airbus A330	**2**	–
Airbus A350	**9**	12
Boeing 787-10	**2**	3
Total	**34**	27

Aircraft orders

During 2023, the Group converted ten A320neo options to firm deliveries in 2028, as replacement aircraft for its short-haul network. A new order was placed for British Airways for six Boeing 787-10 aircraft, and one new Airbus A350-900 aircraft was ordered for Iberia; the aircraft represented by these new orders will be delivered in 2025 and 2026. In addition to these orders from Airbus and Boeing, the Group entered into leases directly with lessors for two Airbus A350-900 aircraft for Iberia, two Airbus A330-200 aircraft for LEVEL and two A320ceo aircraft for Vueling, all of which were delivered during the year. The table below includes three further A320ceo aircraft for Vueling, for which leases were signed prior to 31 December 2023, with the aircraft to be delivered in 2024.

The Group anticipates introducing eight further A320ceo aircraft for Vueling in 2024 through operating leases, to cover aircraft availability linked to additional maintenance requirements for aircraft with Pratt & Whitney 'GTF' engines.

Aircraft future deliveries at 31 December	2023	2022
Airbus A320ceo	**3**	–
Airbus A320neo family	**82**	91
Airbus A321XLR	**14**	14
Airbus A350	**3**	12
Boeing 737	**50**	50
Boeing 777-9	**18**	18
Boeing 787-10	**11**	7
Total	**181**	192

In addition to those committed future deliveries shown above, at 31 December 2023, the Group held options to acquire a further 235 aircraft from Airbus and Boeing.

Capital commitments

Capital expenditure authorised and contracted for at 31 December 2023 amounted to €12,706 million (2022: €13,749 million), with the decrease attributable to the net of the aircraft deliveries and the new orders described above. Most of these commitments are denominated in US dollars.

The Group has certain rights to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2023.

Working capital

The net movement in working capital saw a cash outflow of €142 million in 2023, compared with a significant cash inflow of €1,884 million in 2022. The year 2022 had seen a significant restoration of airline capacity by the end of the year, with significant related increases in bookings for future travel (Deferred revenue), net of trade receivables, together with an increase in Trade and other payables, linked to the increase in the Group's flying programmes and the related increase in operating expenditure. By contrast, in 2023, working capital had returned closer to a steady-state position. Inventories increased by €141 million to €494 million, partially linked to engine purchases to meet maintenance requirements. Trade receivables were up by €229 million to €1,559 million, related to higher passenger numbers and yields, together with some timing differences related to certain receipts due from the Spanish government.

At 31 December 2023, total Deferred revenue, which includes the Group's loyalty schemes, was €8,023 million, an increase of €379 million versus €7,644 million at 31 December 2022. Deferred revenue at 31 December 2023 includes €645 million in respect of unredeemed vouchers, including associated taxes (2022: €911 million). The unredeemed voucher balance includes: flight vouchers issued to customers at their election to provide the flexibility to change their destination and/or date of travel (a policy introduced in 2020 and still in operation) and loyalty-related companion vouchers (referred to as 'non-disrupted vouchers'); vouchers issued due to COVID-19 flight cancellations (referred to as 'disrupted vouchers'); certain other flexible fare options; and other gift vouchers. The outstanding balance of disrupted vouchers at 31 December 2023 was €139 million, with the remaining €506 million relating to ongoing commercial policies, which the Group expects to continue to be offered in the future.

Funding and debt

IAG's long-term objectives when managing capital are: to safeguard the Group's ability to continue as a going concern and its long-term viability; to maintain an optimal capital structure in order to reduce the cost of capital; and to provide sustainable returns to shareholders. In November 2018, S&P and Moody's assigned IAG long-term investment-grade credit ratings with a stable outlook; IAG's credit ratings remained investment-grade up until the outbreak of COVID-19. In 2023, due to the improvement in the Group's profitability, cash generation and balance sheet, both S&P and Moody's raised their credit ratings of IAG in the fourth quarter of the year. The Group's current ratings (at 28 February 2024) are: S&P: BBB- (investment grade), Moody's: Ba1. British Airways has separate credit ratings, which were also increased to BBB- (investment grade) by Fitch and S&P; Moody's rating of British Airways is Ba1.

Early repayment of debt raised in 2020 and 2021

During 2020 and 2021, the Group's airlines required additional liquidity, due to the significant adverse impact of COVID-19, and all entered into special COVID-19-related financing arrangements, partially or fully guaranteed by the governments in their home countries. This debt was based on floating rate arrangements and agreed at margins that reflected the condition of the financial markets and the Group's airlines at the time; this debt was among the most expensive of the Group's debt to service. As a result of the Group's profitability and cash generation in 2022 and 2023, and expected continued strong cash generation over the foreseeable future, in the second half of 2023, the Board agreed that the remainder of this debt should be repaid ahead of its scheduled maturity, which was between 2024 and 2026. The total amount repaid early was €3,271 million: £2,000 million (€2,312 million) for British Airways, partially guaranteed by the UK Export Fund (UKEF); €644 million and €223 million for Iberia and Vueling respectively, partially guaranteed by Spain's *Instituto de Crédito Oficial* (ICO); €42 million of other non-aircraft debt for Iberia; and €50 million to the Ireland Strategic Investment Fund (ISIF) for Aer Lingus. These early debt repayments will result in a reduction in interest costs in future years.

Following these early repayments, and the repayment of IAG's €500 million bond in July 2023, the maturity profile of the Group's debt as of 31 December 2023, aside from aircraft financing payments, includes two €500 million IAG bonds due in 2025 and 2027, respectively, IAG's €825 million 2028 convertible bond and a €700 million IAG bond due in 2029.

Debt and capital

The Group monitors leverage using net debt to EBITDA before exceptional items, in addition to closely following measures used by the credit ratings agencies, including those based on total borrowings (gross debt).

In 2019, the Group set a target of net debt to EBITDA before exceptional items below 1.8 times, which broadly corresponded to investment grade with the credit ratings agencies. At its Capital Markets Day in November 2023, the Group confirmed this target remains appropriate.

As at 31 December 2023, net debt to EBITDA before exceptional items had reduced to 1.7 times, compared with 3.1 times in 2022, reflecting the strong recovery in profitability and the related cash generation, with capital expenditure €331 million lower than the previous year.

Net debt

€ million	**2023**	2022	Higher / (lower)
Debt	**19,984**	19,610	374
Cash and cash equivalents and interest-bearing deposits	**(9,599)**	(7,943)	(1,656)
Net debt at 1 January	**10,385**	11,667	(1,282)
Decrease/(increase) in cash net of exchange	**2,762**	(1,656)	4,418
Movements in total borrowings			
Net cash outflow repayments of borrowings and lease liabilities	**(5,999)**	(2,505)	(3,494)
Net cash inflow new borrowings	**1,001**	1,436	(435)
Non-cash impact of new leases	**1,315**	1,017	298
Decrease in net debt from regular financing	**(3,683)**	(52)	(3,631)
Exchange and other non-cash movements	**(219)**	426	(645)
Net debt at 31 December	**9,245**	10,385	(1,140)

Net debt reduced by €1,140 million, principally due to the recovery in profitability and operating cash flow generation, partially offset by the capital expenditure of €3,544 million. Gross debt reduced by €3,902 million during the year to €16,082 million. Repayments exceeded new borrowings by €4,998 million, mainly due to the early repayments of non-aircraft debt outlined above, the repayment on maturity of a €500 million IAG bond, and scheduled repayments of aircraft financing exceeding new aircraft financing raised during the year. The Group also raised financing by way of sale and leaseback transactions and extended existing leases, which together added €1,315 million to gross debt. The Group's gross debt is subject to foreign exchange translation movements, as the majority of the Group's aircraft debt is denominated in US dollars. Over the course of 2023, the euro and pound sterling strengthened against the US dollar leading to a decrease in gross debt of €361 million. The remainder of the variance in gross debt versus 2022 is mainly due to the increase in the fair value of IAG's €825 million convertible bond due in 2028.

Cash

Cash, cash equivalents and interest-bearing deposits

€ million	2023	2022	Higher/ (lower)
Aer Lingus[1]	**356**	375	(19)
British Airways	**1,361**	2,877	(1,516)
Iberia	**1,890**	2,389	(499)
Vueling	**452**	766	(314)
IAG Loyalty	**1,374**	993	381
IAG and other Group companies	**1,404**	2,199	(795)
Cash and cash equivalents and interest-bearing deposits	**6,837**	9,599	(2,762)

1 At 31 December 2023 Aer Lingus held €31 million of restricted cash (2022: €33 million) within interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

British Airways, Iberia, Vueling, Aer Lingus and IAG Loyalty all experienced significant positive operating cash flow in the year. The reduction in the balance of cash, cash equivalents and interest-bearing deposits in IAG and other Group companies principally reflects the early repayment of floating rate unsecured debt in all the airlines, and the repayment of the IAG €500 million 2023 bond on maturity.

Debt

Long-term aircraft financing was drawn for 31 aircraft during 2023, including five aircraft that were delivered in 2022 to British Airways and for which funding was committed at 31 December 2022. The Group also secured committed funding of €375 million, to be drawn in 2024, for three British Airways aircraft, including two delivered in 2023; this committed funding is included in committed and undrawn aircraft financing facilities at 31 December 2023. Linked to its strong cash generation, Iberia did not seek financing for three new A321neo aircraft delivered in 2023, with these aircraft held unencumbered at 31 December 2023.

Equity

No equity was raised or repaid during the year, nor in 2022.

Liquidity facilities

During the year, the Group exercised a one-year extension to the availability of its Revolving Credit Facility (RCF), which now has committed availability until March 2026. The available amount will remain at $1,755 million (€1,605 million) until March 2025 and reduce to $1,655 million (€1,513 million) for the final 12 months to March 2026. The facility was originally agreed and executed with a syndicate of banks in 2021, with availability for three years, plus two consecutive one-year extension periods, at the discretion of the lenders. The facility is available to Aer Lingus, British Airways and Iberia, each of which has a separate borrower limit within the overall facility. Any drawings under the facility would be secured against eligible unencumbered aircraft assets and/or take-off and landing rights at London Heathrow or London Gatwick airports. This facility was undrawn at 31 December 2023.

The Group also added a new £1,000 million (€1,159 million) committed credit facility for British Airways, partially guaranteed by the UKEF, which was agreed upon the repayment of British Airways' £2,000 million (€2,312 million) loan in September 2023 and which matures in September 2028. This is in addition to the existing £1,000 million (€1,159 million) committed credit facility for British Airways, partially guaranteed by the UKEF, which was agreed and executed in 2021 and matures in November 2026. Both facilities were undrawn at 31 December 2023.

Aer Lingus has a €350 million credit facility with Ireland's ISIF, which is available until March 2025. This facility was undrawn at 31 December 2023. At 31 December 2022 €50 million was drawn; this €50 million was repaid in the first half of 2023.

The Group also has certain other committed and undrawn general and overdraft facilities, bringing total committed and undrawn general and overdraft facilities at 31 December 2023 to €4,412 million (2022: €3,284 million).

The Group also holds €375 million of committed and undrawn aircraft financing facilities (2022: €1,116 million). The committed amount at 31 December 2023 represents financing for three British Airways aircraft to be drawn in 2024. The committed and undrawn aircraft financing facilities at 31 December 2022 included committed financing for five aircraft for British Airways that was drawn in 2023 and certain backstop financing arrangements, which have now expired. The Group's aircraft deliveries continue to be successfully financed on regular long-term financing arrangements as required, and hence no drawing on these backstop arrangements was necessary.

In total, the Group had €4,787 million of committed and undrawn general and aircraft facilities as at 31 December 2023 (2022: €4,400 million).

The facilities values above do not include the balance of certain shorter-term working capital facilities available to the Group's operating companies.

Dividends

No dividends were proposed or paid in 2023 (2022: nil).

Liquidity and cash flow

Total liquidity, measured as cash, cash equivalents and interest-bearing deposits of €6,837 million and committed and undrawn general and aircraft facilities of €4,787 million, was €11,624 million at 31 December 2023. This represented a decrease of €2,375 million versus total liquidity of €13,999 million at the end of 2022, linked mainly to the Group's decision to repay certain of its debt raised in 2020 and 2021 in advance of its scheduled maturity.

Cash flow

The Group saw strong cash flow generation in 2023, mainly linked to its strong profit performance; the strong cash generation in turn allowed the Group to rebalance the mix of gross debt and cash by undertaking the early debt repayments outlined above.

Free cash flow

In 2023, the Group adopted Free cash flow as an Alternative performance measure, replacing Levered free cash flow. Free cash flow is defined as Net cash flows from operating activities less Acquisition of property, plant and equipment and intangible assets. See Alternative performance measures section for further details.

€ million	2023	2022	Variance
Net cash flows from operating activities	**4,864**	4,854	10
Acquisition of property, plant and equipment and intangible assets	**(3,544)**	(3,875)	331
Free cash flow	**1,320**	979	341

In 2023, Free cash flow was €1,320 million, up €341 million versus 2022, driven by similar Net cash flows from operating activities, but lower capital expenditure, as outlined above. In 2022, whilst the Operating profit was significantly lower, Net cash flows from operating activities benefited from the restoration of capacity and the associated positive impact on working capital, mainly from the rebuilding of advanced ticket sales.

Condensed cash flow summary

€ million	2023	2022[1]	Variance
Net cash flows from operating activities	**4,864**	4,854	10
Net cash flows from investing activities	**(3,423)**	(3,463)	40
Net cash flows from financing activities	**(5,194)**	(56)	(5,138)
Net (decrease)/increase in cash and cash equivalents	**(3,753)**	1,335	(5,088)
Net foreign exchange differences	**(2)**	(31)	29
Cash and cash equivalents at 1 January	**9,196**	7,892	1,304
Cash and cash equivalents at year end	**5,441**	9,196	(3,755)
Interest-bearing deposits maturing after more than three months	**1,396**	403	993
Cash, cash equivalents and other interest-bearing deposits	**6,837**	9,599	(2,762)

1 The 2022 results include reclassifications to conform with the current year presentation. Further information is given in note 2 and note 37.

Many of the significant cash flow items are already explained above, including in the sections covering operating costs, non-operating costs, capital expenditure, working capital and other initiatives and funding. Further detail of the other main movements is provided below.

Cash flows from operating activities

€ million	2023	2022[1]	Variance
Operating profit	**3,507**	1,278	2,229
Depreciation, amortisation and impairment	**2,063**	2,070	(7)
Net gain on disposal of property, plant and equipment	**(2)**	(22)	20
Pension contributions net of service costs	**(30)**	(5)	(25)
Increase in provisions	**237**	463	(226)
Unrealised currency differences	**51**	19	32
Other movements	**111**	76	35
Interest paid	**(1,005)**	(817)	(188)
Interest received	**365**	42	323
Tax paid	**(291)**	(134)	(157)
Movement in working capital	**(142)**	1,884	(2,026)
Net cash flows from operating activities	**4,864**	4,854	10

1 The 2022 results include reclassifications to conform with the current year presentation. Further information is given in note 2 and note 37.

In December 2022, British Airways agreed the valuation of its main defined benefit pension scheme, the New Airways Pension Scheme (NAPS), with the scheme's Trustee, which resulted in a deficit as at the valuation date of 31 March 2021 of £1,650 million (€1,887 million). As at 31 December 2023, the scheme was over 100% funded on the 2021 valuation basis and an overfunding protection mechanism agreed with the NAPS Trustee had the effect that no contributions were due in 2022 or 2023. Deficit contributions could resume should the funding level fall in the future. The pension cash flows shown above represent payments to various smaller schemes within the Group. The valuation of the main British Airways pension schemes also showed a surplus on the IAS 19 accounting basis, which does not impact contributions due to the schemes. Total Employee benefit assets at 31 December 2023, of which the principal element is the NAPS accounting surplus, were €1,380 million; the reduction of €954 million versus 31 December 2022 was predominately due to the impact of the fall in AA corporate bond yields applied in discounting scheme liabilities, leading to higher liabilities at the same time as the market value of assets fell, mainly due to the increase in UK government bond yields.

Provision and other non-cash movements mainly relate to restoration and handback provisions for leased aircraft and ETS allowances. Provisions for ETS allowances are charged to Fuel, oil costs and emissions charges as they are built up through the year, with the cash payment for ETS credits acquired by the Group's airlines to meet the requirements of the various emissions trading schemes accounted for as capital expenditure. Provision and other non-cash movements also include restructuring payments of €82 million, mainly relating to redundancy programmes in Iberia agreed prior to 2020.

The increase in interest paid in 2023 reflects higher interest rates, partially mitigated in the fourth quarter by the early repayment of €3,271 million of floating rate debt outlined above. After including the impact of hedging, 13% of the Group's total debt at 31 December 2023 was on floating rate arrangements.

Cash flows from investing activities

€ million	**2023**	2022	Variance
Acquisition of property, plant and equipment and intangible assets	**(3,544)**	(3,875)	331
Sale of PPE, intangible assets and investments	**1,091**	837	254
Increase in other current interest-bearing deposits	**(985)**	(351)	(634)
Payment to Globalia for convertible loan	**-**	(100)	100
Other investing movements	**15**	26	(11)
Net cash flows from investing activities	**(3,423)**	(3,463)	40

The €1,091 million of cash inflow from the Sale of property, plant and equipment, intangible assets and investments is mainly due to the aircraft sale and leaseback transactions discussed in the Funding and debt section above, together with the disposal of assets, principally aircraft being retired from service. The increase from 2022 reflects the number and type of aircraft financed through sale and leaseback transactions in 2023 compared with 2022.

In March 2022, IAG entered into a convertible loan with Globalia for €100 million, convertible into an equity stake in Air Europa Holdings of 20%; the conversion option was exercised in August 2022, with the equity stake treated as an equity investment.

Cash flows from financing activities

€ million	**2023**	2022	Variance
Proceeds from borrowings	**1,001**	1,436	(435)
Repayment of borrowings	**(4,268)**	(1,050)	(3,218)
Repayment of lease liabilities	**(1,731)**	(1,455)	(276)
Settlement of derivative financial instruments	**(119)**	1,036	(1,155)
Acquisition of treasury shares and other financing movements	**(77)**	(23)	(54)
Net cash flows from financing activities	**(5,194)**	(56)	(5,138)

Proceeds from borrowings reflect the cash inflows from aircraft financing as described in the Funding and debt section above. Aside from the additional liquidity facilities described in 'Liquidity facilities' above, there was no new non-aircraft financing raised in 2023 (2022: nil).

Settlement of derivative financial instruments relates to settlements of foreign exchange instruments taken out to hedge long-term debt payments, including US dollar lease payments. The outflow in 2023 relates to the weakening of the US dollar versus the euro and pound sterling. In 2022, the significant inflow related to the strengthening of the US dollar versus the euro and pound sterling.

The Acquisition of treasury shares and other financing movements includes the purchase of 27 million shares in 2023 related to the Group's intended acquisition of the remaining shares in Air Europa Holdings, as part of the consideration is required to be delivered as IAG shares, together with 15 million shares related to employee incentive schemes. In 2022, 15 million shares were purchased related to employee incentive schemes.

Engagement for the benefit of our industry

Engagement context

The strong recovery in demand for travel during 2023 was accompanied by the usual close scrutiny by regulators and policy-makers with additional challenges created by the geopolitical background. Political dynamics in Spain and forthcoming elections in the UK and for the European Parliament mean that policymakers have tended to focus on shorter-term priorities which is a challenge for an industry with long investment cycles.

With this overall context, IAG continued to engage with policymakers in the institutions of the European Union and in the countries in which its operating airlines are based or serve, to promote the economic and social benefits of aviation and explain the impacts of policy proposals on our business. We continue to encourage aviation regulators to adopt measured policies that recognise the competitive nature of international aviation (including proposals to amend airport slot allocation rules in the EU or the UK) and to promote a greater balance of the risk and reward in the regulation of monopoly airports and Air Navigation Service Providers (ANSPs), given the significant cost to airlines of their services.

In addition to direct engagement with policymakers, IAG worked through trade associations, notably Airlines 4 Europe (A4E) and the International Air Transport Association (IATA), as well as national industry and business associations, to put its case to governments and institutions such as the International Civil Aviation Organisation (ICAO) on issues of importance to the Group and its customers, especially in sustainability.

Geopolitical instability

The far-reaching impacts of the Russian invasion of Ukraine in 2022 on the world also had immediate practical effects on airlines by preventing European and UK airlines from operating through Russian airspace, a situation which, along with the war, endured throughout 2023. IAG's operating companies adapted by routing aircraft to and from Asia away from Russian airspace with the resultant increase in flying time driving more complex planning and a need for additional crew.

At various times in 2023, military coups and other conflicts in West Africa and the Sahel region resulted in further temporary restrictions to airspace. Although the risks to smooth operations from such events can usually be managed and are isolated in their geographical impact, they also exacerbate industry-wide challenges.

A further impact of the war in Ukraine was seen in 2023 with the extension of sanctions on Russia by the EU and the UK to prohibit, from the end of September, the import of Russian iron and steel products processed in a third country. The additional requirements to scrutinise the origins of steel and the location of manufacture have slowed procurement of aircraft parts adding to pressure on the global supply chain.

> "IAG continues to play a leading role in developing industry plans for reaching net zero carbon emissions."

The conflict in Israel from 7 October and the subsequent escalation of military action in Israel and Gaza meant that IAG's airlines ceased operations to Israel. There are immediate commercial impacts of being unable to operate to the country and further signs of impact on markets in the immediate conflict area. We continue to monitor the wider economic impacts on the world economy of this and other conflicts.

The global supply chain has not yet returned to normal from the disruption caused by the COVID-19 pandemic, having the practical effect of putting pressure on maintenance and engineering resources affecting fleet availability. Both Airbus and Boeing have seen delivery schedules for new aircraft slip behind their original plan and the distribution of replacement parts continues to take longer than it did in 2019, increasing maintenance times for many airlines. The problems that emerged during the year for airlines operating Airbus aircraft with the Pratt & Whitney PW1100G 'GTF' engines meant significant additional numbers of aircraft in the global airline fleet required additional maintenance at the end of 2023. While the impacts for IAG's own aircraft are limited and manageable, the pressure on maintenance facilities increased during 2023 since other airlines took up capacity to solve this issue and will continue to do so in the coming years. IAG engaged with regulators to explain the potential difficulties for customers that this pressure could cause.

Sustainability

Much of IAG's advocacy and engagement in 2023 was concerned with the issue of sustainability. IAG continues to play a leading role in developing industry plans for reaching net zero carbon emissions and the Group's strategic approach and practical actions to reaching our targets are explained in detail in the Sustainability section.

In our ongoing activities to explain our position, the Group and its operating airlines continued to engage with representatives of the institutions of the EU and the governments of Spain, Ireland and the UK. We have long advocated the development of Sustainable Aviation Fuels (SAF) which reduces lifecycle CO_2 emissions by 80% as the solution, not just to the near-term need to drive down industry emissions, complementing the deployment of more efficient aircraft, but also to enable sustainable long-haul aviation alongside the development of carbon capture technology and future generation e-fuels.

In Europe, high-level engagement continued on the most relevant of the EU's Fit for 55 policies including the aviation SAF blending mandate (ReFuel EU aviation) and the revision of the Emissions Trading System (ETS) Directive for Aviation. IAG welcomed the EU's commitment of 20 million free SAF allowances to encourage SAF uptake between 2024 and 2030 and the increase to the ETS innovation fund budget to help deploy net zero and innovative technologies. In 2023, aviation was also included in the EU Taxonomy as one of the sectors that has the potential to contribute significantly to climate change mitigation.

While the Group continues to support the principles and approach of the EU's Green Deal we maintained our opposition, aligned with other airlines, to the proposed removal of the jet fuel tax exemption since it will reduce the sector's ability to invest in more effective measures and to enable a competitive European aviation sector. IAG's technical experts and senior executives engaged with relevant officials at the European Commission, the Representations of Member States in Brussels as well as Members of the European Parliament, and with complementary contacts with the relevant authorities in the respective EU hubs, in Madrid, Dublin and Barcelona.

In the UK, IAG engaged with cabinet ministers and officials at all levels to encourage support for a UK SAF industry that can provide thousands of new jobs and see plants built in the regions of the UK. IAG advocates the use of free allowances from future revenues that airlines will pay into the UK ETS (mirroring the EU approach), to support the purchase of advanced SAF and encourage SAF production as seen in the US and Europe. We look forward to providing input to the UK's consultation on a price support mechanism for SAF production which is an essential requirement to securing investment.

Aviation policy issues

Potential changes considered by the EU and the UK to the global system used to allocate takeoff and landing slots at congested airports were an important focus of government engagement throughout 2023.

IAG supports the use of the Worldwide Airport Slots Guidelines (WASG) system, formulated by IATA, since it provides a stable, internationally accepted system (reflected in the relevant EU Slot Regulation and UK laws) that encourages competition but also supports reliable, established networks.

In 2023, the EU considered but halted changes to this system and the UK announced that it would consult on potential new approaches during 2024. We note that no system of allocation can solve the problem of a lack of capacity, and these should not be conflated. We therefore continue to impress on policymakers the benefits of a global system that supports new market entrants and allows network airlines to plan their complex schedules in advance so that they can offer customers a wide range of destinations and connections while also managing operational disruption effectively.

Some alleviations from the elements of slot rules that require airlines to operate any one slot 80% of the time to retain it in the following year have remained in place around the world during 2023. IAG welcomed such alleviations as they recognise the continuing uncertainty that global supply chain issues and short-term uncertainty in demand in individual markets have caused. As we have seen in the Middle East, in the last quarter of 2023 there are continued pressures on airlines which are often prevented from operating individual flights. We continue to advocate a pragmatic approach by airport slot coordinators to recognise the reality of factors outside airlines' control and that justify retaining slots for the longer-term benefit of airlines and their customers.

Since around one third of flights in Europe operate through French airspace, the very frequent strikes by air traffic controllers in France put further pressure on operations. IAG continues to make representations with other airlines and A4E, to encourage EU and French government action to allow free movement of traffic flying over France during industrial action, a policy already adopted by several other EU Member States.

"IAG maintained close engagement with regulators in key markets around the world to ensure positive relations and to ensure the benefits of its operations are understood."

Aviation regulators' concern for the consumer interest is understandable following the disruption of 2022 and in the light of external factors, and there were related developments in different jurisdictions for IAG's operating airlines. In the EU, national authorities responded to the industry recovery and high consumer demand in different ways, ranging from proposals to cap airfares in one EU Member State, to proposals to establish minimum fares in another. IAG engaged with policymakers to explain the benefits to consumers of the choice available to them in the competitive aviation market in the EU.

In the UK, IAG engaged with the Civil Aviation Authority (CAA) on plans to introduce an accessibility framework for airlines, to mirror its existing system that grades airports on the quality of their provision of wheelchairs. IAG's operating airlines encourage support for passengers with additional needs and believe that cross-industry engagement and communication to improve customer service will have better results for passengers affected than regulation. The UK also consulted on potential rules to restrict 'drip pricing' during online sales to ensure customers have all the relevant information at the appropriate point of purchase. Canada also introduced new requirements for airlines to set out their accessibility policies and consulted on proposals to increase passenger protection. Similarly, the US published notices of proposed rulemaking in several areas including to improve the provision of refunds to customers. At the end of 2023, the European Commission presented a proposal on multimodal passenger rights with a focus on passenger rights for access to tickets covering different transport modes.

IAG responded to relevant consultations and engaged directly and through our trade associations to inform regulators, propose balanced regulation and avoid introducing additional rules that hamper the competitiveness of the industry. The Spanish Presidency of the EU in 2023 gave an additional opportunity to engage in Madrid and Brussels.

Economic regulation of monopoly infrastructure

Aviation infrastructure and price regulation was another area of focus in 2023. In Ireland, the DAA appealed against the Irish Aviation Authority's December 2022 decision on the maximum level of airport charges at Dublin Airport for the period 2023-2026. This decision, which takes account of the impact that the COVID-19 pandemic had on the aviation industry, also provides for a capital investment allowance of approximately €3 billion. IAG was broadly supportive of the IAA's final determination of charges and has joined the appeal proceedings as a notice party.

In Spain, IATA and Spanish airline association ALA opposed AENA's proposal to increase charges for 2024 that would break the cap in the airport regulation document (DORA II) that sets AENA's airport charges scheme for 2022-2026. IAG broadly supports the associations' objections.

In October, the UK Competition and Markets Authority confirmed through its consideration of airline and airport appeals that it was essentially satisfied with the CAA's economic review of London Heathrow airport's charges. It is positive that charges in 2024 will be lower in nominal terms than in 2023 and then essentially flat for the remainder of the regulatory period to 2026. However, the very significant increase permitted in 2022 and 2023 (despite not allowing most of the London Heathrow airport to recoup revenues not earned due to the pandemic) means that London Heathrow airport's charges remain among the highest in the world and are not competitive. IAG seeks to work with the CAA and the Department for Transport to improve the regulatory framework for the future.

The importance of aviation infrastructure to airlines and their customers was highlighted by the failure of the UK's National Air Traffic Services (NATS) on 28 August due to a software failure. Although services recovered on the same day, an almost complete outage of service for several hours resulted in considerable cost to IAG's operating airlines, not only in managing the outage but also providing customers with the necessary duty of care, accommodation, communication and travel costs. IAG's airlines recognise the need to look after their customers in this way but encourage the reform of consumer regulation EU261 and the UK equivalent to recognise that ANSPs and airports should equally be responsible for the costs incurred where their actions are the cause of delays and cancellations.

This unfortunate NATS incident came during the regulator's consideration of its regulatory price review, the results of which see a 25% increase in average unit rate in nominal terms compared with 2022. This increase is driven by the fact that the regulatory system includes a traffic risk-sharing system that effectively allows NATS to recover the lost revenue from the pandemic. The decision does however include reductions in NATS En Route Limited's underlying cost base through to 2027 and provides a balance of efficiency and effective service provision.

Through A4E, IAG also engaged in discussions with the European Commission's Performance Review Body, aiming to encourage improved efficiency, better value for money and enhanced operational performance from ANSPs in Europe. IAG supports the implementation of the Single European Sky to deliver environmental and economic benefits over the longer term.

International relations

IAG maintained close engagement with regulators in key markets around the world to ensure positive relations and to ensure the benefits of its operations are understood. This includes monitoring developments in international air service agreements and contributing to government talks, where appropriate, between the states in which IAG's operating airlines are based and states representing important markets around the world.

For example, in November this included attending the special meeting of the EU-US Joint Committee on air transport that explored the US' complaint against the EU relating to the reduction in capacity imposed at Amsterdam Schiphol airport. Along with other airlines, IAG contends that any such questions of capacity should be resolved with reference to the ICAO Balanced Approach that considers the benefits and negative aspects of aviation activity fairly. We welcomed the Government of the Netherlands' decision in October to halt its plans and continue to advocate the continued use of all available capacity at Amsterdam Schiphol airport and to address environmental concerns through other measures.

British Airways for everyone

"We continue to rebuild our airline, putting a laser focus on transformation across the whole business, to ensure we deliver for our customers, our investors and our people."

Sean Doyle
Chairman and Chief Executive Officer of British Airways

10.0%
Operating margin before exceptional items
+7.2 pts vly

-9.9%
ASK change
vs 2019

86.2 gCO_2/pkm
Carbon intensity
-3.3% vly

Business overview

In 2023 we continued to focus on our recovery and the transformation of our business to create a better British Airways for our customers and our colleagues. We delivered a strong operating profit, continued to strengthen our balance sheet and materially reduce our debt, enabling us to supercharge our transformation through a £7 billion investment into our customer and colleague experience over the next three years.

While we have seen a large number of customers flying with us this year and demand for travel approaching pre-pandemic levels, we recognise business travel continues to recover at a slower pace than anticipated, with incremental improvements throughout the year, offset by a continued strong leisure performance. There is no denying we continued to experience a number of headwinds throughout the year, many of which were outside our control and caused disruption to our customers' travel plans. This included air traffic control constraints, the August Bank Holiday National Air Traffic Services (NATS) outage, an increase in adverse weather conditions and ongoing supply chain issues. We worked hard to alleviate the factors within our control and put a renewed focus on building a more robust operation, punctuality and investment in our customer experience, our people and in our sustainability commitments as part of our BA Better World programme.

Our people

We know our people are key to our success and we're extremely grateful for their continued hard work and the outstanding contributions they make to our business. We're focused on improving pride and trust with our colleagues and creating a culture that makes them feel valued and empowered to do the right thing for our customers. We completed the roll out of our new uniform, designed by Savile Row tailoring expert Ozwald Boateng, to our 30,000 uniform-wearing colleagues and began investment in transforming our workspaces, unveiling new colleague rest areas at our airports and hangars and collaborative workspaces in our offices. We're taking positive action to drive inclusion across our airline, but we don't shy away from the fact that there is more work to be done. We continue to champion and encourage our colleague-led networks and celebrate different perspectives, backgrounds and experiences. We launched an industry-leading fully-funded cadet pilot training programme, making the profession accessible to everyone. Throughout the year we recruited 7,500 new colleagues into the business and continued to build more constructive relationships with the trade unions that represent our people and enhanced our staff travel policies. Our recent colleague survey results show increased levels of engagement that indicate we're making progress in rebuilding trust with our people.

Our customers

We continue to invest for our customers and remain focused on improving the customer experience and our Net Promoter Score. In 2023 we took delivery of 10 new fuel-efficient aircraft, continued to fit our business cabin seat, the Club Suite, onto our existing long-haul fleet and are providing our engagement centre colleagues with more tools and new technology to better assist our customers.

We've also ramped up our extensive transformation programme, which includes innovation across every area of our business between 2024 and 2026. We have more than 600 initiatives underway which range from trialling biometrics on selected international flights to speed up the boarding process, to using artificial intelligence and situational awareness tools to improve our operational efficiency and enhance the customer experience.

We continue to connect Britain with the world and the world with Britain, and in 2023 launched new routes to Cincinnati, Riga, Belgrade and Cologne from Heathrow and services to Aruba, Guyana, Accra, Fuerteventura and Sharm El Sheikh from Gatwick. Following a three-year period of suspended operations due to the COVID-19 pandemic, we resumed operations to mainland China and announced we will be returning to Abu Dhabi in summer 2024.

We also continue to improve our Executive Club loyalty programme and, in conjunction with IAG Loyalty, launched Avios-Only flights to a number of short-haul destinations across our network, where every seat is exclusively available for purchase using the loyalty currency. As part of this proposition, we announced we will operate our first long-haul Avios-Only flight to Dubai in late 2024.

Our planet

We remain fully committed to reducing the impact flying has on our planet and sustainability has continued to be front and centre of our business strategy.

All flights departing from London Heathrow now fly with a small amount of Sustainable Aviation Fuel (SAF) and we continue to work closely with industry and government to scale up development, which is urgently needed. Through partnerships in the UK and USA, we continue to invest in SAF. Recently Project Speedbird, our partnership with Nova Pangaea Technologies and LanzaJet, secured £9 million in funding from the Government's Advanced Fuels Fund. We're also empowering our customers to address their emissions, via our CO_2llaborate platform, where customers can choose to purchase carbon removal credits or SAF before, during or after their flight.

In 2023, we celebrated raising more than £28 million for Flying Start, our charity partnership with Comic Relief, since our partnership began in 2010, and 10 years of partnership with the Disasters Emergency Committee (DEC). Through our BA Better World Community Fund, our customers and colleagues helped to raise more than £5 million in funding to support more than 170 charities across the UK.

Looking forward

We remain committed to operating a strong and stable schedule and delivering for our customers and colleagues by running an airline of which they can be proud, whilst managing our costs and ensuring we're operating safely and efficiently. As we transform our business, we continue to modernise our fleet with the delivery in 2024 of more than 14 next generation fuel-efficient aircraft, invest in our customer and colleague experience, and consider our environmental impact at every stage as we work together with our people to create a better British Airways for everyone.

British Airways unveiled its new uniforms

British Airways New Club Suites

New aircraft. In 2023 British Airways took delivery of 10 new fuel-efficient aircraft including the Airbus A320 and A321neo, A350-1000 and Boeing 787-10 Dreamliner.

Delivering on our transformation

"In 2023, we achieved an historic operating result in terms of absolute profit and operating margin. We have benefited from a positive industry environment and continue to deliver on the transformation we have been executing for over a decade."

Fernando Candela
Chairman and CEO of Iberia

13.5%
Operating margin before exceptional items
+6.4 pts vly

+3.2%
ASK change
vs 2019

68.5 gCO_2/pkm
Carbon intensity
-4.4% vly

Business overview

In 2023, we saw a strong financial performance that has allowed us to make an early repayment of debt, which was guaranteed by Spain's Instituto de Crédito Oficial (ICO). These results have been possible due to a favourable macroeconomic environment, and the improvement of inbound tourism to Spain, which has seen an increase in the number of tourists and levels of consumer spending.

Iberia has continued to be ahead of its competitors during 2023 in terms of capacity, which, along with the supply-demand imbalance we are seeing in the industry, has been a key driver of our remarkable results.

We added six Airbus A350-900, three A320neo and six A321neo aircraft to the Iberia and Iberia Express fleets, which are at the core of our transition towards a more sustainable aviation industry. We have expanded our network by opening new routes such as Doha and Cairo, and increased frequencies to important destinations such as Bogotá and Lima.

As part of our commitment to develop the connectivity and competitiveness of the Madrid hub, we continue to make progress on our proposed acquisition of Air Europa. The acquisition remains subject to securing the required approvals and is expected to take place between 18 to 24 months after our announcement of the transaction in February 2023.

In September, we lost the handling licences at eight Spanish airports, including Barcelona and Palma de Mallorca; however, we have won and maintained the licence to operate other major airports such as Madrid Barajas.

Our people

Once again Iberia's employees have been the company's greatest asset. Team effort is what makes it possible to achieve the highest standards of quality every day.

In 2023 we reaffirmed our unwavering commitment to creating and maintaining stable and high-quality employment, and to do so we have improved the working conditions and salaries of our entire workforce.

At Iberia contractual agreements are being implemented across our businesses as a sign of our commitment to the wellbeing and professional development of our team.

At Iberia Express, we reached collective bargaining agreements with our pilots and cabin crew until 2025.

In addition, 164 pilots, 512 cabin crew and 222 maintenance staff joined Iberia's workforce.

Our customers

Operational excellence and punctuality are key factors for our customers. Iberia and Iberia Express have been the most punctual airlines in Europe and Iberia fifth globally, according to the 2023 Cirum On-Time Performance Review. Also, we have reached historic levels in both NPS and customer satisfaction, by improving our engagement culture and all customer communications.

In 2023, we continued to roll out our new business cabin, thanks to the arrival of four new latest-generation Airbus A350-900s, together with two leased A350-900s. The aircraft have contributed not only to operational improvements, but also provide greater comfort in all cabins, with enhanced privacy, increased space and new lighting environments. These aircraft offer state-of-the-art connectivity and in-flight entertainment so passengers can enjoy their experience to the fullest.

We redesigned the in-flight meals throughout our network. We renewed our offering in the economy and premium economy cabins on long-haul flights by introducing a between-meals service, while our business cabin now includes healthy products, such as fresh fruit, as part of the on-board meals.

All these improvements have allowed us to retain our 4 Skytrax stars this year.

Our planet

In 2023, we continued working on the development of our sustainability strategy, to drive forward the transition of the industry. Iberia and Repsol joined forces in March to offer the purchase of Sustainable Aviation Fuel (SAF) to our corporate clients, allowing them to reduce the emissions of their business trips.

In September, we presented 'All4Zero', a unique industrial innovation hub formed alongside ArcelorMittal, Holcim and Repsol, created to promote disruptive technologies around sustainable fuels. In November, Iberia Express obtained IATA's IEnvA environmental certification for the airline's commitment to sustainability and in December, Iberia implemented the IAGOS system on an Airbus A330-200 to record the composition of the atmosphere for the subsequent development of more accurate weather and climate models.

This year we reduced our carbon intensity by 13.0% compared to 2019, bringing us ahead of our 2025 target.

Looking forward

During 2024 we will continue improving our long-haul operation with the delivery of our first A321 XLR allowing us to address long-haul destinations with a new and more flexible aircraft.

On handling, after the outcome of the tender for licences, we have been progressing to reach a solution both from the business perspective and for the people in affected airports.

Our operational excellence, our improved revenue performance and our cost model will allow Iberia to look forward to 2024 with optimism, even if the current macroeconomic and supply-demand imbalance tailwinds will be a challenge.

In 2023, we improved the working and salary conditions of our entire workforce.

Connecting people and places

vueling

"Our transformation is positioning Vueling among the top-performing European low-cost carriers, thanks to the great efforts of our 4,700 colleagues."

Marco Sansavini
Chairman and Chief Executive Officer of Vueling

12.4%
Operating margin before exceptional items
+5.2 pts vly

+8.5%
ASK change
vs 2019

78.9 gCO_2/pkm
Carbon intensity
-5.4% vly

Business overview

The Vueling mission statement talks about our love of connecting people and places, and in 2023 we did so more than ever: we flew almost 37 million passengers, a Vueling record.

We achieved strong operating profits, supported by one of the best-performing operations in Europe. Not only are we taking advantage of the strong recovery in demand, but we are emerging from the pandemic crisis stronger.

When we talk about our transformation, there are some examples that say it all:

- our punctuality placed us among the top European airlines: 80% of flights departed within 15 minutes of schedule, 4.7 points above 2019. For our customers, we are now at another level;
- our line maintenance allows us to have half as many aircraft grounded for technical reasons, compared to 2019;
- we drastically reduced our seasonality. In 2019 we had 40% more activity in summer than in winter. In 2023 we reduced this difference by half, allowing us to be much more efficient. We operated 8.5% more available seat kilometres in 2023 than in 2019, driven by this successful increase in winter capacity;
- our ancillary revenues doubled compared to 2019; and
- our load factor reached 91.4%, 4.5 points higher than in 2019.

Like many airlines, Vueling was impacted in 2023 by Pratt & Whitney geared turbofan engine issues. We mitigated these impacts by optimising our fleet plan, re-balancing capacity across months, wet leases, and other measures.

Our people

All this has been possible thanks to the efforts of everyone at Vueling, managing day-to-day operations and supporting our transformation at the same time.

Reflecting the responsibility and care that we have for our people, and as part of our transformation plan, we continued improving our work environment. For example, we launched a new programme for our people's health and wellbeing, which we call 'Make It Healthy', and we organised a number of outside-of-work opportunities for people to connect, including our inaugural Vueling family and friends day.

In 2023, we achieved a critical milestone: we signed a new collective labour agreement with our cabin crews and office team in Spain, which recognises and rewards their dedication while maintaining a sustainable cost structure. Our aim remains to reach a sustainable agreement with our pilots in Spain, enabling us to unlock our growth potential.

We set down a manifesto to make clear our commitment to diversity, equity and inclusion. This commitment is reflected in the equity plan that we signed with our unions and in the Vueling Management Committee.

Our customers

We know that customers have a choice when they fly, so we are fully focused on providing an experience that differentiates Vueling from other low-cost carriers.

In addition to delivering one of the most on-time operations in Europe, we upgraded the Vueling customer experience in other ways too. We enhanced the use of biometric technology at Barcelona, Madrid, Palma de Mallorca, Ibiza and Menorca airports, implemented a new social media platform to make our case management more efficient, and partnered with industry-leading technology organisations to digitalise our customer care and disruption management.

In recognition of our outstanding customer service, Sotto Tempo Advertising gave Vueling the award for *Servicio de Atención al Cliente del Año* (Customer Service of the Year) in the airlines category, based on independent market research.

Our planet

Increasing Sustainable Aviation Fuel (SAF) supply and adoption is essential for reaching Vueling and IAG's net zero carbon emissions target. Vueling engaged public institutions and potential SAF producers through workshops and roadshows, to communicate the benefits that SAF production can create for the environment, employment and the economy. We engaged our customers through a new online CO_2 calculator that allows them to estimate their carbon footprint before deciding whether to pay for SAF and carbon capture. We engaged all Vueling employees to elicit creative ideas on how we can further promote SAF development.

We also take seriously our commitment to society. Airlines are uniquely positioned to facilitate humanitarian aid after natural disasters, and Vueling operated humanitarian missions to Turkey after the earthquakes in February, Tenerife after the wildfire in August, and Morocco after the earthquake in September. We also collaborated with Make-A-Wish, Lovaas Foundation and Save the Children to support children in vulnerable situations, and we celebrated our tenth year of collaboration with the Spanish *Organización Nacional de Trasplantes* (National Transplant Organisation).

Looking forward

We are proud of the progress we are making, yet we are aware that we are still just halfway through the journey to reaching our full potential – to be the leading low-cost carrier in all the markets we choose to serve. On this journey, we will overcome industry challenges such as geared turbofan engine issues. We need to reach a sustainable agreement with our pilots in Spain as a necessary condition for investment in Vueling's growth and fleet. We will continue the many other transformation initiatives that are delivering measurable results.

In short, the transformation continues. It is how we are ensuring Vueling's long-term competitiveness, and it is what will allow us to do even more of what we love: connecting people and places.

Top: New generation aircraft reduce fuel burn and CO_2 emissions by 20% with respect to their predecessors.

Bottom left: Vueling introduced a Honeywell fuel efficiency app to all its pilots, with the purpose of sharing operational and best practices data to enhance decision-making in their day-to-day duties.

Bottom right: Vueling is the very first commercial airline in Europe and the first low-cost carrier to be awarded the Top Employer certification.

Building a stronger Aer Lingus

"Our largest summer schedule delivered a peak performance underpinning our profitability."

Lynne Embleton
Chairman and Chief Executive Officer of Aer Lingus

9.9%
Operating margin before exceptional items
+6.7 pts vly

+4.4%
ASK change
vs 2019

82.6 gCO_2/pkm
Carbon intensity
-3.6% vly

Business overview

The year 2023 saw growth, in both capacity and profit, supported by investment in digital transformation and enhanced customer experience. Strong demand for leisure travel led to an exceptional summer, delivering our highest-ever third-quarter profits.

Business travel recovery continues to lag that of leisure, which has put pressure on profitability in the off-peak months and exacerbated the seasonality of Aer Lingus' results. We built our North Atlantic leadership position; we now have the fourth largest number of direct destinations from Europe into the US. We expanded into secondary cities, leveraging the geography and US preclearance facility at our Dublin hub, adding a new route to Cleveland which performed really well in its first year. On our European network, demand for major sun destinations and new Mediterranean routes was exceptionally strong, while the resurgence in demand for European city breaks also contributed to a strong summer. A focus on operational performance led to process improvements and quick recovery from disruption events such as the UK's aircraft control (NATS) outage in August. Nevertheless, the summer operation was challenging, most notably due to aircraft availability and to ongoing Air Traffic Control issues in Dublin, the UK and France.

We started 2023 with a new brand advert and tagline "You're very welcome" showcasing the warmth of our service and our people. This was underpinned by 'customer first' training for over 2,500 colleagues. The strength of our brand and the improvements in customer experience were reflected in a higher Net Promoter Score.

Our customers

We delivered a significant transformation in our Customer Contact Centre following the difficult post COVID-19 restart, and we are now providing a vastly improved service to customers. Technology investment, workflow change, process redesign and bot automation collectively have brought average wait times to consistently below two minutes, with 90% of calls directed to the appropriate agent. Overall customer satisfaction rates are now 30% higher than in 2022.

Our investment in digital improvements is also making a difference to our customers, with additional information and functionality on our app, resulting in a better 'day of travel' experience. Our ability to continue improving the customer experience has been greatly advanced with the introduction of Salesforce, allowing us deeper insights into our customers and enabling us to offer a personalised and digital-led experience throughout their travel journey.

Recognising loyalty is also important to customers. We have continued to work closely with IAG Loyalty to enhance our offers and services to AerClub members, an effective partnership that has seen us expand our AerClub membership to 2.4 million customers, a 28% increase from 2022.

Our people

Our people go above and beyond every day to deliver for our customers. They are the people who make what we do possible. In 2023, we continued to improve communication and engagement with our colleagues. Our ambition is to create an inclusive environment, where our people are aligned with our strategy and recommend Aer Lingus as a place to work. We want everyone to feel empowered to own the brand promise "We are simply people who do everything we can for the people who fly with us." We launched a new digital communications platform company-wide, AerWaves. After only three-months, over two-thirds of our colleagues have signed up. This enables us to share knowledge while fostering a sense of belonging and teamwork in the airline. In response to feedback, we have also created an Idea Hub, where employees can contribute suggestions for continuous improvement across the company.

We have also made significant progress in industrial relations starting with a new pay deal with Dublin Ground Handling staff and then with cabin crew based in both Ireland and Manchester. Importantly we reached a pay agreement with our line maintenance engineers which will help us retain and attract talent, while providing better work coverage to support our operations.

Following the rejection by pilots of a pay tribunal recommendation, Aer Lingus and the pilots' representative organisation (IALPA) commenced further discussions in the Workplace Relations Commission (Ireland's employment conciliation service).

As part of our mission to improve diversity and inclusion at Aer Lingus we have placed much focus on female pilot recruitment. Aer Lingus ranks third in the world in terms of the proportion of female pilots (11% of our total) and we are determined to increase this, starting with the significant jump we achieved in female applications for our Future Pilot Programme in 2023.

Our planet

Further steps were made in our commitment to sustainability, and we were pleased to attain IATA's Environmental Assessment (IEnvA) Stage 2 certification.

In 2023, Aer Lingus became the first airline flying into Ireland to segregate and recycle on-board waste. We now recycle waste from over 90% of short-haul flights into Ireland and have completed trials on long-haul routes, with a target to recycle 20% of on-board waste by 2024.

Other important steps in our sustainability journey in 2023 were the investment in two new Airbus A320neo aircraft, and the introduction of hydrotreated vegetable oil (HVO) to replace diesel use in our airside ground vehicles at Dublin Airport.

Looking forward

In 2024 we will maintain our North Atlantic leadership from Dublin whilst continuing to offer an attractive schedule for European leisure travel.

Dublin Airport has lodged a planning application to increase the passenger cap at the hub airport from 32 million to 40 million passengers per year. Aer Lingus has supported the application and is engaging with relevant stakeholders on what is required to accommodate future growth by Aer Lingus out of Dublin. The airline has also supported the relaxation of night-flight restrictions at the airport. Both issues are currently going through the Irish planning process and the timing and manner of resolution is uncertain.

The Aer Lingus transformation programme is well underway, and many more projects are in the pipeline for 2024 – encompassing hub development, deepening partnerships, modernising IT, increasing data and digitalisation, and investment in our people.

We are committed to developing Aer Lingus as a growing, profitable, customer-centric airline, with a strong brand and a great place to work.

Above: Celebrating Irish pride as an Official Sponsor of the Irish Rugby Team.

Right: In June 2023, Aer Lingus flew our partner Special Olympics Team Ireland to the World Games. 73 Team Ireland athletes and a 36-strong support team travelled to Germany for one of the biggest inclusive sports events in the world.

A record-breaking year, with more to come

"In 2023 our business reached new heights once again. More Avios were issued and redeemed than ever before."

Adam Daniels
Chairman and Chief Executive Officer of IAG Loyalty

21.7%
Operating margin before exceptional items
-6.7 pts vly

81.0%
External billed revenue
+1.0 pt vly

142.8 billion
Total Avios issued
+36% vly

Business overview

In 2023, we again saw record-breaking performance as we both materially improved our core customer proposition and expanded our business in new directions.

We have seen record growth in both collection and redemption of Avios, driven by new opportunities we are creating for our customers. We are also in the process of transforming IAG Loyalty's data capabilities, which represents a major opportunity to drive our business forward by unlocking opportunities to better target potential customers. External partners continue to account for over 80% of our billed revenue. With the return of collection from flying and higher redemptions, our operating margin continues to normalise to pre-COVID-19 levels, and now stands at 22%. We are developing Avios to be a global currency, and a new partnership with Finnair will see the airline adopting Avios as its currency from 2024. Our newest retail venture, The Wine Flyer, saw strong revenue growth this year. We remain committed to launching another new business in 2024, under the direction of our new Chief growth officer.

Our people

Our commitment to a compelling people proposition continued to support IAG Loyalty's success in 2023. Anchored in our people plan – encompassing talent development, people experience and culture – we continued to focus on attracting, growing and retaining engaged talent to fuel our ambitious growth plans. We remain grateful to our colleagues for all their hard work this year.

As part of our people-centric strategy, we formed colleague squads, dedicated to missions like Charity, Equity, Diversity and Inclusion (EDI) and our recent workspace relocation. These missions empower colleagues to deepen their connection to IAG Loyalty and play their part in enhancing the overall experience.

Highlights include the selection of a new charity partner – Winston's Wish – for which we have raised almost £50,000 so far, and a calendar of EDI events and moments that matter that drive a strong sense of belonging.

Our colleague listening indicators show that IAG Loyalty colleagues have a strong sense of belonging and feel empowered to contribute to the success of the business in multiple ways. As we look forward to 2024, the people plan will remain integral to IAG Loyalty's growth.

Our customers

In 2023, our programme saw significant growth in member engagement compared to our previous highs in 2019. For example, members are earning 29% more Avios and redeeming 35% more Avios on average than they did in 2019.

In 2023, we launched Avios-only flights with British Airways, with 100% of seats available exclusively to Executive Club members redeeming with Avios. We also launched Avios Balance Booster, which allows customers to pay to multiply the Avios they have recently collected by one times, two times, or three times. We have been delighted with our customers' response to both products.

We also completed the transition of all the IAG airlines' loyalty programmes to a spend-based model when earning Avios. This system is simpler and fairer, and we expect member engagement to increase further as a result.

We continue to add collection partners to our ecosystem, as well as growing our relationship with newer partners like Uber. We launched six new partnerships this year, giving our customers the ability to earn Avios with new retailers and financial services providers across multiple countries. Total billings on our British Airways American Express co-brand credit card grew more than 19% this year. Spend across our UK card portfolio is now the equivalent value of more than 1% of UK GDP.

Our planet

2023 has seen continued growth of member donations to charity. Iberia Plus members, through Avios Solidarios, have donated generously to support their choice of non-governmental organisation. British Airways Executive Club members have continued to support causes through the BA Better World Community Fund using Avios. This initiative was launched in November 2022, with over £200,000 raised through a combination of members' Avios donations and match funding provided by IAG Loyalty.

From November 2023, British Airways Executive Club members can choose to contribute to British Airways' Sustainable Aviation Fuel fund using their Avios onboard short-haul flights via the High Life Café.

We will continue to expand the ways in which loyalty can be used for good by providing more ways to give back and recognising and rewarding customers who choose to do so.

Looking forward

We will continue to grow our core business in 2024 by evolving our customer proposition and growing opportunities for our members to collect and spend Avios on rewarding experiences. We will also be investing in expansion into new areas. We expect this growth to bring new operational challenges, as we work to manage a business that is increasingly complex. Our focus is maintaining strong margins at the same time we seek to deliver double-digit growth, and to be a central part of overall Group profitability.

Top: Incentivising members with the world's best experiences. More availability, more choice and easier than ever before – the reward options with Avios are growing in all directions for members.

Bottom left: The Wine Flyer is an online wine delivery business available to loyalty programme members.

Bottom right: Chief commercial officer, Rob McDonald, spoke on stage at Skift's flagship event.

Turning vision into transformation

"Our transformation journey in 2023 was all about our customers and our team. We made substantial progress, continually improving our customer experience and fostering a workplace where talent thrives."

David Shepherd
Managing Director of IAG Cargo

Business overview

Our strategy has undoubtedly been put to the test during 2023, but increased premium handling capacity, improved productivity in our operations and a strong transformation programme have combined to deliver a robust performance, relative to market. I would like to thank all our colleagues around the world for their hard work and contribution to us achieving this result. The anticipated supply-side growth driven by the rebound of global passenger capacity, combined with a greater-than-expected decline in demand, has resulted in the softest global air cargo market since the 2009 global financial crisis. The resulting decline in prices from peak pandemic levels has been seen globally, although they have not receded to pre-pandemic levels.

We have delivered revenues 3.5% higher than pre-pandemic 2019 levels on 14.4% lower available tonne kilometres (ATKs), despite a detrimental network mix relative to 2019 with Asian flying hindered by longer flying hours due to the Ukraine conflict. We have continued to deliver our ambitious strategy of transformation, opening our new premium operation at London Heathrow which improves our pharmaceutical offering in particular, whilst reconnecting with customers and improving both productivity and product quality.

Our people

Making IAG Cargo a great place to work continues to be a top priority. In 2023, we invested in our people in a number of ways: refreshing facilities, improving training delivery and continuing to build on a culture change founded in our core values.

We launched our new flagship development programme, Leading the Way, supported by a brand-new learning hub at our headquarters. Over 500 colleagues from 13 countries attended the course in person in 2023.

We launched Pride in Our People, IAG Cargo's first people awards programme that recognises the dedication of six individuals delivering on the themes of our values, of determined attitudes, collaborative actions, curious minds and heartfelt pride, with two special awards for rising star and leading the way.

We are making significant progress in our commitment to Equity, Diversity, and Inclusion (EDI) by advancing gender parity in an industry where it has traditionally been more difficult to do so. This includes our supporting the 2023 everywoman in Transport and Logistics Awards. We took second-place position in the Lead5050 Equity Index 2022/23, and we were finalists in two categories at the Multicultural Apprenticeship Awards 2023.

Our customers

During 2023, our network expanded: we welcomed China back after almost two years, opened Cincinnati, an important hub for ecommerce, added a new service between Doha and Madrid, and increased capacity to Accra. Through our Partner Ready programme, we partnered with other carriers to sell routings on a more connected interline basis, growing our network and offering new routings to our customers, improving their market choice.

We invested significantly in our cargo handling capabilities, opening a semi-automated state-of-the-art Premium cargo facility at London Heathrow, over 10,000m^2 which has allowed us to double the volume of express, pharmaceutical and specialist products we manage every day. Sales of our product for the transportation of temperature-sensitive cargo, which is a key focus area for IAG Cargo, saw an 17.9% increase versus 2022.

At our Madrid hub, a €1 million investment for perishable goods was completed, expanding our handling capacity. We introduced dynamic spot rates in 2023. This capability uses artificial intelligence (AI) and predictive analytical technology to ensure that our pricing remains relevant and optimal at all points of sale. We have grown our distribution channels and increased digital bookings throughout the year, and our continued development in this area will move us toward a more complete digital distribution capability.

Our planet

We are proud to be a socially responsible business with a real commitment to having a positive impact in the communities in which we operate.

In 2023, we initiated a humanitarian emergency response supporting several charities to deliver aid to Turkey following the devastating earthquake. Our ‘Day to Make a Difference’ initiative, now in its second year, saw colleagues support a range of community projects, from revamping neglected community gardens to supporting a children’s NGO in India.

We collaborated with London’s Natural History Museum to transport the cast and fossils of one of the world’s largest dinosaurs from Buenos Aires to London for its educational exhibition ‘Titanosaur: Life as the biggest dinosaur’.

We broadened our electric and hybrid vehicle testing programmes with the goal of replacing all existing diesel vehicles across our campus. Additionally, we enhanced our commitment to the necessary infrastructure by expanding the availability of electrical charging stations for our customers, colleagues and visitors.

In 2023, we supported several customers to reduce their Scope 3 carbon emissions by over 90,000 tonnes through the purchase of Sustainable Aviation Fuel. We are accelerating the digitalisation of all documents across our business, supporting customers to transition to e-Airway Billing (eAWB) with an ambition to get to 100% as quickly as possible. The digitalisation of documentation is not only positive for the environment but offers a more seamless end-to-end service for customers, improving messaging and data quality by reducing the chance of human error.

Looking forward

Our performance in 2023 is a demonstration of resilience amidst challenging economic and market conditions. We will continue to drive forward our ambitious transformation programme as we create a more modern, digital and agile business. By staying focused on these priorities, I am confident that we can strengthen our position, creating a workplace community that is ideally positioned and committed to delivering for our customers, to ensure we are their preferred choice for air cargo transportation.

Top: Our new warehouse at London Heathrow improves our pharmaceutical offering.

Bottom left: IAG Cargo launches its internal Pride in Our People awards.

Bottom right: Making IAG Cargo a great place to work continues to be a top priority.

Driving automation, process optimisation and sustainability

IAG GBS

"By focusing on improving performance through automation and standardisation, we have optimised processes to bring greater efficiency to our core platform and push forward the Group's sustainability ambitions."

Jorge Saco
Chief Information, Procurement, Services and Innovation Officer

Business overview

In 2023, IAG GBS continued to work inpartnership with the Group, providing best-in-class services, solutions and insights, driven by data, innovation and technology.

By leveraging our unique position as a data hub within the Group, we have continued to generate value and provide solutions, to enable IAG and all our operating companies to thrive.

Our people

Our people are at the heart of everything we do, and we are thankful to have such a professional and dedicated team in IAG GBS.

We have continued to attract, engage, develop and retain experts to further improve our high-performing team. We enhanced our Learning Academy, with bespoke training and development for our people.

We introduced a Mental Health First Aiders framework across our locations, providing support for our people; as well as our BeWell Programme, sharing awareness and providing support on emotional, physical, financial and environmental wellbeing. We have launched new leave policies to provide flexibility and promote better work-life balance.

We strive to produce agile and efficient services to deliver an exceptional colleague experience, underpinned by a culture of engagement, innovation and ambition.

Our customers

IAG GBS has moved forward with enhancing and automating finance systems and business processes, to deliver further value to the Group, providing greater transparency and efficiency as well as improved contract management and control. We have continued to leverage our data and insights to optimise our processes and provide greater value for money, both in transactional and reporting activities for the Group.

We have focused on maximising and driving supplier cost savings across the Group, implementing transparent and granular reporting of supplier cost performance. We continue to digitalise procurement processes with new end-to-end systems and more efficient tracking systems, using data and analytics to deliver more cost-saving opportunities.

Our planet

IAG GBS continues to support delivery of IAG's Scope 3 commitment. Working with EcoVadis, we have focused on driving Group suppliers to improve their sustainable performance, to ensure the Group is on track to deliver net zero emissions by 2050 for all products and services provided to IAG.

We are implementing a carbon accounting tool to provide fact-based data that calculates our carbon footprint and that of our supply chain.

We have been at the forefront of sustainability innovation within the airline industry, designing and delivering solutions such as purchasing Sustainable Aviation Fuel, and trialling the use of autonomous vehicles to innovate ground handling operations.

Looking forward

2023 has started the journey of maturing AI and automation capabilities to rethink and transform each area of the business. Our platform of services, leveraging common data, technologies and processes will bring further operational and financial insights to maximise value across the Group's operating companies.

Strengthening our operations and innovating for the future

IAG Tech

Business overview

During 2023, we significantly increased the resilience and operational efficiency of our IT systems, ensuring they were available when our customers needed them, which resulted in a more stable peak summer period than in 2022, with reduced incidents of disruption.

We invested significantly in cybersecurity tooling and expertise to keep our data and IT estate secure. We continued to build for the future by further modernising our IT estate and remediating obsolescence, making steady progress with our migration to the cloud, moving toward completion in 2024. We increased our investment in IT transformation for our commercial platform and customer journey, as well as operations optimisation, and IT efficiencies and enablers.

We also invested in our Artificial Intelligence (AI) capabilities, and data and analytics. We brought together a new IAG.ai team and launched a new London Lab to promote and strengthen our innovation and venture capital ambitions.

Our people

We continued to evolve our IT operating model to respond to changing business needs and new ways of working while continuing to deliver value for the Group. By using agile methodologies and product-led teams we can increase the pace of digital innovation and delivery for our customers.

We welcomed a new intake of graduates to our teams this year, while our cohort from 2022 continued to gain invaluable experience through their chosen postings. Our 2021 graduate cohort completed their programme, and we are proud that 13 out of 14 of them found permanent roles within the Group. In addition, all our apprentices from 2021 completed their programmes and found roles in IAG Tech.

We recruited talent to further strengthen our teams and ensured we have the right capabilities to support our operations across the Group, particularly data scientists and engineers, welcoming 114 new hires to IAG Tech.

In addition, we provided further training and development for our people, including support and coaching for maintaining personal resilience during peak operational periods.

None of the progress we made in 2023 would have been possible without the commitment and professionalism of our people.

Our customers

We made significant investments to further improve our airlines and Loyalty customer platforms with new functionality that delivers real value. For example:

- we continuously reviewed and improved the cybersecurity controls we use to protect our data and infrastructure from cyberattack;
- we are transforming our commercial platforms to provide better and customised offerings and experiences to our customers while also investing in operations optimisation and IT efficiencies and enablers; and
- we continued to invest in our infrastructure to support fast, reliable, and secure services for our customers.

We continued to refresh mobile devices across front and back-office employees to take further advantage of digitalisation and better support our operations and customers.

Our planet

Our innovation teams continued to look for new ways to improve our environmental sustainability, partnering across the organisation on rapid prototyping, testing and scaling up successful solutions that can provide the biggest impact. Our Hangar 51 Ventures team completed several transactions with start-ups developing new technologies for Sustainable Aviation Fuel (SAF), hydrogen-powered vehicles and airport operations to reduce waste.

With the development of our Group-wide data and analytics capabilities, we are equipping business decision-makers with tools and insights on flight efficiency and maintenance optimisation to enable emissions reduction.

We have committed to using AI in an ethical and sustainable way, with active governance to ensure we adhere to these principles. Our aim is to become an industry leader in responsible AI to increase productivity, transform customer experience, streamline operations and remove manual toil. Through AI, we want people to be valued for their curiosity and creativity, and not for their ability to mimic robots.

We continue to look at ways to reduce the carbon footprint and energy costs of our IT estate, including through the decommissioning of legacy systems and migration to the cloud.

Looking forward

We will continue to invest in cybersecurity to build on the work already done and keep pace with the evolving cyber threats we face. As we continue to remove obsolescence, we will increase our investment in transformation over the next few years. We will mature our AI and automation capabilities and use data and analytics to deliver insights that will better support all areas of our business, accelerate innovation and improve fact-based decision making. Powered by Venture Capital investment, our technology and innovation will push current boundaries in sustainability, automation and customer experience.

Growing our long-haul proposition in Barcelona

“We continue growing as a company and making Barcelona’s intercontinental connectivity stronger. Our commitment has allowed us to become the leading long-haul airline in Barcelona.”

Fernando Candela
Chief Executive Officer of LEVEL

Business overview

In 2023, LEVEL was the leading long-haul airline at the Josep Tarradellas Barcelona – El Prat Airport. This confirms our strong commitment to the development of Barcelona’s airport as a hub and the strengthening of the intercontinental connectivity through the sustained growth of our routes, which connect Barcelona to the Americas without stopovers. We increased our capacity by 33.1% versus the previous year, which is equivalent to an extra 183,000 seats. This increase in capacity has also been possible thanks to the addition of a fifth aircraft to our fleet.

During 2023, we carried 40.5% more customers than in 2022, with an average punctuality within 15 minutes of 87.3%. LEVEL provided more than a quarter of the seats between Barcelona and the US and almost half of the seats to South America. We are the only operator in the market in five of the six destinations to which we fly.

Our people

On our sixth anniversary in June 2023, we launched our new uniforms. The project was a collaborative effort across all areas, including LEVEL’s crew, in partnership with the Barcelona School of Design, as a sign of our commitment to Barcelona. The uniforms are entirely manufactured locally. The result reflects the airline’s value proposition ‘Fly your Way’, that provides a tailor-made experience according to every customer’s needs. Once again, LEVEL demonstrates that the commitment of its team is at the heart of all its decisions.

Our customers

We listen to our customers, and we continue to enrich and improve the on-board experience through brand new entertainment content such as wellbeing, mindfulness and yoga. In addition, we improved our WiFi connection system, which now provides a free messaging service to all our passengers. In 2023 we have renewed our menu offering which includes nods to the local gastronomy of all the destinations to which we operate. In 2023, almost 45% of our passengers used this platform and two out of three people who had a meal included in their flight personalised their menu.

Our planet

We deploy technology to further our efficiency and contribute to our sustainability objectives. Personalisation allows us to optimise the cargo on-board, reducing not only the weight and waste generated, but also food waste. We recalculate fuel needs 30 minutes before each flight’s departure based on the final load of the aircraft and an updated weather forecast, which has led to a reduction of 3% of our CO_2 emissions, which represents a 9.8% improvement compared to the target initially planned for 2023.

Looking forward

LEVEL has initiated the procedures to obtain its own Air Operator Certificate (AOC) and a fleet expansion plan that envisions reaching up to eight aircraft by 2026. We will continue to stimulate growth through the strengthening and expansion of our offering and through our number of destinations, to consolidate our leadership in Barcelona. And with all of this, LEVEL will continue to give support and to promote alliances with strategic partnerships in Barcelona, our centre of operations, to continue exporting the talent of the city.

Sustainability supporting our purpose

2023 has been another very important year on our journey to be both a leader in the industry in sustainability and towards our primary ambition to achieve net zero emissions by 2050.

The summary below outlines key highlights from across IAG's sustainability programme in 2023, which includes emphasis on increasing our use and forward supply of Sustainable Aviation Fuels (SAF), building our sustainability governance around key initiatives and enhancing our sustainability reporting and disclosures.

Contents of this section

A. Planet

This section includes: Performance highlights, Task Force on Climate-related Financial Disclosures (TCFD) summary, transition plan, metrics and progress, emissions reduction initiatives, scenario analysis, risks and opportunities, stakeholder engagement, waste, noise and air quality initiatives.

B. People and prosperity

This section includes: Key metrics and progress, health, safety and wellbeing, human rights and modern slavery, diversity, equity and inclusion, community engagement and charitable support.

C. Principles of governance

This section includes: Sustainability strategy, governance frameworks, workforce governance, supply chain governance, ethics and integrity, ESG risk management, reporting and data governance and alignment with GRI and SASB standards.

The full contents of this sustainability report are included in the IAG Non-Financial Information Statement (NFIS) which is independently verified by a third-party to limited assurance standards in line with ISAE3000 (Revised) standards.

IAG's most material environmental metric – Scope 1 emissions – receives additional verification each year as part of the EU, Swiss and UK Emissions Trading Schemes (ETS) and the international Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), within six months of the issuance of this report. Any material changes are restated in future reports.

Compliance with specific frameworks and standards is listed under relevant section headings and summarised in section C.8. While IAG does not align with the Global Reporting Initiative (GRI) Core or GRI Comprehensive standards, it aligns with selected GRI standards based on compliance with Spanish Law 11/2018 and chooses to voluntarily align with other GRI standards on material issues.

SAF investments

$1 billion

total investment in SAF as of 31 December 2023, of which 86% is in future commitments[1]

Carbon intensity

80.5 gCO_2/pkm

-3.6% vly, and on track to exceed our 2025 target of 80gCO_2/pkm

Governance

7,500+

senior executives and managers with climate-related annual incentives

Supply chain

100%

of suppliers screened for sustainability risks

1 Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

Our vision	Our strategy
is to be a world-leading airline group on sustainability	is to pursue nine sustainability leadership KPIs as listed in section C.1 Principles of Sustainability Governance

Our governance

Board-level oversight	IAG Management Committee oversight	Operating company oversight	Cross-Group alignment
• Safety, Environment and Corporate Responsibility Committee (SECR) • Audit and Compliance Committee	• Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	• Management committees oversee tailored sustainability programmes	• Group sustainability strategy • Group sustainability team updates • Working groups for key sustainability initiatives

Our material issues and initiatives

IAG takes a holistic approach to sustainability[1]

	A. Planet	B. People and prosperity	C. Principles of governance
Key material issues	• Reducing our climate impact • Influencing and shaping policy	• Engaging with employees • Building a diverse and inclusive workplace	• Investing in the future • Planning for climate-resilient operations • Working with suppliers
Key policies	• Environmental sustainability policy	• Equity, Diversity and Inclusion (EDI) policy • Modern slavery and anti-trafficking statement	• Code of Conduct • Supplier Code of Conduct • Anti-bribery and corruption policy • Whistleblowing policy • Policy on disclosure of corporate information and engagement with shareholders
Annual initiatives	• Flightpath Net Zero strategy • Climate-related remuneration • Policy advocacy for low-carbon solutions • Leadership in trade associations	• Organisational Health Index (OHI) surveys (every six months) • EDI and engagement initiatives • Community giving and fundraising • Developing a social roadmap	• Accelerator programme and ventures • Supply Chain Sustainability Programme • Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis
Key UN Sustainable Development Goals			

Targets

2019	2025	2030	2050
Target baseline	• 11% reduction in carbon intensity, to $80gCO_2$/pkm • '5 by 2025' waste targets • 40% of senior leadership roles held by women	• 10% SAF use • 20% drop in net Scope 1 emissions, to 22m tonnes • 20% drop in net Scope 3 emissions, to 6.6m tonnes	• Net zero Scope 1, 2, and 3 emissions across our full operations and supply chain • Carbon removals for any residual emissions

1 The above pillars align with the World Economic Forum 'Measuring Stakeholder Capitalism' report in 2020. 'Running a profitable business' and 'Pleasing our customers' are material issues relevant to Prosperity which are covered in other sections of the Non-Financial Information Statement.

Towards more sustainable journeys

Our sustainable products and services for customers help them to reduce their carbon emissions and support wider sustainability goals. We continue to trial new offers.

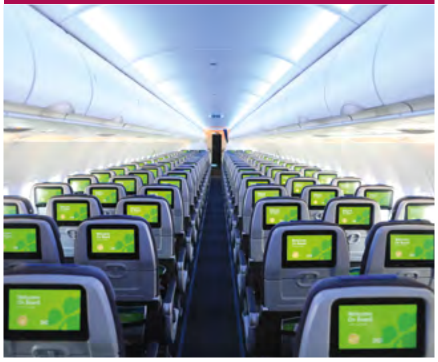
Pre-flight services at airports

- Renewable electricity in lounges[1]
- Vegan menus in lounges[2,3]
- Pre-ordering meal service to reduce food waste[3]

Ground transport at airports

- Trialling electric buses for passengers[2,4]
- Electric Mototoks to pull aircraft to runways[2,3,4]
- Trialling electric trucks[5]
- Renewable electricity to power aircraft on the ground[1]

On-board impacts



- Opportunity for customers to contribute towards carbon removal projects[1]
- Voluntary SAF for customers[2,4]
- Use of SAF supported by IAG investment[1]
- Vegan food[2,3]
- Recycling on board[1]

Planet highlights

$1 billion
total investment in SAF as of 31 December 2023, of which 86% is in future commitments

Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

First
alcohol-to-jet SAF plant in the world opens, the LanzaJet Freedom Pines project, in a signed partnership with IAG

100%
of IAG airline senior executives have climate-related remuneration

80.5 gCO_2
per passenger kilometre, a 3.6% annual improvement in carbon intensity, and on track to achieve our 2025 target

A-
CDP rating in 2023, the fourth consecutive year of achieving a leadership rating for our climate action

157.1k
tonnes of CO_2 saved from SAF use in 2023, an increase of 418% year-on-year and representing 0.6% of our annual emission reductions

People and prosperity highlights

71,794
people employed across the Group in 77 countries

9%
increase in our workforce versus 2022

87%
of staff covered by collective bargaining agreements

36%
of senior leadership roles held by women

Governance highlights

4
meetings of the Board SECR Committee

100%
of suppliers screened for legal and financial risks

3.2+ million
training hours completed in 2023

90%
of suppliers, by spend, completed ESG scorecards

1 All airlines. 2 British Airways. 3 Iberia. 4 Vueling. 5 IAG Cargo.

A.1. Planet – climate change

Carbon intensity

80.5 gCO_2/pkm

-3.6% vly

CO_2 saved from SAF use in 2023

157.1k tonnes

A.1.1. TCFD summary

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidance and first carried out TCFD-aligned scenario analysis in 2018, ahead of the UK requirement – Listing Rule 9.8 – which defines the information to be included in a company's annual report and accounts.

Descriptions of TCFD recommendations are on the TCFD website. IAG has applied the TCFD Guidance for All Sectors to the disclosures in this report. An internal review of compliance with the 11 core TCFD recommendations identified no material gaps or material changes from last year.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities (a, b)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material (a, b, c)	Disclose how the organisation identifies, assesses and manages climate-related risks (a, b, c)	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material (a, b, c)
Relevant disclosures in this report			
a. See C.2., C.6. b. See A.1.5., C.2., C.6., Risk management and principal risk factors section	a. See A.1.6. b. See A.1.6., C.6., Risk management and principal risk factors section c. See A.1.5.	a. See A.1.5., A.1.6., C.6., Risk management and principal risk factors section b. See above c. See above	a. See A.1.3., A.1.5., Report of Remuneration Committee b. See A.1.3., A.1.6. c. See Sustainability at a glance, A.1.2., A.1.6.
Current activities			
Board oversight via SECR Committee and Audit and Compliance Committee; robust governance; 2021 materiality assessment will be updated in 2024	Delivering against Flightpath Net Zero strategy and nine leadership KPIs; sustainability-linked loans for British Airways and Iberia; TCFD-aligned scenario analysis; one- and three-year financial and business plans integrate sustainability aspects; new sustainability contract clause for suppliers	Sustainable aviation risks are treated as a principal risk and regularly reviewed within Enterprise Risk Management (ERM) processes; risk disclosures and risk management processes received an 'A' rating from the Carbon Disclosure Project	Clear metrics and targets for 2025, 2030 and 2050 (see 'At a glance'); climate-related remuneration for senior executives and managers
Planned future activities			
Review assurance, double materiality assessment to be completed in 2024, process and control changes to achieve reasonable assurance by 2026	Ramp up of SAF procurement, ongoing scenario analysis, reviewing guidance and evidence on pathways to support 1.5°C transition	More detailed work on risk impacts to 2030 and 2040, actions to maximise climate resilience, and risk mitigation KPIs	Delivery against existing targets, review 2030 targets in line with latest evidence on 1.5°C-aligned transitions

Leading our industry in SAF projects

What is Sustainable Aviation Fuel?

Sustainable Aviation Fuels (SAF) are chemically almost identical to kerosene.

The feedstocks for these fuels – currently waste materials such as municipal waste or waste wood – absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then emitted during the flight.

There are eight certified pathways to making SAF based on use of specific technologies and feedstocks. These processes are certified to international standards to ensure the fuels are safe to use. SAF can be used in existing aircraft and airport fuelling infrastructure.

IAG also ensures its SAF complies with strict sustainability certification schemes, to ensure the feedstocks come from sustainable sources, and that the production processes conserve water and energy and have minimal wider impacts.

Supporting advanced SAF pathways

IAG continues to make direct investments in new and innovative SAF production capacity, catalysing the wider development of the SAF market. These investments are typically coupled with SAF purchase agreements, which are critical to the financial viability of the new SAF production capacity.

The Group uplifts jet fuel in multiple locations, including the US and Europe, and therefore is exploring projects in multiple regions.

IAG is working with technology developers to establish a range of SAF supply options, including the projects listed in this section. We aim to be a leader in supporting developed SAF production pathways that achieve the greatest life-cycle emission reductions and can accelerate our efforts to decarbonise.

In February 2024, IAG signed its largest-ever SAF purchase agreement with Twelve, a SAF project based in Washington, which produces advanced power-to-liquid SAF made from CO_2, water and renewable energy. This means we have secured one-third of the SAF required to meet IAG's 10% SAF by 2030 target.

For SAF produced from other pathways, the Group is also working to support projects which remove carbon or capture and store it.

Delivering on our commitment

As of 31 December 2023, our total investment in SAF reached $1 billion, of which 86% is future commitments.[1] This is the largest disclosed commitment to SAF by any airline globally.

In 2023, Group airlines used more than 53,000 tonnes of SAF, an increase of 417% versus 2022, and one of the highest volumes globally. This saved around 157.1 ktCO_2, accounting for 0.6% of emission reductions.

IAG remains on track to deliver a 100-fold increase in its SAF volumes between 2022 and 2030, and expects to use SAF for 70% of total fuel in 2050.

Role in IAG transition plan

SAF is a key solution in IAG's transition plan to net zero (Section A.1.2.). It reduces carbon emissions on a greenhouse gas lifecycle basis, typically by 80% or more compared with the fossil jet fuels it replaces.

In 2021, the Group set a target of using one million tonnes of SAF a year by 2030, dependent on appropriate government policy support.

1 Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

Advocating for appropriate SAF policy

IAG recognises that policies designed to support the development of SAF globally are currently fragmented and take different forms. The Group is therefore working closely with policymakers and industry to support the development of appropriate SAF policies needed to provide a strong investment signal and to scale up supply to meet sector demands.

We welcome the decision made by ICAO and its Member States at the third ICAO Conference on Aviation Alternative Fuels (CAAF/3), to strive to achieve a global aspirational vision to reduce CO_2 emissions in international aviation by 5% by 2030 through the use of SAF, low-carbon alternative fuels (LCAF) and other aviation clean energies.

In key markets, such as the US, EU and UK, our policy advocacy has focused in 2023 on the following areas below.

US	EU	UK
Policy overview SAF supply is currently incentivised in the US under state-level programmes, which offer producers tax credits for their production. These programmes currently operate in states such as California, Illinois, Minnesota, Washington and Oregon. The Inflation Reduction Act, signed in August 2022, also provides federal tax credits for SAF producers (for SAF dispensed in the US). **IAG 2023 activity** IAG continues to explore and sign purchase agreements for SAF from projects in the US which will be eligible to claim tax credit incentives. Please see our key SAF partnerships table for more details.	**Policy overview** The EU has legislated under its Fit for 55 package a new ReFuelEU policy that will set a SAF mandate from 2025. The mandate will require a minimum volume of SAF in the EU, starting in 2025 at 2% and reaching 6% by 2030, with 1.2% of the 2030 volume to be met through use of advanced SAF pathways, such as Power-to-Liquid (PtL) SAF. Also within the Fit for 55 package, the EU has agreed to amend the Emissions Trading System (ETS) Directive, and introduce an incentive for aircraft operators to increase SAF uplift through the EU ETS from 2024. This will make it possible for aircraft operators to claim a share of 20 million allowances set aside by the European Commission to cover some of the difference in the price paid for SAF compared to jet kerosene, on EU ETS compliant routes. SAF continues to be zero-emission rated under the EU ETS, which also incentivises use by aircraft operators to reduce annual carbon cost exposure. **IAG 2023 activity** We support the legislative changes made by the EU to support the development of SAF supply in Europe. We are now engaging with policymakers on technical details concerning the monitoring, reporting and verification (MRV) of SAF use, alignment of new legislative requirements with existing EU ETS reporting frameworks and geographic scope. We have also responded to public consultations on the implementation of these policies in Member States.	**Policy overview** The UK has set a SAF target of 10% by 2030, and a target to commence the construction of five SAF plants by 2025. In 2023, following advocacy efforts by industry, the UK Government agreed to develop a revenue certainty mechanism for SAF producers, that should be in force by 2026. Under the UK ETS, SAF is zero-emission rated, but there currently is no incentive comparable with policy provided under the EU ETS. **IAG 2023 activity** IAG responded to the UK's consultation on its SAF mandate in 2023. We continue to engage with policymakers on ways to incentivise SAF use in the UK, including the UK ETS. As a member of the Jet Zero Council, IAG has engaged with the UK Government and supported industry calls for a revenue certainty mechanism for UK SAF producers. We continue to engage through the Jet Zero Council to support the development of this mechanism as quickly as practicable, to accelerate SAF production in the UK. IAG also engages with Heathrow airport on its financial incentive scheme to support SAF uplift.

SAF governance in IAG

SAF is a key solution in IAG's transition plan to net zero emissions. In 2023, IAG enhanced its governance framework suitable for accelerating our engagement with SAF investments and policy. This included establishing a SAF Management Group, comprised of colleagues from IAG sustainability, Group finance and each operating company. The SAF Management Group reports to the SAF Steering Group. Please refer to 'Principles of sustainability governance' for more information.

Supporting emissions reductions for our customers

IAG offers corporate customers the opportunity to purchase the emission reductions from SAF to support their own Scope 3 emission reductions. In total, Group airlines sold more than 150,000 tonnes of CO_2 to customers last year. IAG also allocated around 150 tonnes CO_2 towards internal activities, including emissions associated with travel to senior leadership conferences.

Key SAF partnerships

LanzaJet: Freedom Pines
Supported by investment by British Airways in 2021, on 24 January 2024, LanzaJet opened the first production plant dedicated to low-carbon ethanol SAF in Georgia, USA.

Project Speedbird – Developing SAF in the UK
In June 2023, British Airways, LanzaJet and Nova Pangaea Technologies signed an agreement that will accelerate Project Speedbird, an initiative created by the companies in 2021 to develop cost-effective SAF for commercial use in the UK.

Twelve
In February 2024, IAG signed its largest-ever SAF purchase agreement with Twelve, a SAF project based in Washington which produces advanced Power-to-Liquid SAF made from CO_2, water and renewable energy. This means we have secured one third of the SAF required to meet IAG's 10% SAF by 2030 target.

Key SAF partnerships

Producer	Production location	Anticipated supply start	Technology
BP	Europe; China	Supplying since 2021	HEFA
Neste	Finland; Singapore	Supplying since 2021	HEFA
Phillips 66	Humber, UK	Supplying since 2021	HEFA
Repsol	Cartagena, Spain	Supplying since 2022	HEFA
Cepsa	Huelva, Spain	Supplying since 2023	HEFA
LanzaJet	Georgia, USA	2024	Alcohol-to-jet
Twelve	Washington, USA	2025	Power-to-Liquid
LanzaJet/Nova Pangaea[1]	North East, UK	2027	Alcohol-to-jet
Aemetis	California, USA	2027	HEFA
Gevo	Minnesota, USA	2028	Alcohol-to-jet
LanzaTech	South Wales, UK	2028	Alcohol-to-jet
Velocys[1]	Immingham, UK Mississippi, USA	2029	Fischer-Tropsch

[1] Includes carbon capture and storage.

A.1.2. Transition plan

Overview

IAG is targeting net zero emissions by 2050 across its Scope 1, 2 and 3 emissions.

'Net zero' means any residual emissions from IAG operations in 2050, or by the manufacture and transport of goods supplied to the Group, will be mitigated by an equivalent amount of CO_2 removed from the atmosphere via carbon removals.

IAG is on track to deliver its 2025, 2030 and 2050 climate targets (see below) by carrying out emission-reduction initiatives, working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development.

IAG is also driving internal action by using climate-related annual incentives for over 7,500 senior executives and managers.

Key measures to reduce emissions are fleet modernisation, SAF usage, market-based measures, including the UK and EU ETS and CORSIA, and carbon removals.

Less than 10% of the emissions reductions between 2019 and 2050 are expected to come from offsets.

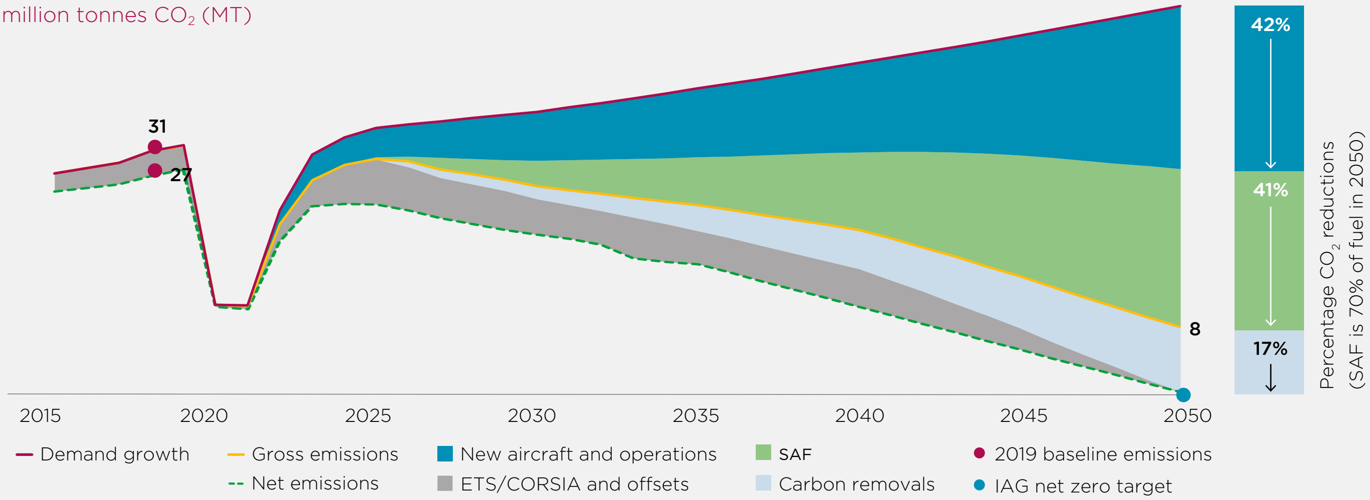
Roadmap to net zero

IAG was the first airline group in the world to commit to net zero emissions, and has been publishing updates to its roadmap to this goal every year since 2019.

The version below is a core Group scenario which assumes continued policy support for aviation decarbonisation, an overall recovery to 2019 levels of passenger demand by 2024 and annual demand growth aligned with the long-term growth forecasts disclosed in notes 4 and 17 of the financial statements.

Changes to our roadmap in 2023 focus on increasing the use of SAF in our operations in the short term, and our investment in carbon removals before 2030. Beyond 2030, it maintains an assumption that hydrogen aircraft will be introduced to the fleet from 2040, and a 5% emissions saving from airspace modernisation will be achieved by 2050.

Latest IAG roadmap to net zero
million tonnes CO_2 (MT)



IAG interim targets: 11% improvement in fuel efficiency 2019-2025, 20% drop in net Scope 1 and 3 emissions 2019-30, 10% SAF in 2030, net zero by 2050.

Pillar of carbon roadmap	Delivery plans	Venture investments/key innovation partners
New aircraft and operations	• €12 billion investment between 2024 and 2028 for 178 new, efficient aircraft	ZeroAvia (hydrogen aircraft manufacturer) I6 (fuel management software) NAVflight services (flight planning services) Honeywell Forge (fuel efficiency software)
SAF	• As of 31 December 2023, our total investment in SAF reached $1 billion, of which 86% is future commitments, based on assumed energy prices	LanzaJet (sustainable fuels producer) Nova Pangaea
Carbon removals	• Refining the IAG carbon removals roadmap, and supporting the inclusion of carbon removals in the global CORSIA scheme, and UK and EU ETS	Heirloom (carbon capture start-up) CUR8 (carbon removal platform)
Market-based measures and offsets	• Support for the global CORSIA scheme to limit net emissions from aviation • Continue advocacy to strengthen CORSIA	CHOOOSE (customer offsetting platform)
Supply chain	• 90% of suppliers by spend have submitted scorecards on ESG performance • Supplier contract clause on sustainability	EcoVadis (business sustainability ratings) Watershed (emissions reporting platform)

Future carbon intensity

Delivery of IAG's current decarbonisation plans, dependent on appropriate policy support, is expected to enable the following changes versus 2019:

Gross carbon emissions (MT CO_2):

- 2030 – 15% lower
- 2050 – 73% lower

Gross carbon intensity (gCO_2/pkm):

- 2025 – 12% lower
- 2030 – 27% lower
- 2035 – 39% lower
- 2050 – 83% lower

IAG supports the inclusion of carbon removals in industry decarbonisation pathways, and in external assessments of support for the 1.5°C global ambition.

IAG's short- and long-term targets have been independently assessed by the Transition Pathway Initiative (TPI) as 1.5°C-aligned and its mid-term target assessed as well-below-2°C-aligned. The TPI assessment compared the milestones in the 2021 IAG roadmap with an industry-wide pathway modelled by the International Energy Agency (IEA), taking removals commitments into account.

IAG began investing in ZeroAvia in 2020, a leading developer of hydrogen-electric, zero-emission aviation. IAG increased its investment in 2022, to advance ZeroAvia's 2-5 MW hydrogen-electric powertrain development programme.

Carbon removals

Introduction

Carbon removal solutions extract CO_2 already in the atmosphere and store it in biological or geological ways.

Examples of carbon removal include:

- Nature-Based Solutions (NBS) – include creating new forests and peatland;
- BioEnergy Carbon Capture and Storage (BECCS) – capturing biogenic carbon from industrial facilities and storing it in, e.g. underground aquifers;
- Carbon Capture and Storage (CCS) with SAF production – as above and including the use of byproducts which can absorb CO_2; and
- Direct Air Capture (DAC) – absorbing CO_2 directly from the air using a catalyst.

IAG sees carbon avoidance projects as a key transitional solution en route to full use of removals. Carbon removal projects differ from carbon avoidance projects, which prevent the future release of CO_2.

Role in IAG transition plan

Group airlines have offered customers the opportunity to make a financial contribution to support carbon removals projects since 2022. British Airways customers have supported removals projects including mangrove restoration in Pakistan and a biochar project in Oregon, USA.

By 2050, IAG will only use carbon removals to mitigate any residual emissions from its operations.

IAG will only work with suppliers who do the same, as part of meeting the Group's Scope 3 commitment. IAG is already encouraging suppliers to transition from offsets to removals as part of a new supplier contract clause which is being rolled out across its supply chain.

Advocacy for carbon removal policy

IAG expects to use carbon removals to meet an increasing share of its CORSIA obligations between 2024 and 2035, conditional on appropriate policy, and supports wider guidance on how to transition to removals such as the Oxford Offsetting Principles.

The Group continues to advocate for policies that will accelerate global uptake of carbon removals, via the Coalition for Negative Emissions and other trade associations listed in A.1.7., and supports the inclusion of removals in the EU, Swiss and UK ETS.

Investing in carbon removals

IAG is committed to supporting a variety of innovative carbon removals solutions and is considering projects that are immediately available and independently verified today, as well as more innovative technology solutions.

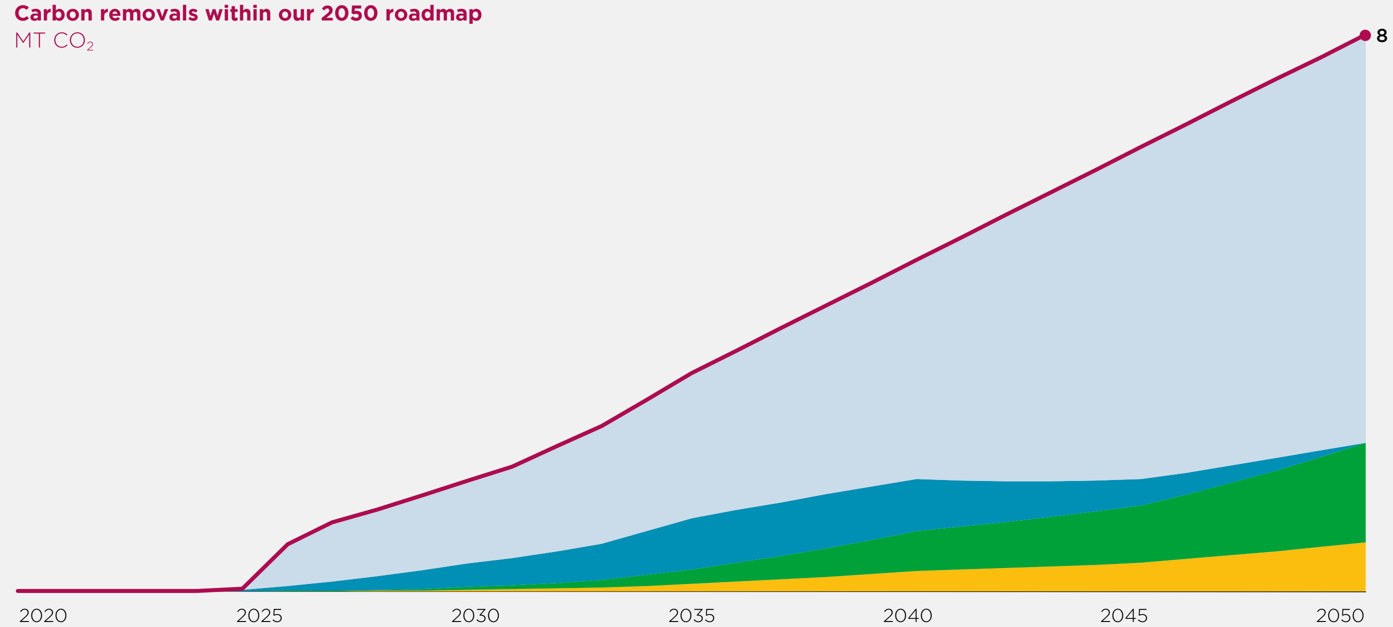
Our investment in Greenhouse Gas Removal (GGR) technologies involves a combination of forward delivery procurement and project financial support, facilitating the scale-up of GGR technologies alongside relevant government support.

When IAG or its operating companies choose to voluntarily invest in carbon avoidance and removal projects, they work in collaboration with key partners, carry out due diligence to select reputable providers and select projects carefully to meet and align with verified quality standards, such as Gold Standard, Puro Standard and Verified Carbon Standard (VCS).

In 2023, British Airways worked in partnership with CUR8 (a UK-based company dedicated to building the global market for carbon removals), UNDO (a world-leading carbon dioxide removal project developer specialising in enhanced rock weathering), and Standard Chartered, representing financial institutions, to launch a first-of-a-kind financing pilot designed to help scale-up the carbon removals market.

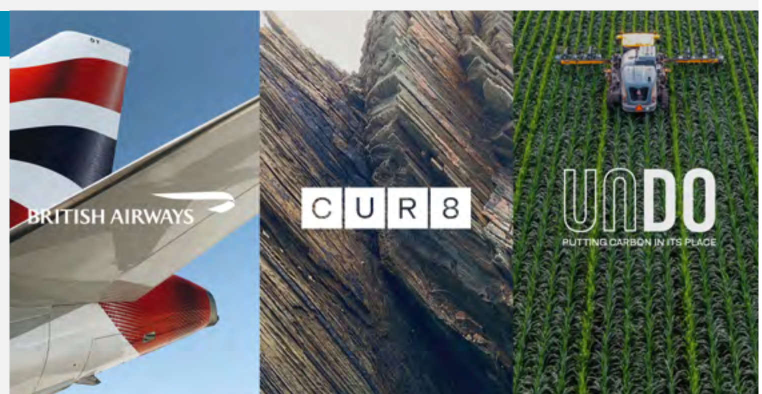
The pilot aims to support the scale-up of the carbon removals market by creating a blueprint to enable carbon removal suppliers to access capital in the form of debt financing via advanced purchase agreements. British Airways has committed to purchase more than 4,000 tonnes of carbon removal credits delivered by UNDO through enhanced rock weathering, and Standard Chartered is looking to be the banking partner.

Carbon removals within our 2050 roadmap
MT CO_2



Based on the latest roadmap, the Group expects to use approximately 100 MT of carbon removals between 2022 and 2050 to mitigate Scope 1 emissions and could potentially be removing 2 MT annually in 2030, conditional on clear and globally agreed verification and quality standards for removals, inclusion of removals in ETS schemes, and stable policy support.

Key carbon removal projects



Freres Biochar project
The Freres Biochar project in Oregon, USA, involves a biomass power production plant that produces biochar, a carbon-rich, charcoal-like material that is created when agricultural and wood waste is used as fuel. The process feeds carbon into the soil and prevents it from naturally decaying, locking carbon away and keeping it out of the atmosphere for several hundred years.

Blue Carbon Mangrove project
The Blue Carbon Mangrove project in the Indus Delta area in Pakistan is a nature-based carbon removal project (where plants absorb carbon from the atmosphere through photosynthesis). The project will support greenhouse gas removal by reforestation and revegetation of approximately 225,000 hectares of degraded tidal wetlands with mangrove and other species to absorb carbon dioxide, stabilise the area and protect the coastal area and communities.

A.1.3. Metrics and progress

Overview

IAG's transition plan focuses on reducing CO_2 from jet fuel use, as this represents over 99% of Scope 1 emissions.

The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on tackling climate change.

2023 saw strong progress against the key metric of carbon efficiency.

With a 3.6% annual improvement to 80.5 gCO_2/pkm, the Group is on track to deliver our carbon efficiency target of 80.0 gCO_2/pkm by 2025, accounting for emissions reductions achieved from SAF.

Calculation methodology

Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2023 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available. Other factors such as International Energy Agency emissions factors are used in specific cases as described in the IAG statement of non-financial information.

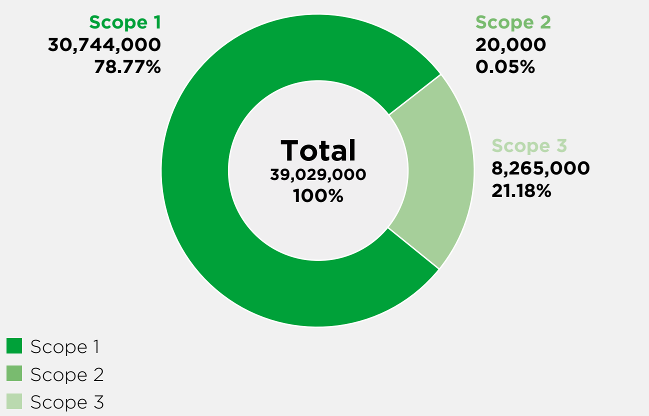
Our carbon intensity calculation includes CO_2 emission reductions achieved from SAF. SAF reductions are calculated using actual life cycle analysis (LCA) carbon intensity values for SAF fuel uplifted by airlines in the Group, and subtracting the achieved emission reductions from our total CO_2 footprint.

IAG discloses methane (CH_4) and nitrous oxide (N_2O) as Scope 1 non-CO_2 greenhouse gases (GHGs), in line with the UK conversion factors.

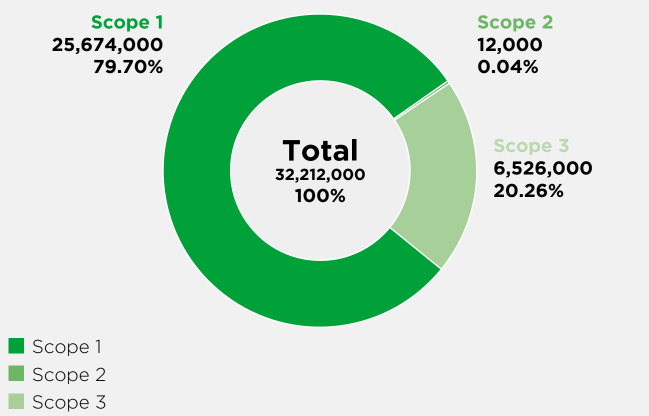
In 2023, emissions of CH_4 were 18,009 tonnes and N_2O were 216,542 tonnes.

A detailed Scope 3 emissions breakdown is available in the IAG statement of non-financial information.

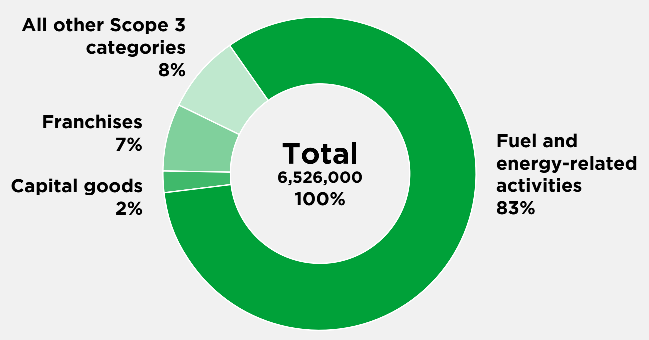
2019 emissions (tonnes CO_2e)[1]



2023 emissions (tonnes CO_2e)[1,2]



Scope 3 emissions (tonnes CO_2e)[1,2]



1 Rounded to the nearest '000 tonnes CO_2e.
2 Please refer to details in this section regarding Scope 3 emissions data collection. Data for Scope 3 emissions reported using existing methodology, and does not include revised values for Scope 3.1 emissions as identified following a proof-of-concept trial between IAG GBS and Watershed in 2023.

Key emission metrics

Key carbon footprint metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Scope 1 CO_2e	305-1	MT CO_2e	22%	(16%)	**25.67**	21.13*	10.92	11.02	30.74*
Net Scope 1 CO_2e		MT CO_2e	19%	(15%)	**22.82**	19.10*	10.50	10.85	26.95*
Scope 2 location-based	305-2	kt CO_2e	11%	(24%)	**56.5**	51.1	39.2	48.2	74.6*
Scope 2 market-based	305-2	kt CO_2e	6%	(37%)	**12.4**	11.7	8.4	9.3	19.7*
Scope 3[1]	305-3	MT CO_2e	19%	(21%)	**6.53**	5.48	3.32	3.66*	8.27*

Key emission reduction metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Flight-only carbon intensity (exclusive of SAF CO_2 reductions)[2]	305-4	gCO_2/pkm	(3%)	(10%)	**81.0**	83.6	94.5	106.2	89.8
Flight-only carbon intensity (inclusive of SAF CO_2 reductions)[2]	305-4	gCO_2/pkm	(4%)	(10%)	**80.5**	83.5	94.5	106.2	89.8
GHG reduction initiatives	305-5	$ktCO_2e$	5%	12%	**86.7**	82.4	59.7	17.2	77.4
Emissions covered by ETS (UK, EU, Swiss)		MT CO_2e	(1%)	(26%)	**5.68**	5.74	2.71	2.32	7.66
Net reduction (SAF uplift)		$ktCO_2$	418%	n/a	**157.1**	30.3	6.5	n/a	n/a
Net reduction (ETS[3])		$ktCO_2e$	45%	(18%)	**2,604**	1,796	219	0	3,182
Net reduction (offset projects)		$ktCO_2e$	17%	n/a	**246**	229	196*	168	n/a
Average fleet age		years	>1%	6%	**12.0**	11.9	11.2	10.6	11.4

Other metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Scope 2 carbon intensity	305-4	gCO_2/pkm	(12%)	(19%)	**0.18**	0.20	0.34	0.47	0.22*
Revenue per tonne CO_2e		€/tonne CO_2e	5%	38%	**1,145**	1,088	771	705	827
Jet fuel	301-1	MT fuel	22%	(16%)	**8.11**	6.64	3.42	3.45	9.65
SAF		kt fuel	417%	n/a	**53.3**	10.3	2.4	nr	nr
Electricity	302-1	'000 MWh	1%	(19%)	**217.0**	213.7	189.0	200.1	267.7
Energy	302-1	Mn MWh	24%	(15%)	**100.7**	81.5	42.1	41.9	119.7
Renewable electricity[4]		%	0pts	9pts	**81%**	81%	86%	86%	72%
Renewable energy		%	0.5pts	0.7pts	**0.9%**	0.4%	0.5%	0.4%	0.2%

Descriptions and commentary on other metrics are available in the Additional Disclosures section of the IAG statement of non-financial information.
Note: 'nr' means 'not reported'. * means restated using the latest data and assumptions.

1 Please refer to details below regarding Scope 3 emissions data collection. Data for Scope 3 emissions reported using existing methodology, and does not include revised values for Scope 3.1 emissions as identified following a proof-of-concept trial between IAG GBS and Watershed in 2023.
2 pkm means 'passenger-km'. The passenger-km used for this calculation is 273,607 million, which excludes no-show passengers. The cargo-tonne-km used is 4,386 million, which excludes cargo carried on other airlines or trucks. The jet fuel used excludes fuel for franchises and engine testing.
3 2020 emissions were below the EU ETS sector cap for aviation so no net reductions were delivered.
4 For completeness, Scope 2 emissions cover electricity use at airports and overseas offices, which are partly outside IAG's operational control.

As part of complying with the UK Streamlined Energy and Carbon Reporting regulation, 58% of Group energy use was UK energy use, based on Scope 1 emissions and Group electricity use in UK-based offices, up from 56% in 2022.

Scope 3 emissions calculations

IAG Scope 3 emissions accounted for approximately 20% of total emissions in 2023. Our target is to achieve a 20% drop in net Scope 3 emissions compared to the 2019 baseline, from 8.3 MT to 6.6 MT by 2030. In 2023 IAG Scope 3 emissions were 6.5 million tonnes CO_2e.

IAG GBS operates a supply chain sustainability programme which includes ESG scorecards and supplier risk screening.

In 2023, IAG GBS ran a proof-of-concept trial with Watershed to improve Scope 3.1 emissions reporting across the Group. In previous measurements, IAG reported Scope 3.1 emissions based on emissions calculated from water usage only. Under the trial with Watershed, a spend-based methodology for Scope 3.1 emissions was applied, combining IAG GBS supply chain spend data with Watershed's emissions database. This improved reporting accuracy as emissions factors could be associated with the location and business activities of each supplier, including supplier-specific emission factors for those with CDP disclosures. The results of this trial are provided alongside previous emissions data captured in our Scope 3 emissions submission.

IAG is expanding this research across our Scope 3 activities in 2024, to improve our data collection across all Scope 3 emission categories.

Other metric	GRI standard	Unit	% of Scope 3 emissions	v2019	2023	2022	2021	2020	2019
Fuel and energy-related activities (Scope 3.3)	305-3	tCO_2e	83%	(15%)	**5,424,914**	4,399,985*	2,266,587*	2,284,992	6,371,621
Franchises (Scope 3.14)	305-3	tCO_2e	7%	(44%)	**449,848**	475,576	369,718	235,167	810,334
Capital goods (Scope 3.2)	305-3	tCO_2e	2%	(77%)	**128,000**	232,000	424,000	912,000	568,000
Purchased goods/ services (Scope 3.1)	305-3	tCO_2e	>1%	(70%)	**204**	268	229	525	689
(Scope 3.1 emissions data following Watershed proof-of-concept trial)					**(2,762,833)**	(2,028,326)	(1,172,771)	(1,398,858)	(2,731,217)
All other Scope 3 categories	305-3	tCO_2e	8%	2%	**523,501**	387,579	264,457*	227,033	514,618
Total Scope 3 emissions	305-3	tCO_2e	N/A	(21%)	**6,526,467**	5,495,408*	3,324,992	3,659,717	8,265,262

Descriptions and commentary on other Scope 3 category metrics are available in the Additional Disclosures section of the IAG statement of non financial information.

Note: Data from Watershed trial is not included in Total Scope 3 emissions. * means restated using the latest data and assumptions.

Carbon footprint calculation methodologies

The Group's airlines offer passengers the ability to calculate their emissions footprint associated with their flights. This emissions footprint is estimated using a carbon calculator, which determines a volume of CO_2 emissions that an aircraft emits per passenger over a defined flight route and cabin.

Additionally, some airlines offer customers the opportunity to offset or mitigate part of their emissions through investing in carbon removals projects and/or SAF.

IAG continues to develop the carbon calculation methodology that underpins our passenger emission calculators used by the Group, and advocates for an industry-wide standard that provides transparency and simplicity for customers.

Key developments in 2023 include:

- Aer Lingus continues its partnership with charity Pure Leapfrog to help passengers contribute towards mitigating some of the emissions generated from their flights;
- British Airways continues to collaborate with the CHOOOSE platform that enables customers to understand their flight emissions and take steps to address their climate impact before or after their journey, or directly from their seat on board. This includes carbon removals from the 'case study' projects listed in section A.1.2.;
- Iberia has certified its carbon footprint calculator methodology with AENOR (third-party verification entity); and
- Vueling offers its customers the opportunity to make a contribution to the supply of SAF. Vueling matches its customers' contributions, doubling the amount of SAF supplied. Almost 197,000 passengers have contributed 246 tonnes of SAF purchased since the initiative started in 2022. Passengers can also mitigate flight emissions by contributing towards the purchase of carbon removals though the collaboration with CHOOOSE.

Non-CO_2 effects

IAG is supporting the ongoing research and development of mitigations for the non-CO_2 effects of aviation. This includes participating in the UK Jet Zero Council's non-CO_2 working group, and supporting research by the Rocky Mountain Institute (RMI).

The Group's airlines already participate in several non-CO_2 research projects.

- British Airways and Iberia are collaborating with Breakthrough Energy to identify which of our flights' trajectories pass through Ice Super-Saturated Regions (ISSR) and may contribute to non-CO_2 climate effects;
- Iberia participates in the IAGOS* project, which combines the knowledge of scientific institutions with the civil aviation operations to obtain essential data on atmosphere and air quality conditions for the subsequent development of more accurate climate models. New IAGOS equipment has been installed in an Airbus A330-200 which mainly operates routes across the Atlantic, providing atmospheric data from a valuable climate region;
- Vueling completed several trials with SATAVIA** that aimed to reduce the creation of contrails and measure the improvements from adjustments made in-flight; and
- Group airlines are also preparing to monitor, report and verify non-CO_2 emissions for their future obligations under the EU ETS from 2025.

IAG advocates for further scientific research to support effective policy-making that can deliver true emission reductions.

* IAGOS - In-service Aircraft For a Global Observing System

** SATAAVIA - Company supporting airline control management

A.1.4. Emissions reduction initiatives

Relevant standards: TR-AL-110a2. GRI 305-5.

Reducing gross and net emissions is a collective effort across the Group. Examples are provided throughout this report.

By 2030, fleet renewal and SAF programmes will have the biggest impact on reducing gross emissions, and CORSIA will have the biggest impact on reducing net emissions. In addition, other specific initiatives are run within operating airlines.

Our savings from key initiatives in 2023, rounded to the nearest 1,000 tonnes, are shown in the table below. See section 'Leading our industry in SAF projects' for more details on our emission reductions:

Fleet efficiency	SAF	Operational efficiency	Carbon markets	Supply chain
€12 billion	157,000	86,000	2.6m	38
investment between 2024 and 2028 for 178 new, more efficient aircraft	tonnes of CO_2 saved from SAF used this year, representing 0.6% of our total annual emission	tonnes of CO_2e saved from operational efficiency initiatives such as reduced use of landing flaps, single-engine taxi-in and reduced weight on-board	net tonnes of CO_2e reduced through participation in carbon pricing mechanisms including the EU ETS, UK ETS and Swiss ETS	supply chain audits were completed in 2023

Examples of emission reduction initiatives across the Group:

Operating company	2023 examples	Initiative type
Aer Lingus	Aer Lingus took its first new Airbus A320 aircraft delivery flight with 50% Sustainable Aviation Fuel onboard. 2023 also saw Aer Lingus procure SAF for the first time at London Heathrow as part of the Group deal with Phillips 66.	Fleet efficiency and SAF
	More efficient alternate routings. This change means that one-third of Aer Lingus flights can carry 160kg less fuel, reducing daily CO_2 emissions by 3.2 tonnes.	Operational efficiency
British Airways	British Airways was the first airline in the world to use SAF produced on a commercial scale in the UK after signing a multi-year agreement with Phillips 66.	SAF
	British Airways took delivery of 10 new aircraft into the fleet, whilst retiring some of its older aircraft, which continues to help increase CO_2 efficiency.	Fleet efficiency
	Sustainability is now integrated into annual pilot simulator checks with training rolled out across all fleets and a sustainability update issued to all flight crew.	Operational efficiency
IAG Cargo	IAG Cargo allows customers to purchase Scope 3 emission reductions from SAF production to support their own emissions reductions. In 2023, customers including Bolloré Logistics, DB Schenker, DHL Global Forwarding and Kuehne + Nagel engaged with this programme.	SAF and Supply Chain
	IAG Cargo delivered trials including a lease of 40 tractor units running on Hydrogenated Vegetable Oil (HVO) biofuel, and an electric tractor.	Operational efficiency
IAG GBS	IAG GBS operated a proof-of-concept trial with Watershed, a digital automated solution for carbon calculation measurement and sustainability accounting, to improve reporting of its Scope 3, category 1 (purchased goods and services) emissions footprint. See Section A.1.3. for more details.	Supply chain
	IAG GBS continues to partner with other companies through the 'Business vs Smog' programme to leverage its resources to help the fight against climate change. During the five years that GBS has been involved, programme volunteers have run 2,000 free workshops for 45,000 participants in 150 towns.	Supply chain
IAG Loyalty	British Airways Executive Club members can use their Avios to contribute towards the purchase of SAF on short-haul flights via the High Life Café.	SAF
IAG Tech	Migration of IT services to Amazon cloud servers, saving energy and reducing CO_2.	Supply chain
Iberia	Iberia continues to deliver efficiency initiatives across the whole flight phase including take-off, cruise, approach and landing.	Operational efficiency
	Iberia welcomed six new Airbus A350-900, which increase CO_2 efficiency and reduce carbon emissions by around 65,000 tCO_2e compared to 2022.	Fleet efficiency
Vueling	Vueling took delivery of four Airbus A321neos, increasing carbon efficiency by 20% by saving fuel and having a higher passenger capacity than the aircraft they replace.	Fleet efficiency
	Vueling is working with EUROCONTROL and ENAIRE to define a new KPI that measures the airspace efficiency according to CO_2 emissions instead of distance flown. This will support changes within European airspace and promote optimal trajectories that reduce CO_2 emissions.	Operational efficiency
	Vueling was the first European LCC to partner with WheelTug, to accelerate the development of its device that will allow minimising engine use on the ground, reducing emissions and noise.	Operational efficiency

Fuel efficiency programme

As part of the IAG sustainability commitment, each Group airline has a fuel efficiency programme which supports flight planning and enables pilots to increase fuel efficiency. Best practices are shared across the Group to leverage synergies and further increase fuel efficiency.

2023 examples include:

- British Airways and Vueling deployed NAVlink Wind Updates services in their A320 fleets. NAVlink provides optimised in-flight wind data updates, allowing pilots to plan a more efficient descent trajectory. NAVlink has proven to reduce around 22kg of CO_2 emissions per descent. This partnership was developed with the support of Hangar 51 – IAG's innovation team;
- Group airlines collaborated with Honeywell for the use of its Forge software. This software uses in-flight data to improve flight planning and increase fuel efficiency; and
- Vueling has implemented the 'Pilot App' which provides transparent data on individual pilots' contribution towards sustainability goals. This app tracks the CO_2 emissions saved during each flight, enhancing decision-making in their day-to-day duties.

A.1.5. Scenario analysis

Overview

In 2023, IAG carried out multiple and aligned forms of scenario analysis:

- the IAG Sustainability team and the Enterprise Risk Management (ERM) team reviewed all climate-related risks and opportunities and potential impacts to 2026 and 2030. The impacts of material risks are quantified as part of the Company-wide ERM process which receives Board oversight;
- operating airlines modelled compliance-related costs, including from the UK and EU ETS and CORSIA, to 2050;
- TCFD-aligned scenario analysis was repeated using a dual timeframe of 2030 and 2050; and
- ongoing analysis was carried out on the Flightpath Net Zero strategy to 2050.

This scenario work informs strategy, planning, risk management and financial management.

IAG takes a proactive approach to managing climate-related risks and opportunities, and is committed to managing their regulatory, reputational, financial, market and technology aspects.

Applying carbon prices

IAG concurrently applies carbon prices to financial planning and to future scenario analysis.

The Fleet team uses updated carbon prices and price forecasts for short-haul and long-haul fleet purchasing decisions, based on market values and reputable external sources. The Group airlines use carbon prices in financial planning, and flight operations teams and pilots use carbon prices in operational decisions about fuel uptake.

Potential acquisitions include an assessment of exposure to climate-related issues and policy.

For the period 2024 to 2033, UK ETS prices of £55 – £89/tonne, EU ETS prices of €84 – €124/tonne and CORSIA prices of $11 – $25/tonne were used for modelling compliance costs.

EU and UK ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

TCFD-aligned scenario analysis

Since 2018 IAG has been incorporating the TCFD recommended guidance on climate risk disclosures. In 2023, IAG repeated a TCFD-aligned scenario analysis exercise, building on previous years' exercises.

This was a structured, qualitative discussion of potential climate-related impacts and business responses, using the latest evidence and analysis from reputable sources like the UN, EUROCONTROL and Climate Action Tracker (CAT). IAG conducted its 2023 analysis in line with the latest TCFD guidance update published in 2021.

Temperature scenarios of 1.5°C[1] were chosen for transitional risks, in recognition of IAG and global targets. The 2°C and 3°C warming scenarios were chosen for physical risks, based on the latest UN projections.

The year 2030 was chosen as the key timeframe, based on IAG targets and key policy timelines, e.g. for SAF mandates. The year 2040 was also considered due to the possibility of the world overshooting 1.5°C in the 2030s leading to faster societal changes.

IAG exercises involved representatives from multiple teams including Strategy, Treasury, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG Tech, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines. The Group Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group and the Safety, Environment and Corporate Responsibility (SECR) Committee.

The Group remains resilient to the most material climate-related impacts – industry-wide policy shifts – and these have been quantified and mitigation plans embedded into financial and strategic planning. Industry-wide changes also create opportunities for the Group to become more resilient than its competitors.

To address significant uncertainty around future policy, technology and market trends, IAG is repeating this scenario analysis annually. We will keep implementing action plans in coming years to further improve resilience to wider changes.

1 'Orderly' and 'Disorderly' scenarios were chosen as per TCFD definitions. These scenarios compare smooth, predictable and idealised climate-related changes with abrupt, variable and disjointed changes across regions.

A.1.6. Risks and opportunities

Climate-related risks are assessed and managed within the ERM framework as described in Section C.6. and in the Risk management and principal risks factors section under the principal risk ‘Sustainable aviation’. Opportunities are managed within relevant teams.

Transitional risks primarily affect airline activity between European destinations, which contributed to 34% of flying activity in 2023. Physical risks could affect IAG operations across its global network, reflecting the global nature of climate change.

IAG considers the relevant risk factors that could impact each risk by region and timescale. Such variability may arise from fragmented policy definition, scope and implementation, changeable market perceptions, or unpredictable delivery of new technology (among other causes). IAG considers its mitigation strategy for each risk accordingly. Please refer to the ‘Risk impacts and mitigation’ table for more information.

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation of these risks, along with the consideration of these risks in relevant governance processes. The external risk environment, materiality of risks, mitigation actions and KPIs for these mitigating actions are reviewed regularly.

The table below lists risks assessed through the ERM process. The most material risks are policy risks. Risk timeframes align with corporate planning timelines.

TCFD risk type	Risk and/or opportunity combined description	Risk time frame	Risk trend[1]	Scenario dependency[2]
Physical	Resilience to acute weather events	M	Stable	Temperature
	Resilience of routes and assets to chronic climate changes	L	Stable	Temperature
Market	Customer spend due to perceptions of ESG progress in IAG or the aviation sector	S	Down	Transition
	Perceived quality of offset and removal projects	M	Up	Transition
	Supply chain readiness	L	Stable	Transition
	SAF delivery against committed offtake agreement volumes	M	Up	Transition
Policy	Litigation against claimed carbon reductions from offsetting	S	Up	Transition
	Demand impact of EU and UK climate policy	L	Stable	Transition
	Resilience to changes in ETS/CORSIA pricing	M	Up	Transition
	Policy asymmetry across regions	M	Up	Transition
	Extra regulation on activity rather than emissions	L	Stable	Transition
	Lack of supporting SAF infrastructure or policy	M	Down	Transition
	Regulation on non-CO_2 effects	M	Up	Transition
Technology	Access to and readiness for lower-emission technologies	L	Stable	Transition
	Access to SAF supply	M	Down	Transition

Key: short-term (S) is 1-3 years, medium-term (M) is up to 5 years, long-term (L) is more than 5 years.

IAG continues to analyse risk and transition scenarios to inform mitigation plans to 2030. Key parameters for defining scenarios are below, based on UN, Climate Action Tracker (CAT), UK Climate Change Committee and internal analysis. These are kept under review.

Physical risk parameters	Current projection	2°C scenario	3°C scenario
Global scenario to 2100	2.4°C	RCP[3] 2.6	RCP 4.5

Transition risk parameters – 2030	Current policies/projections	Current targets	1.5°C-aligned scenario
Global emissions vs 2019	0%	-7%	-41% (-27%)[4]
UK emissions vs 2019	-28%	-42%	-42%
EU emissions vs 1990	-55% (via Fit for 55)	-55%	-62%
US emissions vs 2005	-37%	-50%	-58%
Aviation (net) emissions vs 2019	-15% (via CORSIA)	-15%	-15%

1 Risks might be increasing (up), decreasing (down) or stabilising from a business perspective. IAG calculates this based on central strategy modelling and economic forecasting, and the risk trend shown is based on an end-of-year assessment, relative to in-year review.
2 Whether the cost impacts depend more on the temperature scenario (2°C or 3°C), or type of transition (Orderly or Disorderly).
3 Representative Concentration Pathway (RCP), a globally recognised scenario for physical changes under different temperature ranges.
4 A 41% drop by 2030 represents an Orderly transition. A 27% drop represents a Disorderly transition because smaller global emissions reductions to 2030 require rapid decarbonisation after 2030 to return to 1.5°C by 2100.

Risk impacts and mitigation

Description as per previous page	Potential unmitigated financial impacts	How IAG is mitigating
Physical		
Resilience to acute weather events	Days of lost revenue due to additional flight disruption and associated mitigation and passenger compensation costs	Existing operational resilience processes can minimise extra disruption (for example from more turbulence from US-UK flights)
Resilience of routes and assets to chronic climate changes	Changed revenue from a different route network or a different frequency of flights to climate-affected destinations, changes in operational maintenance costs	Scale of route network means impacts above plan are not material so no immediate action needed. Aircraft are mobile assets which can be moved to different locations to account for e.g. more hurricanes in the Caribbean
Market		
Customer spend due to perceptions of ESG progress in IAG or the aviation sector	Customers change frequency of flying, duration of trips, or spend less relative to other carriers or other travel modes	Delivering emissions reductions, developing emissions dashboards for customers, expanding customer communications, support for global instruments like CORSIA, working via trade associations to advance solutions
Perceived quality of offset and removal projects	Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in costs by 2050 due to available volume of removals to deliver net zero	Strategy to avoid price spikes, governance to ensure offset quality, a removals roadmap based on external evidence, advocacy for policy support and monitoring regimes
Supply chain readiness	Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to IAG or associated supplier management costs, margin erosion	Supply chain sustainability programme which includes ESG scorecards and supplier risk screening
SAF delivery against committed offtake agreements	SAF delivery from agreed commitments fail to materialise from weak market supply or failed project development, exposing IAG to market priced SAF, buyout penalties or carbon costs	Securing SAF deals and taking equity in early-stage projects where relevant. Monitoring SAF project development and seeking volume above target levels
Policy		
Litigation against claimed carbon reductions from offsetting	Litigation for use of credits towards voluntary or compliance offsetting that do not deliver claimed emission reductions leads to legal cost	Due diligence conducted on carbon offsetting projects, internal guidance prepared for external communications
Demand impact of EU and UK climate policy	Pass-through of industry-wide costs affects ticket prices and, therefore, demand	Impacts of emerging policy assessed as part of longer-term financial planning and strategy
Resilience to changes in CORSIA/ETS pricing	Exposure to long-term price increases affects compliance costs	Strategy to reduce impact of price spikes; using carbon prices in fleet and financial planning
Policy asymmetry across regions	Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes	Advocacy for global solutions such as the ICAO Long-Term Aspirational Goal agreed in 2022
Extra regulation on activity rather than emissions	Industry-wide taxes or levies increase operating costs and have potential demand impacts; demand management measures equate to lost revenue. Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework	Advocacy in support of emissions-reducing measures like SAF and against economically inefficient measures like taxes
Lack of supporting SAF infrastructure or policy	Higher prices of SAF in core markets due to lack of investment in SAF production or cost of inputs	Advocacy for SAF policy, e.g. via UK Jet Zero Council, and a strategy to procure SAF in regions where supportive policy exists
Regulation on non-CO_2 effects	Potential multiplier on ETS costs, lost revenue due to route restrictions, or operational costs due to non-CO_2 management	External research suggests just 10% of flights could account for 80% of impacts. Advocacy via trade associations to support monitoring and targeted solutions such as route optimisation and SAF uptake
Technology		
Access to and readiness for lower-emission technologies	Higher ETS costs if technology access is restricted or technology development is slow	Hangar 51 Ventures team aligns research and work with the Flightpath Net Zero strategy
Access to SAF	Changing unit prices of SAF in core markets	Securing SAF deals and taking equity in early stage projects where relevant

Risks associated with SAF

SAF is a key solution in IAG's transition plan to net zero (Section A.1.2.), but remains a developing market, which in many regions is still awaiting policy definition to drive infrastructure investment. IATA projects SAF production will meet just 0.5% of global aviation fuel demand in 2024[1]. IAG separates SAF risks into market, policy and technological risks associated with scaling up the global SAF industry. IAG considers the respective impacts on fulfilling IAG's 2030 commitments and future regulatory obligations, by modelling the impact of regional differences in future SAF supply and costs, associated with different policies (policy risk), SAF feedstock technologies (technology risk) and market prices (market risk). IAG uses this modelling to influence SAF strategy and investments.

1 IATA Pressroom report: SAF Volumes Growing but Still Missing Opportunities, published 6 December 2023.

A.1.7. Stakeholder engagement

Relevant standards: GRI 102-13/43/44

Overview

The aviation industry will decarbonise faster with stakeholder and policy support.

The Group and its operating airlines regularly engage with key stakeholders: governments and regulators, shareholders, lenders and other financial stakeholders, trade associations, customers, suppliers, employees, communities, NGOs and academic institutions to advocate for support for emissions reductions and to share progress on Flightpath Net Zero.

Following our successful first IAG ESG day for investors in 2022, IAG delivered a sustainability update as part of its Capital Markets Day in November 2023.

Internal governance ensures that wider stakeholder engagement on climate change is consistent with material issues and environmental goals.

Key stances on climate change

IAG supports cost-effective approaches to deliver net zero emissions by 2050, advance low-carbon solutions, and support global efforts to align with 1.5°C.

Actions within associations focused on UK aviation, Spanish aviation and global aviation policy are listed in the table opposite. If the climate-related positions of trade associations are deemed to be substantially weaker or inconsistent with these internal stances, IAG representatives take roles on task forces and working groups and respond to consultations to communicate our position and constructively move to alignment.

IAG is proud to have consistent views on climate change with all the organisations of which it is a member (below). IAG has positively influenced this outcome by contributing expertise and time to drive net zero commitments, and create and support roadmaps to net zero emissions across SA, A4E, oneworld, JZC, and ATAG. IAG has also driven and encouraged higher SAF ambitions across the JZC, oneworld and WEF. IAG and key trade associations are listed on the EU Transparency Register.

Key principles of climate-related engagement

Aviation is a global industry and IAG remains committed to global policy approaches.

IAG supports carbon pricing as a key instrument to determine both the pace of emissions reductions for the aviation industry and the balance of in-sector and out-of-sector reductions. We advocate for the use of greenhouse gas emission removal technologies in carbon markets, by both natural and engineered means. By 2050 we are committed to using only GGRs to cover our residual carbon emissions.

IAG prioritises policy advocacy on SAF too, as this is a key emissions reduction driver in the next decade, and supports policies on operational efficiency, zero-emission aircraft and carbon offsets and removals.

The Group seeks to ensure that policies delivered are effective and fair across multiple airlines.

Luis Gallego participated in a sustainability panel at the Sustainability Skies World Summit 2023.

Member of organisation	IAG involvement in organisation and actions to ensure and move to consistent stances
UK focus	
Sustainable Aviation (SA)	One of 13 members of SA Council, which governs activities for 44 members Drove development of SA's net zero roadmap in 2023, which for the first time included the demand impact of a net zero transition. IAG was also an active participant in workstreams to advance low carbon solutions
Jet Zero Council (JZC)	Chairs SAF Delivery Group and supported creation of UK Jet Zero Strategy in 2022 to deliver net zero UK aviation by 2050. British Airways CEO a member
Royal Aeronautical Society (RAeS) – Greener by Design group (GbD)	Executive Committee of GbD, attended non-CO_2 conference in 2022 and 2023 to understand how best to mitigate these effects
Spain/Europe focus	
Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth)	Formed in 2023. Iberia is one of over 50 corporate members supporting green growth
Alianza para la Sostenibilidad del Transporte Aéreo en España (AST) (Spanish Alliance for Sustainable Air Transport)	The main stakeholders of the Spanish air transport sector formed the alliance with the objective of promoting the development of sustainable aviation. Three working groups have been defined to respond to the main challenges that the sector now faces: operational efficiency, SAF and policy
Airlines 4 Europe (A4E)	Founding member, drove development of net zero roadmap in 2021, supported ReFuelEU consultation responses and other work to advance low carbon solutions In 2023, IAG has supported the update of the A4E decarbonisation roadmap, and participated in working groups looking to develop solutions for non-CO_2 emissions
Global focus	
Coalition for Negative Emissions	Founding member in 2020, Steering Group member, active contributor to consultation responses to UK Government on how to scale up carbon removals
oneworld (represents 15 airlines)	Chaired the Environment Strategy Board (ESB), coordinated net zero roadmap and 10% SAF ambition across 2020-21, hosted two ESB meetings in London in 2023, continues to provide support for advancing low carbon solutions
Air Transport Action Group (ATAG)	Significant airline contributor to global aviation roadmap to net zero in 2020-21, which helps to inform industry priorities for continual advancement of low carbon solutions
World Economic Forum (WEF) – Clean Skies for Tomorrow Coalition	Regular contributor to reports on how to scale up SAF as a low-carbon solution, advocated for 10% SAF ambition by 2030
IATA (represents 300 airlines worldwide)	Chaired the IATA Sustainability and Environment Advisory Council (SEAC), representatives on IATA working groups to advance policies for low carbon solutions, supported advocacy for net zero commitment at ICAO and strengthening of CORSIA baseline. Moderated a panel at the inaugural IATA World Sustainability Symposium in Madrid in October 2023

IAG are an investor in Nova Pangea, an innovative company producing SAF feedstock. Jonathon Counsell, IAG Group Head of Sustainability and Jim Davies, IAG Programme Director – Sustainable Flight are pictured here with Anthony Brown MP, UK Aviation Minister and Sarah Ellerby, CEO Nova Pangea.

Key engagement forums in the UK, Spain and Ireland

UK – Jet Zero Council
The UK Government's Jet Zero Council (JZC) launched in 2021 as the first of its kind partnership between the aviation industry and Government. The JZC aims to provide advice on the Government's ambitions to deliver net zero aviation and zero-emission flights. It brings together ministers and CEO-level stakeholders, with regular meetings and subgroups to drive the ambitious delivery of new technologies and innovation to cut aviation emissions. Through the success of the JZC, several countries have followed its example, including in Spain and Ireland.

In 2023 IAG supported the JZC's focus on SAF. This included the UK Government's second consultation on SAF, participation in the SAF mandate sub group and the commercialisation sub group, and supporting a revenue certainty mechanism for SAF, which the UK Government has now committed to through the UK Energy Bill.

The Ninth Jet Zero Council focused on greenhouse gas removal technology, and BA showcased its nature-based carbon removal projects

Left: Mark Harper, Secretary of State for Transport, UK Government
Right: Jonathon Counsell, Group Head of Sustainability, IAG

Spain – Alianza para la Sostenibilidad del Transporte Aéreo en España (Spanish Alliance for Sustainable Air Transport)
The Spanish Alliance for Sustainable Air Transport (AST) was launched in April 2023. The AST is a joint initiative comprising the air transport industry, academia, and NGOs to promote the development of sustainable aviation in Spain, favouring the implementation of new technologies and innovative processes that make the long-term sustainability of the sector possible, and boost pathways towards decarbonisation. Iberia played a key role in creating the AST, and both the Iberia and Vueling CEOs are members.

Ireland
In 2023, the Irish Government announced plans to establish a Government-Industry SAF forum to inform and guide its work on SAF.

IAG welcomed this announcement and Aer Lingus is continuing to engage at European level, and with the Irish Government on policy support to incentivise SAF production in Ireland.

A.2. Planet – wider issues

A.2.1. Waste

Relevant standards: GRI 306-1/2/3 (2020).

Overview

IAG has one of the most comprehensive waste reduction plans in the airline industry. Our priorities include reducing food waste, and eliminating the use of single-use plastics, in addition to increasing recycling across our operations.

On-board services are the main source of waste. Key waste outputs include plastic packaging, leftover food waste, drinks cans and cabin items such as wrappers. Key inputs included on-board meals and amenity kits supplied to passengers.

In 2023, IAG operations generated:

- 52,699 tonnes overall (52,655 tonnes in 2022); comprised of
  - 51,749 tonnes non-hazardous waste; and
  - 950 tonnes hazardous waste.

We recovered or recycled 7,650 tonnes (19%).

Waste is typically offloaded and processed at airports by third-party caterers, with some materials recovered on-site and other materials incinerated or sent to landfill. The majority of cabin and catering waste is processed at IAG's hub airports – Barcelona, Dublin, London and Madrid – although the Group flies to over 200 airports worldwide.

Below is the Group's most comprehensive waste disclosure to date. Waste trends are stabilising with the return to normal operations following the COVID-19 pandemic and IAG remains committed towards delivering our 2025 goals.

Metric	Unit	2019 base	2025 target	**2023**	2022	2021	2020	vly
On-board waste per passenger	Kg/pax	0.33	0.26 (-20%)	0.32	0.41	0.47	0.75	(22%)
Office waste per full-time employee	Kg/FTE	95.7	47.8 (-50%)	81.8	83.0	103.1	124.5	(1%)
Maintenance waste per unit of activity	Kg/person-hr	0.63	0.47 (-25%)	0.11	0.12*	0.28*	0.38*	(8%)
Cargo waste per unit of cargo carried	Kg/tonne cargo	1.55	1.16 (-25%)	1.54	1.59	1.43	1.59	(3%)
On-board waste at hubs recycled/recovered	%	24%	40%	20%	24%	26%	31%	(4pts)
Office waste recycled/recovered	%	35%	60%	26%	26%	13%	16%	0pts
Maintenance waste recycled/recovered	%	50%	70%	72%	60%	45%	35%	12pts
Cargo waste recycled/recovered	%	63%	80%	77%	59%	61%	55%	18pts

Note: * means restated using the latest data and assumptions.

Commentary on key metrics

Key metrics	Description	Commentary
Overall waste	Includes waste from all streams – on-board, office, cargo and maintenance waste – and an extrapolation of waste processed at overseas airports, where waste destinations are not always reported by third parties.	Waste volumes have increased less than 1% in 2023. This is despite activity levels returning to pre-pandemic levels. Please refer to examples of waste reduction initiatives across the Group for more details.
Waste recycling and recovery	Includes re-use, downcycling, upcycling, composting and anaerobic digestion. Regulations, including International Catering Waste (ICW) regulations, limit the amount which can be recycled.	Overall recycling/recovery rates are 19%. Recycling of maintenance and cargo waste has increased significantly owing to initiatives implemented in this section of the report. Onboard recycling has fallen year-on-year as operations recover to pre-pandemic levels. Office waste has not increased year-on-year, but initiatives launched in 2023, such as new recycling bins at Waterside, are expected to deliver an increase in office waste recycling rates in 2024.
Single-use plastic (SUP)	Items made wholly or partly of plastic and are typically intended to be used just once or for a short period of time before they are thrown away. This aligns to the EU definition.	160 tonnes of SUP were reduced from initiatives such as using birchwood cutlery and replacing packaging on blankets. The IAG GBS Procurement team is evaluating alternatives to plastic as part of procurement processes.
Waste/pax at hubs	On-board catering waste generated per passenger, including volumes later recycled and recovered. Passenger numbers are based on those inbound and outbound passengers who have their waste processed at hub airports: Barcelona, Dublin, London Heathrow and Gatwick, and Madrid.	Waste generation ratios per passenger have improved to pre-pandemic levels, and we are committed to meet our 2025 target (a 20% reduction compared to 2019 levels).

Detailed descriptions of all waste metrics are available in the Consolidated Statement of non-Financial Information.

Reducing waste across our operations

IAG launched a '5 by 2025' plan in 2021 that covers five waste streams and five business units, using 2019 figures as the baseline for our targets. The plan includes waste generation and recycling targets across on-board, office, cargo and maintenance waste and a zero-based approach to single-use plastic (SUP). IAG is committed to reducing, reusing and recycling waste and dealing with any hazardous waste in line with relevant national and international regulations.

Our action on reducing waste is increasing

Year	2016	2021	2022	2023	2025
Targets		First Group-wide waste targets launched	New initiatives to recycle more on-board waste		Delivery of '5 by 2025' waste targets
Action	Iberia joins the EU LIFE Zero Cabin Waste project	EU SUP ban comes into force	Aer Lingus worked with the Irish Department of Climate, Action & Environment and Department of Agriculture to make it possible to recycle and segregate recycling on-board	• IAG launches working group dedicated towards advancing waste strategy; • Aer Lingus becomes the first airline to segregate and recycle on-board waste arriving on short-haul flights into Ireland; and • Vueling eliminates single-use plastics in on-board items and products	

Examples of waste reduction initiatives across the Group:

Operating company	2023 examples
Aer Lingus	Aer Lingus becomes the first airline to segregate and recycle on-board waste arriving on short-haul flights into Ireland.
British Airways	British Airways offers a pre-ordering service for products from the on-board SpeedBird Cafe, to give passengers the choice of buying fresh and ambient products before departure. These services remove food waste from unpurchased short-haul economy cabin meals while maintaining customer choice. British Airways has a target to halve food waste volumes between 2019 and 2025. British Airways becomes the first airline to be certified to recycle into New York as part of the IATA Transatlantic trial. Regulated garbage restrictions in the US dictate that anything that has touched food waste on an international flight has to be disposed.
IAG Cargo	Colleagues from IAG Cargo's graduate programme have helped develop and launch re-usable cups for any beverages purchased from our canteen at London Heathrow in September 2023. This has reduced single-use plastic cups across the hub by 41%. The graduate programme has also developed a prototype of a new luggage tag made from waste aluminium pallets, which will be made available for sale to customers. IAG Cargo is also exploring how this may be achieved using other materials that are difficult to recycle or re-use.
IAG GBS	The office at Waterside has launched new bins across all floorplates, divided into either five or seven sections to allow for multiple waste streams to be collected and disposed of easily. The trial aims to improve waste segregation and increase recycling levels.
Iberia	Iberia offers a Buy-Before-You-Fly service on short-haul flights and runs the Zero Cabin Waste project which aims to recycle on-board generated waste. Iberia segregated glass on-board for the first time in 2023.
Vueling	Vueling replaced all on-board cabin trolleys in 2022 with lighter trolleys that allow the segregation of waste on-board. This helps ensure waste can be processed more easily, resulting in a higher share of waste recycled and a lower environmental impact. The lower weight of the trolleys also helps reduce CO_2 emissions from aircraft operations, by up to 400 tCO_2e annually.

A.2.2. Noise and air quality

Relevant standards: GRI 305-7.

IAG has delivered a 14% reduction in noise per take-off and landing cycle (LTO) versus 2019, driven by fleet renewal. Noise per take-off has improved by 3% from 2022 levels owing to the use of newer, quieter aircraft and changes in the mix of short-haul and long-haul operations following the COVID-19 pandemic. IAG remains committed to reducing the impact of aircraft noise and air pollution on local communities near airports and supports innovation as a means of delivering this. Noise and air quality performance are monitored using national databases and global aircraft noise standards.

Group airlines continue operational practices to minimise noise impacts, such as the use of continuous descents. They engage with stakeholders such as community groups, regulators and industry partners to understand their concerns and participate in research and operational trials to identify and refine solutions.

Noise reduction targets

IAG is updating noise reduction targets as flying levels return to pre-pandemic levels. Iberia is continuously improving the KPIs related to noise levels, as the new fleet we are introducing has better noise certification levels than the previous aircraft.

Detailed descriptions on all noise metrics are available in the IAG statement of non-financial information.

Metric	Unit[1]	vly	v2019	**2023**	2022	2021	2020	2019
Noise per cycle	QC per LTO	(2%)	(14%)	**0.86**	0.88	0.88	0.96	1.00
NOx per cycle	kg per LTO	<1%	(4%)	**8.89**	8.83	9.22	9.84	9.23
ICAO Chapter 14	% at standard	3pts	9pts	**62%**	59%	56%	58%	53%
CAEP Chapter 8	% at standard	6pts	12pts	**47%**	41%	39%	40%	35%

1 % at standard is based on the fleet position at the end of 2023, including parked aircraft and excluding leased aircraft. Metrics per LTO are based on aircraft operational during the year. Details of Chapter 6-compliant aircraft are available in the IAG statement of non-financial information.

Related risk: Operational noise restriction and charges

Risk and/or opportunity description and potential impact	Mitigating actions
Airport operators and regulators apply operational noise restrictions and charging regimes which may introduce additional costs or restrict airlines' ability to operate, e.g. restrictions on night flights.	• Investing in new, quieter aircraft as part of fleet modernisation • Continually improving operational practices including continuous descents, slightly steeper approaches, low-power/low-drag approaches and optimised departures • Internal governance and training and external advocacy in Ireland, Spain and the UK to manage noise challenges

A.2.3. Environmental management

Relevant standards: GRI 103-2

Overview

IAG is committed to improving our environmental performance and complying with recognised standards in our sector for environmental management on material issues identified in this report. Key priorities include working towards the IATA Environmental Assessment (IEnvA), meeting ISO 14001 requirements and improving the EcoVadis score of Group airlines participating in the questionnaire (British Airways and Iberia).

Additionally, IAG GBS partnered with EcoVadis in 2022 to assess suppliers using EcoVadis scorecards, which consist of a holistic view of environmental, social and governance (ESG) issues. This gives IAG and its suppliers a baseline for improvements across ESG issues, and suppliers can share this with customers and other stakeholders to support sustainability across the industry.

Group airlines 2023 progress

In 2023, all Group airlines were fully certified under the IEnvA standard which is equivalent to ISO 14001 in all our flight operations and corporate buildings, complying with the core scope defined by IATA.

Additionally, British Airways and Iberia have extended the certification to their maintenance activities at hub airports and, in the case of Iberia, also to its handling services in Madrid Airport. Iberia Airport Services holds an ISO 14001 in all the airports at which it operates, with the aim of guaranteeing that an environmentally responsible service is provided to its customers.

In line with our commitment to supporting a more responsible supply chain, British Airways and Iberia respond annually to the EcoVadis questionnaire. EcoVadis is a market-leading provider of business ESG ratings. The response to this questionnaire is supported by the Group's policies and practices, such as supplier engagement policies administered by IAG GBS, which also allows us to identify points of improvement to annually improve the score of all Group airlines.

As part of our supply chain management objectives and our partnership with EcoVadis, IAG GBS has screened 90% of IAG's spend using EcoVadis scorecards, which means screening more than 550 suppliers.

Airline	EcoVadis 2023 score
British Airways	Bronze
Iberia	Silver

IAG third-party ESG assessments and awards

The Group also continues to provide evidence to support third-party ESG disclosures and rating assessment frameworks.

In 2023, IAG has been awarded an A- grade by the Carbon Disclosure Project (CDP) for its climate change disclosure, which assessed more than 21,000 companies globally on climate action. This is the fourth year IAG has achieved a 'leadership' rating of A- or higher, the longest consecutive leadership rating of any airline, and places the Group in the top 25% of respondents worldwide.

IAG was also the highest ranked aviation group in the global Transition Pathway Initiative (TPI) in 2022, which assesses 600 companies across 47 countries on their readiness for the low-carbon transition. IAG is in the top 10% of airlines assessed by Sustainalytics, which gives ESG risk ratings to around 15,000 companies worldwide based on public disclosures.

IAG was also awarded 2024 Eco-Airline of the year by Air Transport World for industry leadership and a best-in-class SAF programme, while Aer Lingus received the Aviation Sustainability and Environment award at the Irish Aviation 2023 Awards.

Reporting requirement	Current rating	Comments
TPI	Highest-ranked airline in 2022 TPI climate ratings (Score: 17/18)	TPI assess around 600 companies on their readiness for a low carbon transition
CDP	A- rating in 2023 (top 25%)	Leadership rating achieved for fourth consecutive year, longest running of any airline
Sustainalytics	Top 10% of airlines in 2022	Sustainalytics provide ESG ratings to around 15,000 companies

For IAG's engagement with the Transition Pathway Initiative, please refer to section A.1.2. of this report. For more information on our engagement with carbon disclosure providers, please refer to the 'Principles of sustainability governance' section.

Working with pathway initiatives

IAG supports the 1.5°C ambition of the Paris Agreement and continues to review evidence on aviation pathways which support this.

Where possible, IAG will work with relevant stakeholders, including the Science-Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI), to build an understanding of aviation industry pathways to net zero, how these contribute to national and global goals, and how companies and policymakers can drive investment into a low carbon transition. IAG is supporting work led by the Mission Possible Partnership (MPP) and the SBTI to update the 1.5ºC guidance for the aviation sector.

Left: Aer Lingus received the Aviation Sustainability and Environment award at the Irish Aviation 2023 Awards. The award was received by Rebecca Hill, Head of Sustainability, Aer Lingus.

Right: In 2023, Group airlines were fully certified under the IEnvA standard in all our flight operations and corporate buildings

B. People

B.1. Overview

IAG's structure is unique. Together we work towards our common purpose of connecting people, businesses and countries. The IAG model empowers each operating company and platform business to deliver for its customers and people – with each being responsible for managing recruitment, pay and conditions for their colleagues, as well as careers and development – while centrally we look at opportunities for synergies across the Group.

Each operating company and platform business has its own culture and values which support its unique brand, business, customer and employee propositions. At IAG, we hold commitment, pragmatism, execution, ambition, resilience, challenge and innovation, responsibility, people focus and team players as key values that enable us to fulfil our purpose. These are woven throughout our ways of working, people processes and our people strategies.

Colleagues have consistently demonstrated these values in responding to the various challenges and opportunities they have faced across the year. We've made substantial headway in rebuilding capacity, enhancing resilience and flexibility, and making transformative changes in our business, whilst navigating operational challenges, particularly in British Airways and Aer Lingus.

Across the Group, our focus on culture and values is essential to our transformation and the execution of our strategy. Our operating companies are working to constantly evolve their cultures to enable their businesses to be more competitive and achieve our transformation agenda and to provide a great working environment in which all colleagues can thrive. We measure progress on our culture through a six-monthly Organisational Health Index (OHI) survey sent to all employees and through other employee listening channels (see the Stakeholder Engagement section for details). Insights from these channels feed into our operating companies' priorities for improving and progressing our people policies, ways of working and shaping our people strategies.

In 2022, our primary focus was to build back capacity to support our business and operations. In 2023, we have been able to focus on a broader range of people initiatives including:

- investing in the skills of our workforce and commitment to professional development and careers – including our award-winning apprentice programmes and our pilot and leadership programmes;
- building the culture within each of our operating companies creates a positive colleague experience and drives customer-centricity and operational performance. Twice-yearly organisational health surveys enable tracking of progress and help focus people plans;
- continuing to make progress towards our ambition of 40% senior leadership roles held by women by 2025. At year end 2023 we have 36% of senior roles held by women, a two-point increase in 2023 versus 2022 and an overall increase of six points since 2020;
- building on initiatives already carried out in some of the operating companies, in 2023, we launched a voluntary, anonymous and confidential online survey to our senior leaders across the Group to gain a deeper understanding of the composition and diversity of IAG's senior leadership, going beyond gender to include a broad range of factors regarding identity. The survey results will be shared with senior leaders to inform IAG's people strategies and provide a baseline of the diversity of IAG's senior leaders, enabling us to track progress over time and support discussions around equity, diversity and inclusion. An output of the survey feeds into the UK Parker Review, which focuses on ethnic diversity of Boards and senior leadership teams. 6% of our UK senior leaders self-disclosed as ethnically diverse and our senior leaders globally represent over 20 nationalities. To ensure continued focus on increasing ethnic representation, we have introduced an ethnic diversity ambition of 10% for the Group's UK senior leadership population by the end of 2027;
- continued focus on creating an inclusive and diverse culture and organisation, encompassing the promotion of equity, diversity and inclusion, and upholding Group-wide policies designed to eradicate discrimination;
- supporting the wellbeing of our colleagues through the provision of a range of health, financial, and lifestyle benefits. Each operating company is committed to creating a positive work environment and to actively contributing to and supporting the overall wellbeing of every colleague;
- supporting colleagues through the broader transformation of the business including digitalisation, artificial intelligence, modernisation of our fleet, investments in customer and products; and
- operating companies have actively engaged with trade unions to secure balanced agreements, ensuring fair and competitive remuneration. These negotiated agreements provide a critical foundation to support investment and foster growth.

B.2. Key metrics and progress

Relevant standards: GRI 2-8, 401-1, 405-1

Headcount

71,794

+9% vly
at 31 December 2023

New hires

13,561

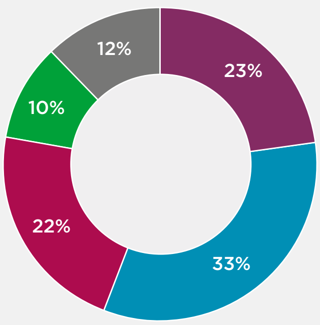
-22% vly
at 31 December 2023

Overall attrition

9.50%

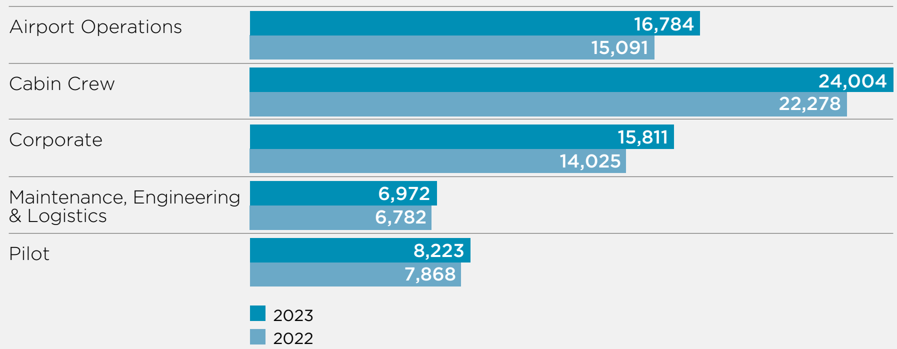
of which 7.40% were voluntary leavers
Full year 2023

Workforce composition

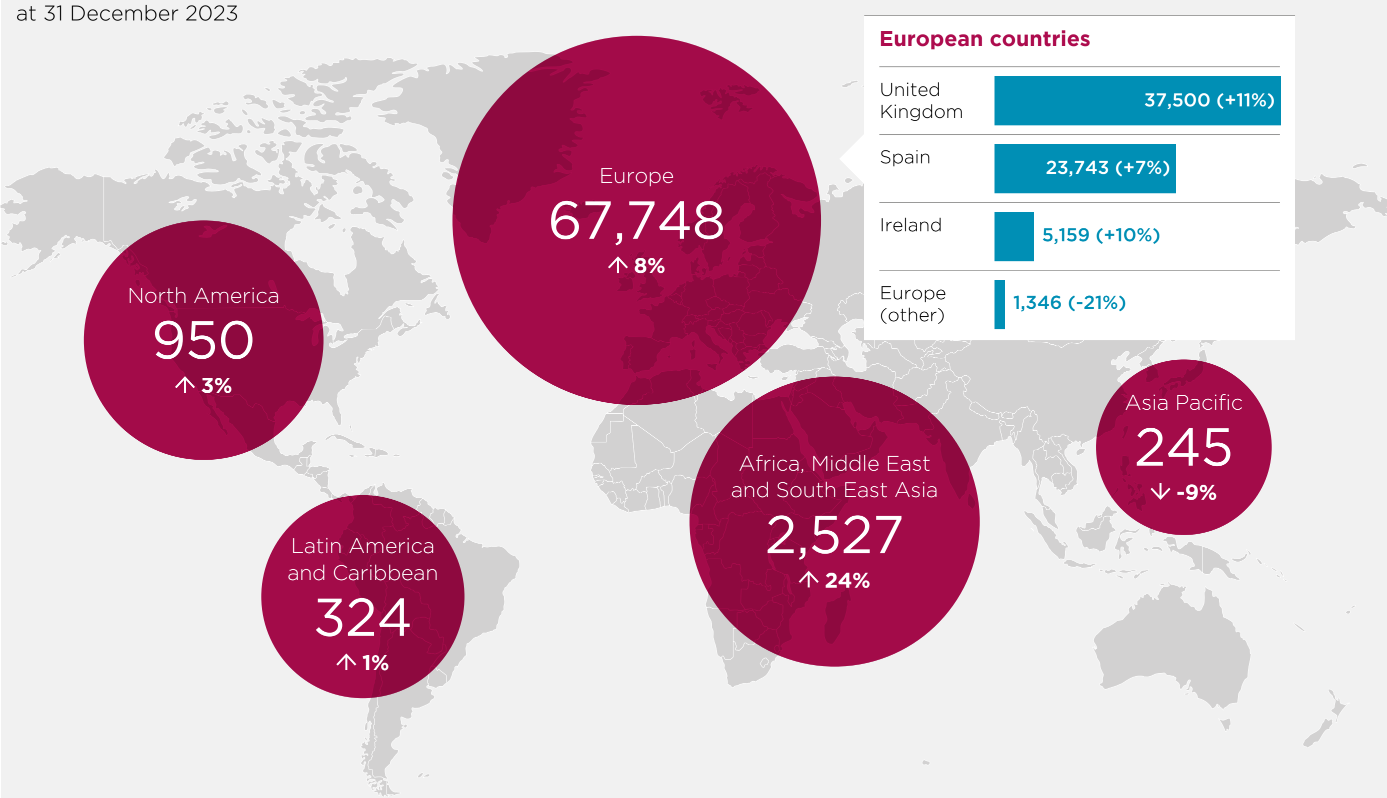


- Airport Operations
- Cabin Crew
- Corporate
- Maintenance, Engineering & Logistics
- Pilot

Workforce composition
Headcount by professional category at 31 December 2023 vly



Headcount by geographical location
at 31 December 2023

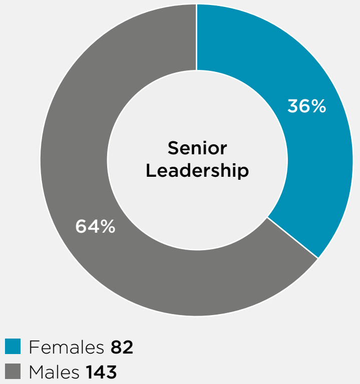


Gender diversity of senior leadership
at 31 December 2023

36%

6 points increase since 2020

We are on track to achieve our ambition of 40% of senior leadership roles held by women by 2025.



B.3. Equity, Diversity and Inclusion

Relevant standards: GRI 405-1

At IAG we are proud of the diversity of the workforce across our Group companies and the richness of backgrounds, experiences, cultures and ideas that makes our businesses thrive. Our aim is that all colleagues feel their unique difference is recognised and valued. IAG continues to bring positive change and progress towards our equity, diversity, and inclusion (EDI) ambition to create a diverse and inclusive culture representative of the communities we live and work in and the customers we serve. We also believe that a diverse workforce performs better and is more resilient, innovative and productive.

Progress on gender diversity

With regards to gender, our Board comprises 45% women, the IAG Management Committee 25% women and we have over 44% of women across our workforce. In 2022, we set a Group-wide ambition to have 40% of senior leadership roles held by women by 2025. We have seen a significant increase in gender diversity in senior leadership to 36% in 2023, a two-point increase since 2022 and six points since 2020 and are on track to achieve our 40% ambition.

Going beyond gender

Our Group-wide plans go beyond gender, and we are implementing a range of initiatives to support our diversity and inclusion ambition, whilst recognising the cultural sensitivities and legal contexts we operate in globally, and the need to comply with evolving reporting requirements.

In 2023, we partnered with an independent UK-based talent and diversity consultancy, Green Park, to gain a deeper understanding of the composition and diversity of our senior leaders, going beyond gender to include a broad range of factors regarding identity. A voluntary, anonymous and confidential online survey was sent to senior leaders across the Group.

We are delighted that 88% of our senior leaders globally responded to the survey (193 out of 219[1] leaders invited) with a 96% response rate in the UK (91 out of 95 leaders invited). While some of the operating companies were already capturing broader demographic data shared by colleagues, this is the first time we have surveyed our senior leaders across the Group with questions tailored to local legal and cultural contexts.

The survey provides a baseline to better understand the diversity of our senior leadership population, enables us to track progress over time and to continue and broaden our dialogue with our senior leaders around equity, diversity and inclusion.

1 Number of senior leaders at the time of sending out the survey

Focusing on ethnicity and nationality

One of the areas we focused on in the 2023 survey was ethnicity. 6% of our senior leaders based in the UK self-disclosed as ethnically diverse. Two leaders responded Prefer not to Say and four did not consent to their data being processed.

We recognise that we have progress to make and are introducing an ambition for 10% of the Group's UK senior leadership population to identify as ethnically diverse by the end of 2027. This has the support of both the Board and Management Committee. We have decided to focus our ethnicity ambition on the UK as ethnicity and race are well-defined characteristics aligned with census data. We support the recommendations of the Parker Review in the UK both in terms of reporting the ethnic diversity of our Board and senior leaders, and in setting an ambition for 2027.

Given IAG's global focus we see great value in having diverse ethnic, national and cultural backgrounds represented in the workforce: across our 71,794 colleagues, we have over 150 nationalities. The survey highlighted that our senior leaders globally represent over 20 nationalities. In the UK, 34% of senior leaders self-disclosed as a nationality other than British.

The survey results are being shared with our senior leaders and used to inform our people strategies. We remain committed to creating a diverse and inclusive culture. We will continue to uphold Group-wide policies designed to eradicate discrimination and to focus on open and transparent people processes, mindful choices of search partners, diverse recruitment shortlists and more rigorous definitions of critical role requirements, focusing on capabilities rather than experience.

Ethnicity reporting methodology

Our data relies on senior leaders self-disclosing their diversity status. Individuals who have chosen not to report their ethnicity are not included in the calculation as minority ethnic leaders.

We use the following methodology to calculate:

$$\text{\% of ethnically diverse senior leadership in UK} = \frac{\text{(Total number of UK leaders who self-identify as minority ethnic)}}{\text{(Total number of senior leaders in UK)}}$$

Aligned with the UK Parker Review guidance:

- a leader is identified as 'minority ethnic' if they self-disclose as one of the following groups: Asian, Black, Mixed/Multiple, Other (with the option to describe the ethnicity) or Prefer to Self-define (where the ethnicity maps to an ethnic minority category); and
- a leader is not included as 'minority ethnic' if they identify as White, Prefer not to Say, Do not Consent to data being processed, Prefer to Self-define (where the ethnicity does not map to an ethnic minority category) or did not reply to the survey.

Three different surveys were designed for the UK, Ireland and Spain – aligned to each country's legal and cultural context – using local census questions and classifications. In some countries we did not include the ethnicity question due to the legal and cultural context. Where collected, the ethnicity results provided to IAG have been aggregated and mapped to the UK ONS classification categories.

Data is held by Green Park and only shared with IAG and its companies for reporting at an aggregate level with minimum thresholds to safeguard anonymity.

We define senior leaders as IAG grades 0, 1 and 2 or equivalent across the Group, including Senior Executives (direct reports to IAG's CEO).

Right: British Airways' celebration of Black History Month

Left: British Airways' Diwali celebrations

Collaborating on EDI across the Group and supporting progress across our industry

The IAG Diversity Panel, created in 2021, sees representatives across all operating companies sharing best practice and leading on the co-design and implementation of new EDI initiatives that guide us towards our ambition.

We continue to partner with Women in Hospitality, Travel and Leisure (WiHTL). This year several operating companies participated in WiHTL's EDI maturity assessment and benchmarking exercise, in partnership with the Centre for Diversity Policy Research and Practice at Oxford Brookes Business School. Both at Group and operating company level we continue to collaborate with industry peers and were recently awarded the WiHTL 'Most Engaged Member' at its 2023 Inclusion Summit.

We actively partner with International Air Transport Association (IATA) and are committed to advancing gender diversity as part of IATA's 25 by 2025 strategy (a global initiative to enhance EDI and gender balance in the aviation sector).

Each airline is looking at increasing the diversity of its pilot populations through talent attraction and recruitment practices and through school engagement and outreach programmes. British Airways, Aer Lingus and Iberia have launched fully or semi-funded pilot cadet programmes.

Equity, Diversity and Inclusion examples

Aer Lingus has made strides in gender diversity within the Future Pilot Programme, with the first successful cohort comprising approximately 27% women. Aer Lingus currently has 11% of pilot roles filled by women, the third-highest gender representation of pilots of all airlines globally (Source: International Society of Women Airline Pilots 2021).

British Airways launched the Speedbird Pilot Academy, funding 70 spaces aimed at removing financial barriers to entry for pilot roles, while also introducing the 'Be an Original' inclusion and diversity learning programme for all colleagues. British Airways also launched a reverse mentoring programme pairing 80 senior managers with colleagues from under-represented ethnicities to promote awareness and improve inclusion. Additionally, British Airways focused on increasing representation through internships, apprenticeship

British Airways' newly established Colleague Accessibility Network Group

programmes and work experience placements – opening up different entry routes to a higher proportion of ethnic minority colleagues and those from lower socio-economic backgrounds. As it participates in Europe's largest event for black entrepreneurs, British Airways actively encourages and engages in cultural activities that are important to colleagues across the business.

IAG Cargo introduced a new training hub with a flexible bank holiday policy to promote inclusivity. Additionally, it has revamped its prayer room and nursing room to be fully accessible. IAG Cargo took second place in The Equity Index 2022/23 produced by Lead 5050, a UK cross-industry accreditation body, that ranks firms using official data on average salaries, bonuses, and pay at every level. The business also supported the 'everywoman in Transport and Logistics Awards' that promotes and inspires women within the industry.

IAG GBS is actively fostering an inclusive workplace through the initiatives of its Inclusion Network/Community Groups, including the LGBTQ+ Network and Working Parents and Carers Network. A strategic partnership with MyGWork, the largest professional speciality platform for the LGBTQ+ community, offers a range of collaborative efforts such as job postings, speaker events, Pride celebrations and access to a substantial talent community.

IAG Loyalty engaged a representative group of colleagues focused on driving an inclusion and belonging agenda. The group designed and led a calendar of EDI events and experiences based on colleague listening and survey data. There have been high levels of engagement across all topics including Pride, International Women's Day, Menopause Day, Baby Loss Awareness, Ramadan and other events designed by colleagues, for colleagues.

IAG Tech proudly supports women in the tech sector, sponsoring the 'Outstanding Women of the Year' award at the Women in Tech event and maintaining job postings on platforms such as the Diversity in Tech website.

Vueling and Iberia have refreshed their equality plans this year. Noteworthy progress at Vueling includes an increased percentage of women in management positions. Iberia's strategic focus through a supported network of over 200 colleague diversity ambassadors who help raise awareness, identify organisational barriers and who are consulted on company processes. This is supplemented with mandatory training for the entire company.

Co-parenting responsibilities
Relevant standards: GRI 401-3

The Group's operating companies prioritise work-life balance, especially in the context of co-parenting responsibilities. They have a range of policies covering job-sharing, maternity, adoption, paternity and shared parental leave to support employees managing co-parenting commitments. Online platforms facilitate a collaborative community for working parents and carers, enabling the exchange of ideas and mutual support, while also providing access to digital resources offering valuable information for maintaining a healthy work-life balance.

IAG Loyalty, as one of its focus areas, looked at parental leave with an equity lens, emphasising support for both parents rather than just the primary carer or birthing parent. This initiative applies in both the UK and Spain.

Universal accessibility for people with disabilities
Relevant standards: GRI 405-1

The Group adheres to all pertinent legislation, guaranteeing universal access for both employees and customers with disabilities across our operating companies. Our operating companies strictly adhere to relevant accessibility laws in our facilities and overall operations.

Each of our operating airlines is committed to providing a seamless customer experience, especially for those with disabilities. Collaborating with external organisations, including the Business Disability Forum in the UK, our airlines seek guidance and support to enhance their efforts and strategies.

Business Disability Forum

British Airways has developed a comprehensive guide to provide support for customers with disabilities, ensuring their needs are addressed with clarity and thoughtfulness. Furthermore, a proactive approach to inclusivity is evident in the neurodiversity training offered to managers at all levels.

A new Colleague Accessibility Network Group at British Airways has been established, with a senior-level sponsor to steer its initiatives.

B.4. Health, safety and wellbeing

Overview
Relevant standards: GRI 403-4, 403-6

At IAG, we are committed to the health, safety and wellbeing of employees, customers, and stakeholders, whether in the sky or on the ground. Our focus encompasses preventing accidents and diseases, controlling existing risks, and championing continual improvement in health and safety conditions. The IAG SECR Committee plays a pivotal role in overseeing operational safety and corporate responsibility.

We operate in compliance with laws, regulations, company policies and industry standards, and maintain a robust suite of health and safety management systems across our operating companies. Driving this commitment are governance processes led by committees within each operating company.

Operating companies have made substantial investments in initiatives that address various aspects of employee wellbeing, taking a holistic approach that integrates physical, social, and financial elements, alongside mental wellbeing.

Accident and severity rates are lower compared to 2019, with a Lost Time Injury (LTI) frequency rate of 3.7 instances per 200,000 hours worked.

Key initiatives

Aer Lingus ran a Health and Wellbeing Week across three locations in Ireland, featuring 21 different events. The week included initiatives such as flu vaccination vouchers for all staff, comprehensive health checks, reflexology treatment clinics, in-chair massage clinics, defibrillator training and webinars for family carers with guest speakers. Additionally, Aer Lingus provided an opportunity for colleagues to try the ''smoothie bike'', a unique and engaging way to have fun, keep fit and promote sustainable energy and healthy living. The airline actively promotes a comprehensive wellbeing portal accessible to all staff. This resource encompasses content on various wellbeing topics, including mental and physical health, monthly themed informational webinars, a digital gym offering online classes, an exercise library and nutrition resources. Regarding safety, Aer Lingus has a safety engagement programme which empowers managers and supervisors to reduce risk of injuries by discussing safe and unsafe actions.

Aer Lingus and British Airways have revised their Health and Safety e-learning induction training for new staff, in addition to holding regular communication through Health and Safety action groups, promoting safe behaviours, handling and training.

British Airways provides a leading peer support programme for pilots, tied to professional psychology support. The airline is committed to ISO 45001 standards, enhancing operating processes to prevent work-related injury and illness. In addition, a dedicated in-house occupational health service has been established, providing CAA regulatory medical examinations tailored for pilots and cabin crew. This service extends for all colleagues in specific trades, all in strict accordance with UK health and safety legislation. British Airways has a network of 150 dedicated wellbeing champions collaborating closely with health services to support new and existing initiatives. British Airways provides all colleagues globally with complimentary access to 'Unmind' – an online wellness platform developed by experts in neuroscience, cognitive behavioural therapy, mindfulness and positive psychology. Additionally, British Airways has signed the 'working with cancer' pledge as well as collaborating with Endometriosis UK, creating a supportive workplace for colleagues living or impacted by these conditions.

Iberia's commitment to employee wellbeing is an integral part of the 'Elige cuidarte' ('Choose to take care of yourself') programme within Occupational Prevention Management. In 2023, Iberia's efforts encompassed a range of initiatives, including physiotherapy services, heightened awareness of prostate cancer, annual flu vaccinations and the promotion of physical fitness through the 'Use the Stairs' campaign. Iberia has well-established health and safety committees in each of its relevant work centres.

IAG Cargo and British Airways introduced new menopause guidelines supported by a combination of online webinars and roundtable discussions.

IAG Cargo established a cohort of circa 100 Mental Health First Aiders throughout the organisation and has implemented fitness classes and a comprehensive wellbeing guide to promote a holistic approach to health.

IAG GBS employees access valuable tips on managing their wellbeing through medical health webinars, resilience training, yoga, pilates and online courses. Additionally, the introduction of the Headspace app for all employees and their friends and family has seen a remarkable 90% participation rate.

IAG Loyalty ensures colleagues have easy access to wellbeing resources, a central hub page allowing seamless navigation to content at any time. In addition, it orchestrated engaging events and curated unique content during Blue Monday and Mental Health Awareness week, prioritising mental, physical and financial wellbeing, finding every opportunity to combine fitness with community activities.

IAG Tech has implemented Mental Health employee first aiders who play a crucial role in offering support to colleagues during challenging times.

Industry-leading standards are being recognised across the Group and, in 2023, Vueling received the *Premio Empresa Xcellens* award which recognises all the work Vueling has done to promote a genuinely preventive culture and improving employees' quality of life. Vueling also holds quarterly meetings with its health and safety committee, composed of Vueling management and trade union appointed safety representatives.

B.5. Human rights and modern slavery

IAG had no known cases of human rights violations across the Group during 2023, the same as in 2022. IAG is taking steps to prevent incidents of modern slavery within the Group and across its supply chains.

The IAG Group Slavery and Human Trafficking Statement outlines these actions and is available on the IAG website. This statement is made under section 54, part 5 of the 2015 UK Modern Slavery Act (MSA). In terms of policies associated with human rights, IAG asks suppliers to comply with the Supplier Code of Conduct, which expressly prohibits the use of child labour and any form of slave, bonded, forced or involuntary prison labour, human trafficking or exploitation. Modern slavery clauses feature in all new supplier contracts as well as contract renewals, which require full compliance with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes.

IAG remains committed to taking swift and robust action if any evidence relating to slavery or human trafficking in our business supply chain is identified.

IAG is taking steps to prevent human trafficking. Human trafficking is of particular concern to IAG and to the wider aviation industry, as the Group transports millions of passengers every year and has tens of thousands of suppliers across the world. Operating airlines work closely with governments and the airports in which they operate to ensure that any suspected trafficking on our flights is identified, reported and dealt with appropriately. IAG also supports the 2018 IATA resolution denouncing human trafficking and reaffirming a commitment to tackle this issue and the ICAO Guidelines for Reporting Trafficking in Persons by Flight and Cabin Crew – in addition to actively contributing to the ICAO Ad Hoc Working Group on Combating Trafficking in Supply Chain (AHWG-TSP), an international, joint industry-regulatory group providing advice to ICAO assisting in the development of guidance material on combating trafficking in persons in an air operator's supply chain.

Operating airlines also train staff to recognise and respond to the signs of potential human trafficking situations and provide procedures for reporting where any cases are suspected.

Related risk: Human rights

Risk description and potential impact	Mitigating actions
Not preventing potential incidents of human trafficking via IAG routes, damaging efforts to protect human rights and associated legal, social and reputational impacts. Potential human rights or modern slavery violations in the supply chain leading to fines, compliance issues, social impact, business interruption or reputational damage.	• Updated Group Slavery and Human Trafficking Statement • Training for staff to recognise signs of potential human trafficking and guidance and processes in place to report this • See C.4. Supply chain governance

IAG is working towards the creation of a formal Human Rights policy, alongside the existing Code of Conduct and Supplier Code of Conduct to consolidate its activities in this area.

B.6. Community engagement and charitable support

Relevant standards: GRI 102-13, 201-1

In 2023, IAG raised over €7.4 million for charitable causes across the Group. Of this, 36 per cent came from customer contributions, 39 per cent from Company donations, 17 per cent from employee contributions, and 8 per cent from in-kind donations.

Metric	GRI Standard	Unit	vly	**2023**	2022	2021	2020	2019
Total raised		€ million	14%	**7.4**	6.5	2.7	4.6	5.7

Group operating companies have partnerships with a range of organisations including:

Disasters Emergency Committee (UK), Flying Start (UK), Save the Children (Spain), Lovaas Foundation (Spain), Dublin Pride (Ireland), Special Olympics (Ireland), Business vs Smog (Poland), Noble Gift (Poland), UNICEF (global)

C. Principles of sustainability governance

C.1. Sustainability strategy

IAG's vision is to be a world-leading airline group on sustainability.

That means using its scale, influence and track record to not only transform the business but drive the system-wide changes required to create a truly sustainable aviation industry. IAG is committed to delivering best practices in sustainability programmes, processes and impacts, while executing Group strategy.

IAG aligns its environmental strategy with the three overall strategic priorities of the business described in the Strategy section.

Material issues

IAG focuses its sustainability strategy on addressing material issues: those which are most important to key stakeholders and which have the biggest external impacts.

To identify these issues over a three-year timeframe and to 2030, IAG repeated a materiality assessment in 2021 which was facilitated by an independent third party. External stakeholders included investors, corporate customers, policy makers, trade associations, fuel suppliers, airports, and NGOs. Internal stakeholders included IAG Board members, all IAG Management Committee members, and operating company sustainability representatives. The results inform ongoing disclosures and strategy.

In our 2021 materiality assessment, tackling climate change was identified as the most material issue in the long-term. In the short-term, as the business recovers from the COVID-19 pandemic, profitability and customer and employee engagement and wellbeing remain high priorities.

IAG does not have specific risk provisions, targets or guarantees related to non-material issues such as water consumption, biodiversity, raw materials consumption, or light pollution. More information on water and biodiversity is available in the Additional Disclosures section of the IAG statement of non-financial information.

IAG will seek a double materiality assessment when it next repeats this analysis in 2024.

Leading net zero by 2050 roadmaps and commitments

IAG commitment (first airline group worldwide)	10 Oct 2019
IAG roadmap launched at Capital Markets Day	8 Nov 2019
Sustainable Aviation roadmap and commitment	4 Feb 2020
oneworld **commitment**	11 Sept 2020
A4E roadmap and commitment	11 Feb 2021
oneworld **roadmap**	31 Aug 2021
IATA commitment	4 Oct 2021
ICAO commitment	3 Oct 2022

Leading 10% SAF by 2030 commitments

IAG (first European airline group to commit)	22 Apr 2021
World Economic Forum (Cleaner Skies for Tomorrow Coalition)	22 Sept 2021
oneworld **alliance**	4 Oct 2021
UK Government	9 Oct 2021
30+ airlines globally	2023

Airline industry firsts

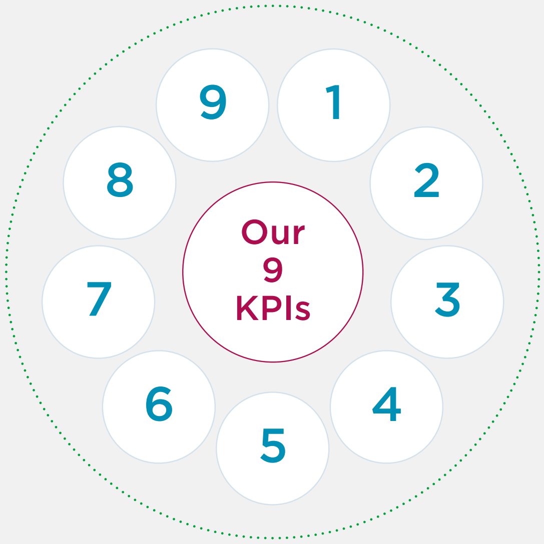
British Airways publishes carbon footprint	**1992**
British Airways' carbon offset programme for customers	**2005**
British Airways proposes CORSIA as part of Aviation Global Deal	**2009**
British Airways and Iberia Sustainability Linked Loans (SLL)	**2021**
IAG makes net-zero Scope 3 commitment	**2021**

Advanced innovation

IAG awarded CDP A-List company for the first time.	Dec 2017
Sustainability category added to Group accelerator programme.	Sept 2019
Founding member of Coalition for Negative Emissions, supporting carbon removals.	Oct 2020
Secures first aviation sustainability-linked loan linked to ESG targets, via British Airways	Jan 2021
Invests in hydrogen aircraft (ZeroAvia)	2021
Offers carbon removals to customers (British Airways)	Nov 2022
British Airways in new carbon removal financing model	Dec 2023

Drove/leading role Supported IAG-specific

Sustainability leadership KPIs



IAG drives progress based on nine strategic KPIs agreed by the Board in 2021.

1 Clear and ambitious targets relating to IAG's most material issues

2023 action

2025, 2030 and 2050 carbon targets and published transition plan. British Airways and Iberia have sustainability-linked loans related to 2025 carbon efficiency.

2 Low-carbon transition pathway embedded in business strategy

2023 action

Sustainability aspects included in one-year, three-year and 2030 business planning for operating companies.

3 Management incentives aligned to delivering a low-carbon transition plan

2023 action

Over 7,500 senior executives and managers have 10% of their annual incentive linked to annual carbon intensity targets.

4 Leadership in carbon disclosures

2023 action

A- score received in CDP climate ratings in 2023, fourth consecutive year of climate leadership status.

5 Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals

2023 action

Sustainability remains a focus area within the IAG accelerator programme Hangar 51.

6 Accelerating innovation in low-carbon technology as above

2023 action

British Airways, LanzaJet and Nova Pangaea Technologies signed an agreement that will accelerate Project Speedbird, an initiative created by the companies in 2021 to develop cost-effective SAF for commercial use in the UK.

7 Industry leadership in the innovation and deployment of SAF including power-to-liquids

2023 action

As of 31 December 2023, our total investment in SAF is $1 billion, of which 86% is future commitments.

Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

8 Stepping up our social commitments including on diversity, employee engagement and sustainability as a core value

2023 action

36% of senior leadership roles held by women, a 2 percentage point increase on 2022.

9 Industry leadership in stakeholder engagement and advocacy

2023 action

Leadership roles across multiple trade associations. See A.1.7.

C.2. Governance frameworks

Relevant standards: GRI 102-46/-48

Overview

IAG has robust governance in place to ensure joined-up and progressive decisions on sustainability.

This also helps to ensure that wider stakeholder engagement is consistent with material issues and environmental priorities and goals. An annual meeting planner for the Board ensures sustainability governance processes fit within the reporting and disclosure framework of the Group.

The Group's unique structure means that each individual operating company has a distinct sustainability programme. These are regularly reviewed to ensure alignment with the Group sustainability strategy and principles, which covers material issues, KPIs and engagement plans.

Relevant forums and levels of responsibility are indicated below. Information flows between groups is covered in section C.6., Risk Management and Principal Risk factors section, and in the Corporate Governance section.

Board/management committee	Frequency of meetings	Responsibility in relation to sustainability
Board	At least quarterly	Approval for strategy, major investments, risk management and controls and review of progress against environment and people plans including climate-related goals and targets
Board Safety, Environment and Corporate Responsibility (SECR) Committee	At least quarterly	Dedicated oversight of Group sustainability programme and alignment with strategic priorities, review of progress against environment and people plans. Provides a link between operating company management committees and the IAG Board
IAG Audit and Compliance Committee	At least quarterly	Ensures compliance with relevant regulation and reviews Annual Report and Accounts and Non-Financial Information Statement
IAG Management Committee	At least quarterly	Reviews and challenges Group programmes, the alignment of operating company-specific programmes with Group priorities and strategy, and progress against plans
Operating company management committee	At least quarterly	Reviews and challenges operating company-specific environment and people programmes

Sustainability Governance

Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG Sustainability Steering Group (SSG)	At least quarterly	Comprised of senior representatives from across the Group who provide oversight of environmental and social initiatives and reporting
IAG Sustainability network	Monthly	Sharing sustainability updates and ideas across all business units and over 30 sustainability representatives. In 2023, the ISN Sustainability network met 12 times, including 4 workshops hosted in the UK, Spain, Ireland and Poland. Reports into the IAG Sustainability Steering Group (SSG)
Hangar 51 Governance Committee	At least bi-annually	Reviews new potential investments to consider emerging climate technologies and partnerships with sustainability start-ups. Members include the Chief Commercial Strategy Officer, Chief Financial Officer, Chief Information, Procurement, Services and Innovation Officer

Sustainability Working Groups (launched in 2023)

Forum	Frequency of meetings	Responsibility in relation to sustainability
Reporting and Disclosures Working Group	Monthly	A cross-Group working group designed to monitor IAG sustainability disclosures against our regulatory requirements. Assessment framework responses also discussed.
Waste Working Group	Monthly	A cross-Group meeting focusing on waste strategy, projects and progress.
Sustainability Key Performance Indicator (KPI) Working Group	Monthly	A cross-Group forum for sharing best practice and improving KPI reporting

SAF Governance

Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG SAF Steering Group	At least quarterly	Comprised of senior representatives from across the Group who provide oversight of SAF strategic direction and approval for new purchases and investments
IAG SAF Management Group	Monthly	A cross-Group meeting focusing on SAF strategy, projects, and progress. Reports into IAG SAF Steering Group.

Governance responsibilities

Individual	Frequency of reporting	Responsibility in relation to sustainability
IAG CEO	At least quarterly	Chairs the IAG Management Committee, updates the Board, and ensures Board-level decisions are directed into action across the Group
IAG Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	At least quarterly	Reports to the IAG CEO. A member of IAG Management Committee. Chairs the SSG and provides approval and direction of Group programmes
IAG Group Head of Sustainability	Regularly as relevant	Reports to the IAG CPCASO. Chairs the Sustainability network
IAG Group Head of People	Regularly as relevant	Reports to the IAG CPCASO

Wider governance

Wider governance processes integrate sustainability aspects. As part of the Group-wide ERM process, sustainable aviation and people, culture and employee relations risks are presented bi-annually to the Audit and Compliance Committee and annually to the Board. One-year financial plans and three-year business plans are coordinated by Group Finance and include sustainability aspects.

C.3. Workforce governance

Relevant standards: GRI 2-30, 404-1, 404-2.

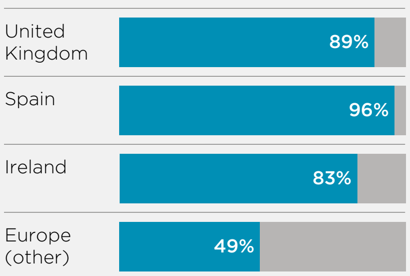
Each operating company within IAG is committed to creating a work environment in which safety and wellbeing are paramount, in which employees are treated fairly and rewarded appropriately, and feel motivated and can thrive. We believe our employees are central to the continued success of the Group.

Working policies and rights at work

At IAG our core principles include fair and equal treatment, non-discrimination, fairness and respect for human rights. These are central to our IAG Code of Conduct which applies to all employees and directors across the Group. Employees have been equipped with comprehensive training and development opportunities, ensuring they are well-versed in essential topics such as the Code of Conduct and Compliance with Competition Laws.

Operating companies are responsible for their own supplementary employee policies and procedures, including appropriate reward frameworks aligned to local markets and roles, so they remain competitive in attracting the best talent. We have seen a wide selection of employee benefits and recognition schemes introduced in the operating companies. For senior leader remuneration across our operating companies, we have deliberately focused on variable pay and long-term incentives, aligning leadership compensation with performance and long-term strategic goals to drive performance. We have taken a restrained approach to executive pay, remaining committed to fairness and competitiveness.

Collective bargaining arrangements
at 31 December 2023



Collective bargaining arrangements are in place for 87% of the workforce.

Our operating companies have focused on securing collective bargaining agreements with unions to ensure fair, competitive and sustainable pay – providing stability for our business and colleagues in challenging times.

IAG complies with International Labour Organization (ILO) conventions. These conventions cover fundamental principles and rights at work: freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect of employment and occupation.

IAG operating companies have effective dialogue through employee forums and through trade unions where they are recognised. In addition, the IAG European Works Council (EWC) facilitates communication and consultation between employees and management on transnational European matters. The EWC includes representatives from the different European Economic Area (EEA) countries. It meets regularly throughout the year to inform and, where appropriate, consult on transnational matters which impact employees in two or more EEA countries.

Each operating company continues to focus on engagement, listening and acting on colleague feedback. In addition to specific initiatives to measure employee satisfaction, IAG runs a twice-yearly Organisational Health Index (OHI) survey to track our transformation and culture development, and to benchmark management practices and leaders against a global external framework. Alongside leadership support, each operating company has established teams to identify themes and incorporate these into broader people plans.

Finally, Board members carry out workforce engagement visits with colleagues across our operating companies – meeting a variety of employees and leaders in their work context to better understand the challenges and opportunities of the different businesses, employee issues and levels of engagement. This is shared with the Board to provide a balanced perspective of stakeholder views and to support broader decision-making.

Training and development

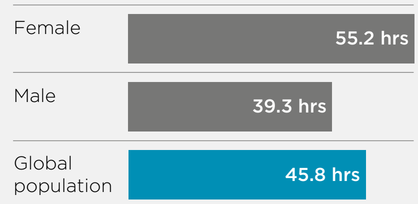
Each operating company is responsible for the learning, development and talent management within its business and ensuring its workforce has the necessary skills to support its strategy.

While training policies and programmes are implemented at the operating company level, all companies are required to run mandatory corporate training courses on topics such as the Code of Conduct, Compliance with Competition Laws, Anti-bribery and Corruption Compliance, and Data Privacy, Security, and Protection.

74,282
Employees trained[1]

3,219,091
Training hours

Average Training Hours
Average training hours per employee



C.4. Supply chain governance

Relevant standards: GRI 308-2, GRI 414-2.

Overview

IAG Global Business Services (IAG GBS) continues to engage with, support and monitor suppliers to ensure all products and services provided to IAG are on a path to net zero by 2050.

The IAG GBS Group Procurement team leads the Supply Chain Sustainability Programme by delivering in four key areas:

- The Supplier Code of Conduct (SCoC);
- Independent risk screening and sustainability assessments;
- Corporate Social Responsibility (CSR) Audits; and
- Embedding sustainability as standard in the procurement process.

1 Average training hours is based on the total training hours performed per average headcount, pro-rated to Full Time Equivalent (FTE)

Activities in 2023

The SCoC continues to be shared with new suppliers as part of the onboarding process. New suppliers are requested to acknowledge their commitment to achieving net zero emissions by 2050, and the need for a roadmap, supported by deliverable plans, to achieve this target.

IAG GBS is also partnering with EcoVadis, a market-leading provider of business sustainability ratings, to assess supplier scorecards with a comprehensive methodology covering environment, labour and human rights, ethics and sustainable procurement.

This gives IAG and its suppliers a baseline for improvements, and suppliers can share them with customers and other stakeholders, which benefits wider industry sustainability. Once a scorecard is shared with IAG GBS, results are reviewed to ensure the suppliers sustainability performance is aligned with IAG's vision and strategy. If a supplier's performance score is assessed as less than 45 (out of 100), a Corrective Action Plan (CAP) is requested for improvement.

IAG became a SEDEX member in 2023. SEDEX provides data insights to help companies improve ESG performance. As part of the SCoC adherence and legislation requirements under the UK Modern Slavery Act, suppliers are subject to third-party audit under a labour and human rights protocol such as the SEDEX Members Ethical Trade Audit (SMETA) methodology. In 2023, 38 of these audits were completed. By joining SEDEX, IAG aims to understand information about the ethical practices of their suppliers, including audits.

All suppliers also undergo annual compliance screening for any legal and financial risks. The Group Procurement and Compliance teams assess any suppliers identified as having potentially higher levels of risk and implement mitigation plans where necessary. Any issues are flagged to the risk owners within the Group to jointly take appropriate action.

IAG GBS has embedded sustainability aspects into the day-to-day operation of the organisation and included sustainability targets in the performance objectives of all IAG GBS employees.

IAG GBS has verified the existing, active supplier base and IAG's airlines' interline relationships in Russia and Belarus in order to determine the potential implications of, and actions to be taken, due to the trade sanctions issued as a response to the war in Ukraine. IAG has provided operating companies with support on mitigation actions to be taken (e.g. payment stop/blockage). This has been performed in coordination with Compliance Teams.

Building a sustainable future in 2024

In 2024, IAG GBS will work to have EcoVadis scorecards in place covering 90% of IAG's total spend. "High-risk" suppliers based on SEDEX's risk assessment will also be required to perform an independent SMETA audit.

Timeline of supply chain engagement activities

2019	2020	2021	2022	2023
Issued Supplier Code of Conduct	All suppliers screened for sustainability risks	Net Zero Scope 3 commitment	EcoVadis partnership and supplier sustainability clause	Embedding sustainability into category planning

Tracking metrics and progress

	GRI Standard	vly	**2023**	2022	2021	2020	2019
Total number of suppliers	308-2, 414-2	14%	**15,998**	14,045	13,272	22,947	27,033
Suppliers screened		14%	**15,998**	14,045	13,272	22,947	18,369
Suppliers with additional compliance assessments		(28%)	**400**	557	1,510	1,818	2,912
Critical suppliers under regular risk monitoring		(41%)	**19**	32	34	35	n/a
Independent CRS audits		19%	**38**	32	30	25	28
Total number of EcoVadis' scorecards		12%	**568**	561	228	120	nr

Related risk: Supply chain sustainability compliance

Risk and/or opportunity description and potential financial impact	Mitigating actions
Potential breach of compliance on sustainability, human rights or anti-bribery by an IAG supplier resulting in financial penalties, legal, environmental, social and/or reputational impacts.	• IAG GBS procedures above as well as integrity, sanctions and IAG Know Your Counterparty due diligence for higher-risk third parties • Internal governance on supplier management to identify challenges and mitigation • Supplier screening using external business intelligence databases which actively monitor supplier status and flag risks including sustainability

C.5. Ethics and integrity governance

Relevant standards: GRI 102-16/-17, 205-1/-2/-3

Overview

All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

IAG's Code of Conduct, last revised in 2019 and approved by the Board, sets out the general guidelines that govern the conduct of all directors and employees of the Group when performing their duties in their business and professional relationships. IAG does not use Company funds or resources to support any political party or candidate. Mandatory Code of Conduct training and communications activities are carried out for directors, employees and third parties on a regular basis to maintain awareness and understanding of the principles that govern the conduct of the Group. This document is available on the IAG website.

In 2023, a new Group Head of Ethics and Compliance was appointed, with the overall responsibility for developing, maintaining and overseeing the implementation of the enterprise-wide IAG compliance programme, which includes the harmonisation of the programme across the different operating companies and supporting an overarching ethics and compliance culture.

IAG has in place a Group-wide Whistleblowing Policy and a consolidated whistleblowing channel provided by an independent third-party provider, Navex, where concerns can be raised on an anonymous and confidential basis. This channel is available to members of staff as well as suppliers, with information on how to access it published in IAG's Code of Conduct and Supplier Code of Conduct. If any employee has a concern about unethical behaviour or organisational integrity, they are encouraged to first speak with their manager or a member of the Legal, Compliance or Human Resource teams. Similarly, suppliers are encouraged to contact their primary contact within the business. Regardless, the whistleblowing channel is available for everyone who wishes to report a concern.

IAG will not tolerate any retaliation against individuals using the whistleblowing channel or contributing to investigations arising from reports to the whistleblowing channel. Whistleblowing reports received for each operating company are triaged by the Compliance teams to direct to the most appropriate area for investigation, maintaining independence in this investigation process.

The IAG Audit and Compliance Committee reviews the effectiveness of the external whistleblowing channel and internal relevant reporting channels on an annual basis. This annual review considers the volume of reports by category; timeliness of follow-up; process and responsibility for follow-up; emerging themes and lessons; and any issues raised of significance to the financial statements or reputation of the Group or other areas of compliance.

In 2023, whistleblowing reports concerned issues relating to employment matters (61%), dishonest behaviour/reputation (34%), health and safety (3%) and regulatory matters (2%). All reports were followed up and investigated where appropriate and measures were implemented where concerns were identified.

Anti-corruption and anti-money laundering

IAG and its operating companies do not tolerate any form of bribery or corruption. This is made clear in the Group Code of Conduct and supporting policies which are available to all directors and employees. An anti-bribery policy statement is also set out in the Supplier Code of Conduct.

IAG has in place a Group-wide anti-bribery and corruption policy. This document sets out the minimum standards that are expected by the Group, its directors and employees, including definitions and guidance for bribery, gifts and hospitality guidance, political and charitable donations, public officials, facilitation payments amongst others.

Each Group operating company has a Compliance Department, responsible for managing the anti-bribery programme in its business. The compliance teams from across the Group meet regularly through Working Groups and Steering Groups, under the coordination of IAG's Group Head of Ethics and Compliance. They conduct an annual review of bribery risks at operating company and Group level.

The main compliance risks identified for 2023 were unchanged from the previous year and relate to the use of third parties, operational and commercial decisions involving government agencies, and the inappropriate use of gifts and hospitality. No material compliance breaches were identified in 2023, as in 2022. Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies and Group functions. Individual training requirements are set by each operating company and function and are determined by factors such as the level and responsibilities of an employee. A Group-wide anti-bribery e-learning module was rolled out in 2019 and is required to be completed every three years.

To identify, manage and mitigate potential bribery and corruption risks, IAG uses risk-based third-party due diligence which includes screenings, external reports, interviews and site visits depending on the level of risk that a third party presents. Any risks identified during the due diligence process are analysed and a mitigation plan put in place as necessary. Certain risks could result in termination of the proposed or existing relationship with the counterparty. The IAG Audit and Compliance Committee receives an annual update on the anti-bribery compliance programme.

There were no legal cases regarding corruption brought against the Group and its operating companies in 2023, as in 2022, and management is not aware of any impending cases or underlying issues.

IAG has processes and procedures in place across the Group, such as supplier vetting and management, Know Your Counterparty procedures and financial policies and controls, which help to combat money laundering and other compliance risks across the business.

	vly	**2023**	2022	2021	2020	2019
Employees completing anti-bribery e-learning	76%	**8,574**	4,880	1,404	1,984	7,933
Speak Up (whistleblower) reports	29%	**324**	252	164	193	nr

C.6. ESG risk management

Relevant standards: GRI 102-11/-15.

Overview

Sustainable aviation risks and People, culture and employee relations risks are reported as principal risks to IAG.

These risks are considered and assessed under the Group Enterprise Risk Management (ERM) framework which is presented bi-annually to the Audit and Compliance Committee and annually to the SECR Committee and Board. More details on this framework, risk identification and assessment, and risk management can be found in the Risk management and principal risk factors section.

All principal risks are linked to the Group strategic priorities which include sustainability.

Sustainability risks and opportunities, including climate-related risks and opportunities, are also identified and assessed by the Group Sustainability team, in conjunction with the Group ERM team, and presented to the IAG CPCASO, IAG Management Committee and SECR Committee. Plans to mitigate risks are developed by relevant risk owners in specific areas of the business, with agreed initiatives included in relevant operating company business plans. Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed by stakeholders.

People, culture and employee relations risks are managed by the Group's operating companies with guidance from the Group as appropriate.

Impact on operations and strategy

Sustainability risk assessments have informed specific decisions related to business operations and strategy, and IAG allocates significant resources to environmental risk management.

Examples include:

- In 2019, IAG designed and adopted the industry leading Flightpath Net Zero strategy in response to the need for more ambitious action on climate change. The Group maintains its commitment to net zero emissions by 2050, and continues to invest to meet that strategy;
- In 2021, IAG set a new net zero target by 2050 for Scope 3 emissions and IAG GBS appointed EcoVadis to help to track supplier sustainability performance and mitigate supply chain-related sustainability risks;
- In 2022, IAG expanded its commitment to invest in SAF development, production and supply, to manage climate policy risks and take advantage of energy-related opportunities; and
- As of 31 December 2023, IAG investment in SAF production and supply increased further to $1 billion, of which 86% is future commitments, as we continue to scale up the use of SAF in our operations. This price is based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

IAG is committed to mitigating the impacts of hazards which, if they occur, have uncertain but potentially negative outcomes on the environment or people.

IAG adopts precautionary measures to mitigate these hazards, an approach known as the precautionary principle. For example, the precautionary principle is applied to the planning of operations and the development and launch of new services IAG integrates climate considerations into three-year business plans and one-year financial forecasts and aligning activities with the Flightpath Net Zero strategy.

IAG also manages risks via the use of ISO-14001-aligned environmental management systems. IEnvA is the airline industry version of ISO 14001, the international standard for environmental management systems. IEnvA is tailored specifically for airlines and is fully compatible with the International Organization for Standardization (ISO).

The Group's airlines completed the certification process for the IEnvA standard in 2023, except for Vueling which achieved Stage 2 certification in 2022. Following this exercise, both British Airways and Aer Lingus were awarded Stage 2 certification in 2023. Iberia was awarded Stage 2 certification in January 2024. Please refer to section A.2.3. 'Environmental Management' for more details.

In terms of the amount of provisions and warranties for environmental risks, IAG and its operating companies does not currently take out any specific insurance to cover environmental risks.

Related risk: Environmental regulation compliance

Risk description and potential financial impacts	Mitigating actions
An inadvertent breach of compliance requirements related to ESG reporting, emissions or waste management, or other environmental issues, leading to fines and potential reputational damage.	• Strengthening sustainability governance including reviews of annual disclosures via the Audit and Compliance Committee • Internal governance, training and assigning ownership for environmental compliance obligations • Maintaining IEnvA accreditation to improve internal compliance processes

C.7.1. Reporting and data governance

The full contents of this sustainability report are included in the IAG Non-Financial and Sustainability Information Statement (NFIS), which is third-party independently verified to limited assurance standards in line with ISAE3000 (Revised)[1] standards. IAG is working towards reasonable assurance by 2026. Compliance with specific frameworks and standards is listed under relevant section headings.

IAG complies with current and emerging standards on sustainability reporting.

These include obligations under EU Directive 2014/95/EU on non-financial reporting and its transposition in the UK and Spain, the 2018 UK Streamlined Energy and Carbon Reporting regulation, the Task Force on Climate-related Financial Disclosures (TCFD), and the EU Taxonomy Regulation (2020/852).

IAG aligns with selected GRI standards based on compliance with Spanish Law 11/2018. In cases where GRI alignment was not possible, other standards aligned to airline industry guidance or internal frameworks were used and described.

Emissions data from intra-European flights is also independently verified within six months of the year end, for compliance with the UK and EU ETS, and for all flights for the UN CORSIA scheme. Any material changes to key metrics are highlighted in future Annual Reports.

IAG also goes beyond compliance requirements and voluntarily aligns sustainability reporting with the Sustainability Accounting Standards Board (SASB), the IATA Airlines Reporting Handbook, GRI Standards for material issues, and relevant criteria from external ESG rating agencies. IAG supported IATA and the GRI to develop the IATA handbook.

The scope of environment performance data in this report includes all IAG airlines, subsidiaries and cargo operations over which IAG has operational control. This is also the scope of the net zero targets. Some exceptions for non-material business units have been applied for specific metrics, and these are clearly stated with rationale provided.

The scope of workforce and ethics and integrity data includes all IAG operating companies and support functions. Some exceptions have been applied and these are clearly stated with rationale provided.

The scope of human rights and modern slavery reporting is as above and includes data from all suppliers in the IAG supply chain.

For any specific cases where full-year data was not available for selected metrics, estimates have been applied based on business forecasts and data from prior months. Internal governance is in place to ensure that any estimations made are robust. Any prior-year restatements are indicated next to relevant metrics with reasons provided.

C.7.2. Alignment with GRI and SASB standards

Sustainability section	Sustainability subsection	GRI	SASB
A.1. Planet – climate change	A.1.3. Metrics and progress	305-1/2/3/4/5, 301-1, 302-1	TR-AL-110a.1.
	A.1.4. Emissions reduction initiatives	305-5	TR-AL-110a.2.
	A.1.7. Stakeholder engagement	102-13/-43/-44	
A.2. Planet – wider issues	A.2.1. Waste	306-1/-2/-3 (2020)	
	A.2.2. Noise and air quality	305-7	
B. People and prosperity	B.2. Workforce metrics	102-7/8, 401-1, 405-1, 102-41, 404-1, 403-9	TR-AL-310a.1.
	B.6. Community engagement and charitable support	102-13, 201-1	
C. Principles of sustainability governance	C.2. Governance frameworks	102-46/-48	
	C.3. Workforce governance	403-4, 408-1, 409-1	
	C.4. Supply chain governance	308-2, 414-2	
	C.5. Ethics and integrity	102-16, 102-17, 205-1/-2/-3	
	C.6. ESG risk management	102-11, 102-15	

1 ISAE3000 is the assurance standard for compliance, sustainability and outsourcing audits, issued by the International Federation of Accountants (IFAC).

Agile risk management helping to protect the Group as it delivers its strategic plan

Enterprise risk policy and framework

The Group has an enterprise risk management (ERM) framework underpinned by an ERM policy, which has been updated in accordance with Spanish corporate law and governance and UK corporate governance requirements and has been re-approved by the Board in 2023. This sets out a comprehensive risk management process and methodology to ensure a robust identification and assessment of the risks facing the Group, including emerging risks. The risk management framework is embedded across all of the Group's businesses. Enterprise risks are defined as any risk that could impact the three-year strategic business plan ("the plan"). They are assessed and if the impact is above a threshold, plotted on an enterprise risk heat map, based on probability and impact. Consideration is given to changes in the speed of potential impact and how principal risks influence other principal risks to help assess where key mitigations can have a greater effect on reducing overall risk to the business. Risks are also considered in combining events where a number of risks could occur together. This process is led across the Group by the IAG Management Committee supported by the ERM function.

Although the Group considers enterprise risks that could impact the plan (defined as the short term), it also considers potential risks that could impact over the medium term of up to five years and in the longer term, beyond five years.

Risk outcomes are quantified as the potential cash impact to the plan over three years. Non-cash outcomes that could impact our customers, employees, reputation, sustainability targets or our regulatory obligations are considered for every risk.

Key controls and mitigations are documented, including appropriate response plans. Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed.

Every principal risk has clear Management Committee oversight at the Group level and in each business.

Risk appetite

IAG has a risk appetite framework which includes statements informing the business, either qualitatively or quantitatively, of the Board's appetite for certain risks. Each risk appetite statement applies either on a Group-wide basis or for specific programmes, initiatives or activity within the Group.

In the second half of 2022, the Board assessed its appetite across a number of critical strategic priorities to set tolerances for the Group for 2023. This approach allows tolerances to be set more dynamically across the plan period and aligns to the Group strategy as approved by the Board, which set the level of ambition and investment across the plan period. The exercise allowed the Board to discuss and consider the trade-offs within the plan and ensure that it was satisfied that management had set the appropriate prioritisation of initiatives to seek opportunities and manage risk within its defined appetite tolerances. This framework and tolerances have been in place throughout the year, with the Board assessing its appetite across all of the framework statements at year end against the Group's performance and its anticipated delivery of the Board-approved strategic business plan priorities and initiatives.

The Board is satisfied that the Group continued to perform and deliver initiatives throughout 2023 as planned to mitigate risk as set out in its framework statements and where further action has been required, the Board has considered potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite.

In the second half of 2023, following the Board strategy review, the Board re-assessed its appetite for key risk areas, taking account of changes in the risk landscape since the prior year exercise, for the upcoming plan period.

Regular re-assessment and confirmation of the risk appetite of the Board ensures its relevance and ongoing alignment to the Group strategic priorities and allows the Group to take appropriate risks to deliver the plan.

Emerging risks

Where emerging risks and longer-term threats that the Group or the industry could face are identified, they are managed within the overall risk framework as "on watch" until they are re-assessed to be no longer a potential threat to the business or where an assessment of the risk impact over the plan period can be made, and appropriate mitigations can be put in place or the risk becomes a principal risk. Other high-impact, low-likelihood risks are also considered.

Agility in risk management

The Group's ERM framework continues to adapt and evolve to the needs of the business and our stakeholders. This allows the Group and its businesses to both respond to changes in the external risk environment and support the pace and scale of business transformation, recognising the Board's appetite for risk.

During the year, management across the Group have reviewed the macroeconomic and geopolitical landscape to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational resilience, our sustainability ambitions or the Group's transformation, innovation and change agenda. By continuing to develop the Group's assessment of the interdependencies of risks, using scenarios to quantify risk impact under different combinations and assumptions, and considering the risks within the Group's risk environment that have increased or changed in their nature, either as a result of external factors or decisions within the Group's businesses, its Board and management are better informed and can react more quickly.

New guidance from regulators and investors is reviewed on an ongoing basis and best practice sought from other risk management sources.

Viability assessment

The Board's assessment of the viability of the Group is directly informed by the outputs of the ERM framework. Full details of our approach, scenarios modelled and the viability assessment are shown at the end of this report.

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework.

Risk management roles and responsibilities

Risk owners and management

Across the Group, risk owners are responsible for identifying potential risks and appropriately managing decisions within their area of responsibility that could impact business operations and delivery of the plan.

As the Group undertakes transformation activities within its operating companies, the pace and agility of the changes required create risks and opportunities. For transformational risks, business owners are assigned, and the business will agree appropriate mitigations and timelines for implementation, following discussions with all relevant stakeholders.

Emerging risks are assessed and risk owners consider and identify any potential impact to plans. Longer-term 'on watch' risks are subject to review as part of the framework.

Management is responsible for the effective operation of the internal controls and execution of the agreed risk mitigation plans.

Operating companies' management committees

Risk heat maps for each operating company and central functions are reviewed semi-annually by their operating company's management committee or function leadership team.

Where the Group's operating companies have a reliance on other parts of the Group for services delivery, risks are reflected appropriately across risk heat maps to ensure accountability is clear.

They escalate risks that have a Group impact or require Group consideration in line with the Group ERM framework.

They confirm to their operating company board and audit committees, where they exist, as to the identification, quantification and management of risks within their operating company at least annually.

Local risk heat maps are in place for subsidiary businesses, together with Group support platforms including Group Procurement and Services and IAG Tech.

IAG Management Committee

The IAG Management Committee reviews risks during the year, including the Group risk heat map semi-annually in advance of reviews by the Audit and Compliance Committee, in accordance with the 2018 UK Corporate Governance Code and the Spanish Good Governance Code for Listed Companies.

At the year end, the IAG Management Committee reviews the performance of the Group during the full year against the risk appetite framework and reports any near tolerance or out of tolerance assessments to the Audit and Compliance Committee.

The IAG Management Committee recommends severe but plausible scenarios for stressing the strategic business plan as part of the annual Group viability assessment.

IAG Board and Audit and Compliance Committee

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives.

The IAG Audit and Compliance Committee discusses risk and considers the risk environment regularly throughout the year, as does the IAG Board as part of wider Board discussions, in addition to the IAG Audit and Compliance Committee's bi-annual risk heat map review, including a review of the assessment of the Group's performance against its risk appetite for the financial year, scenarios for assessment of viability and the outputs from the viability modelling. The Audit and Compliance Committee has early sight of management consideration of viability scenarios to enable it to challenge subjectivities and confirm rationale. It then reviews the outputs at year end and makes recommendations on the viability assessment and statement to the Board.

The IAG Board reviews the Group's risk heatmap annually and it has completed a robust assessment of the Group's emerging and principal risks in the year.

The IAG Board sets risk appetite for the plan period.

Enterprise Risk Management function

The Enterprise Risk Management function provides support across the Group to ensure risk management processes are appropriately embedded and applied consistently, as well as working with management to identify risk, challenge assessments and strengthen the risk culture across the Group. The function provides risk management guidance and shares best practice across the Group and its operating companies, keeping them informed of any risk-related regulatory developments. The function is responsible for ensuring that the ERM framework remains agile and responsive to meet the needs of the business and its stakeholders.

The ERM function works with other compliance and Group functions, such as Group Finance, Government Affairs, Investor Relations, Legal, Ethics and Compliance, and Sustainability, leveraging their frameworks and assessments where appropriate.
Risk assessments form an important input into the Internal Audit planning and delivery process.

Year in review

The highly regulated and commercially competitive environment, together with the businesses' operational complexity, expose the Group to risks, where its influence and ability to directly manage the risks may be limited.

Examples include aircraft and component availability, and engine performance and reliability; the wider ongoing fundamental weaknesses in the resilience of the aviation sector's supply chain; air traffic control (ATC) resilience and industrial unrest in third parties impacting operations; and policy measures taken by governments to address the economic environment or policy proposals that could impact the Group's airlines' ability to set capacity and/or pricing.

Other external threats which remain heightened include: the impact of inflation and interest rates on demand and customer confidence; higher costs in the supply chain; and the impact of escalating and ongoing geopolitical tensions and conflict in various regions impacting our customers and flight operations as well as creating further airspace restrictions.

In assessing its principal risks, the Group has considered its operational resilience across its businesses, the status of the financial markets, customer mix changes, political risk and government changes, including upcoming elections, pace of transformation, artificial intelligence (AI) adoption, the Group's industrial relations landscape and people engagement and securing talent and expertise to support operations and deliver cultural change.

No new principal risks were identified through the risk discussions in the year. One risk has been reconsidered as part of the reviews and has been reframed as 'Transformation, innovation and AI' from 'Transformation and change' to recognise how the Group's change agenda is underpinned by investment which will leverage innovation and AI tools to accelerate the delivery of customer-centric, efficient processes and tools to run our businesses.

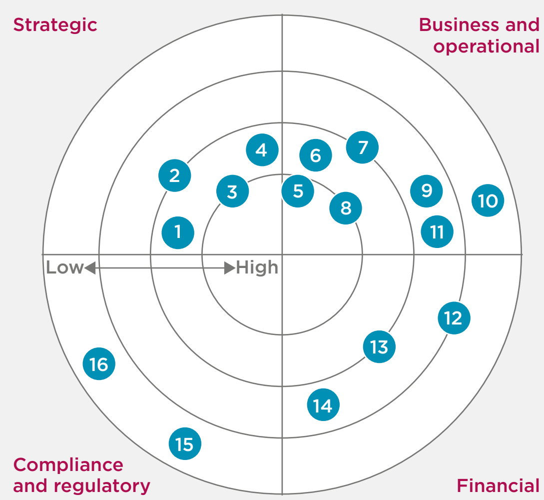
The risk around 'Critical third parties in the supply chain' is now assessed under Business and Operational risk given the nature of the potential impacts facing the Group (having previously been categorised as a Strategic risk).

Principal risks influence

The relative level of influence each principal risk has on the other principal risks

Principal risk radar

The assessed likelihood of risk materialisation for each principal risk



Key for principal risk factors table

Principal risk number	Strategic imperatives	Stakeholder impact	Risk trend
1	Strengthening our core	Customers	Increase
	Driving earnings growth through asset-light businesses	Employees	Stable
	Operating under a strengthened financial and sustainability framework	Suppliers	Decrease
		Shareholder, lenders and other financial stakeholders	
		Governments and regulators	

Principal risk factor table

	Principal risk	Strategic imperatives	Stakeholder impact	Risk trend 2023	Risk trend 2022	Viability scenario
Strategic						
1	**Brand and customer trust** Chief Commercial Strategy Officer/Operating company CEOs			↑	=	2 3 4
2	**Competitive landscape** Chief Commercial Strategy Officer			=	=	1
3	**Economic, political and regulatory environment** Chief Commercial Strategy Officer			↑	=	1
4	**Sustainable aviation** Chief People, Corporate Affairs and Sustainability Officer			↑	↑	1 2 4
Business and operational						
5	**Critical third parties in the supply chain** Chief Information, Procurement, Services and Innovation Officer			↑	↑	2
6	**Cyberattack and data security** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			↑	=	3
7	**IT systems and IT infrastructure** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			=	=	3
8	**Operational resilience** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			↑	↑	1 2 3
9	**People, culture and employee relations** Chief People, Corporate Affairs and Sustainability Officer/Operating company CEOs			=	=	2
10	**Safety or security incident** Operating company CEOs			=	=	
11	**Transformation, innovation and AI** Chief Information, Procurement, Services and Innovation Officer/Chief Transformation and Corporate Development Officer			=	=	4
Financial risk including tax						
12	**Debt funding** Chief Financial Officer			↓	=	1
13	**Financial and treasury-related risk** Chief Financial Officer			=	=	1
14	**Tax** Chief Financial Officer			↑	=	
Compliance and regulatory						
15	**Group governance structure** General Counsel			=	=	
16	**Non-compliance with key regulation and laws** General Counsel			=	=	

Principal risk register

Guidance is provided below on the key risks that may threaten the Group's business model, future performance, solvency and liquidity.

Risks are grouped into four categories: strategic risk, business and operational risk, financial risk including tax, and compliance and regulatory risks.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described below. Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the Board and IAG Management Committee believe to be the most likely to have a potential material impact on the Group during the plan period.

Strategic

1 Brand and customer trust

Chief Commercial Strategy Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	=	2 3 4

Strategic relevance

- The Group's brands are positioned in their respective markets to meet their customer propositions and deliver commercial value. Any change in engagement or travel preferences could impact the financial performance of the Group.
- IAG will continue to focus on its customer propositions to ensure competitiveness in its chosen priority customer demand spaces and to ensure that it adapts to meet changing customer expectations.
- The Group is clear on the key levers to improve brand perception and satisfaction for each of its operating company brands.

Status

The Group's ability to attract and secure bookings and generate revenue depends on customers' perception and affinity with the Group airlines' brands and their associated reputation for customer service and value. The Group airlines' brands are, and will continue to be, vulnerable to adverse publicity regarding events impacting service and operations. Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance (OTP), service and product delivery, are key elements of brand value and of each customer's experience. Investment in cabin and service propositions helps ensure that our customers choose to fly with the Group's airlines.

The Group continues to improve its disruption management capabilities given the extent of the external disruption due to ATC and third-party resilience issues, particularly over engine reliability. IAG remains focused on strengthening its customer-centricity and all of the Group's airlines continue to support their customers through any disruption including schedule adaptions where required. The Group continues to ensure that its operating companies continue to adapt and focus their business models, products and customer propositions to meet changing customer expectations and needs (including those with additional needs). Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. The resilience and engagement of our people as customer service ambassadors to deliver excellent customer service is critical to retaining brand and customer trust.

Risk description

- Erosion of the brand and customer trust through poor customer service or lack of reliability in operations, may adversely impact the Group's leadership position with customers and ultimately affect future revenue and profitability.
- If the Group is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then the Group may face brand erosion and loss of market share.
- Failure to meet customer expectations on sustainability and the Group's impact on stakeholders and society could impact the Group and its brands.

Mitigations

- All IAG airlines are considered within the brand portfolio review.
- Brand initiatives for each operating company have been identified and are aligned to the Group's business plan.
- Product investment to enhance the customer experience supports the brand propositions and is provided for in the plan.
- All airlines track and report to IAG on their OTP and Net Promoter Score (NPS) to measure customer satisfaction.
- Reviews of resilience, resourcing levels and schedule operability.
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences.
- Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim.
- The Group's global loyalty strategy builds customer loyalty within IAG airlines.
- The Group's focus on sustainability and sustainable aviation including the IAG climate change strategy to meet the target of net zero carbon emissions by 2050.
- Robust portfolio process to determine the right investments across the Group.
- Additional focus on customer feedback and proactive customer care.

Strategic

2 Competitive landscape Chief Commercial Strategy Officer	Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
			=	=	1

Strategic relevance

- The markets in which the Group operates are highly competitive. The Group faces direct competition on its routes, as well as from indirect flights, charter services and other modes of transport. Some competitors have other competitive advantages such as government support or benefits from insolvency protection.
- Regulation of the airline industry covers many of the Group's activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. The Group's ability to comply with and influence changes to regulations is key to maintaining operational and financial performance.

Status

The demand environment in the year has seen the restoration of capacity into the market, with some markets exceeding pre-pandemic capacity levels. The distortionary effects of government policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape, continue to be assessed. The Group is investing in new fleet and products to maintain its competitive position in the markets in which its airlines operate.

IAG supports the use of the Worldwide Airport Slots Guidelines system, formulated by the International Air Transport Association (IATA), that encourages competition but also supports reliable, established networks. The Group responded to relevant consultations to inform regulators and to propose balanced regulation and avoid introducing additional rules that hamper the competitiveness of the industry.

In February 2023, IAG agreed the acquisition of the remaining 80% of Air Europa, subject to relevant regulatory approvals.

The Group continues to consult and keep different stakeholders informed over the impacts of government policies on aviation or policy asymmetry, such as increases in Air Passenger Duty (APD) or distortionary policies on carbon offsets.

Risk description

- Competitor capacity growth in excess of demand growth could materially impact margins.
- Any failure of a joint business or a joint business partner could adversely impact the Group's airline business operations and financial performance.
- Some of the markets in which the Group operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins.
- Regulatory or policy changes may create competitive distortion, impacting the Group's airlines and their competitiveness or business model.

Mitigations

- The IAG Management Committee meets weekly and undertakes regular operating company-specific reviews.
- The Board discusses strategy throughout the year and dedicates two days per year to undertake a detailed review of the Group's strategic plans.
- The Group strategy function supports the IAG Management Committee by identifying where resources can be devoted to exploit opportunities and accelerate change.
- The airlines' revenue management departments and systems optimise market share and yield through pricing and inventory management activity.
- The Group maintains rigorous cost control and targeted investment to remain competitive.
- The Group Procurement function reviews all critical contracts.
- The Group's airlines are focused on customer-centricity and operational resilience.
- The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed.
- The IAG Management Committee regularly reviews market share and the commercial performance of joint business agreements.
- The Group's airlines review their relationships with business partners, supported where appropriate by the Group strategy function.
- The Group's Government Affairs function monitors government initiatives, represents the Group's interest and forecasts likely changes to relevant laws and regulations and responds to consultations on regulatory change or policy that could impact the aviation industry or create competitive distortion.

See Financial review section

Strategic

3 Economic, political and regulatory environment

Chief Commercial Strategy Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	=	1

Strategic relevance

- IAG remains sensitive to political and economic conditions in the markets globally, particularly in our hub markets. All of the following can be influenced by political and economic change:
  - Business and leisure demand for travel;
  - Inflation impacts on the cost base;
  - Access to markets for new or existing routes;
  - Increasing levels and costs of regulation;
  - Supply of products;
  - Availability of services and/or resource;
  - Ability to fly scheduled operations; and
  - Pricing and pricing over ancillaries.

Status

The economic impact of geopolitical events coming after the energy crisis last winter, increases in commodity and wage costs from inflation and higher interest rates drive continued significant uncertainty over the economic outlook. The Group is closely reviewing the impacts of wage and supplier inflation on margins and customer demand.

The re-opening of China at the beginning 2023 and removal of remaining restrictions in countries, post the pandemic, has simplified operations and the customer experience at airports. However ongoing conflicts, wars and heightened tensions across the Middle East further increase airspace restrictions and congestion for flows to Asia.

Wider macroeconomic trends are being monitored such as a potential economic recession and tone of dialogue between the US, Russia, China and the EU and UK which can influence markets and result in imposition of misaligned policies or tariffs. The trend of increased nationalism and the potential impact to the Group is also kept under review. Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered across the Group. The Group also considers changes in government in key markets and the implications for trade, respective economic health and how governments view the aviation industry, with elections expected in the UK, Ireland and the US over the next year.

Developments in relevant international relationships, where they affect air services agreements to which the EU or UK are party, are monitored throughout the year and the Group's positions advocated with the relevant national governments. Recent government proposals to set floor or ceiling caps on pricing, including the scope of ancillaries that airlines may be allowed to charge their customers for, may impact the ability to freely set pricing, sell ancillaries to meet customer needs and/or set capacity.

IAG has worked through trade associations, IATA, as well as national governments to put its case on issues of the importance of aviation to international trade and customer connectivity and the value that it brings.

Any further macroeconomic trends or potential requirements arising from Brexit are monitored by the IAG Government Affairs function.

Risk description

- Economic deterioration or structural change in either a domestic market, key customer segment or the global economy may have a material impact on the Group's financial position, while foreign exchange, fuel price and interest rate movements create volatility.
- Failure to adequately plan for and be able to respond to uncertainty driven by geopolitical or market events or health-related concerns impacts the operations, costs and customers of the Group.
- Changes in government may result in a change in sentiment to aviation and access to markets.
- Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to our passengers.

Mitigations

- The IAG Board and the IAG Management Committee review the financial outlook and business performance of the Group through the monthly trading results, financial planning process and the quarterly reforecasting process.
- Reviews to assess and drive the Group's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity.
- External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the IAG Board and IAG Management Committee as part of business performance monitoring.
- The Group's Government Affairs function monitors government initiatives, represents the Group's interest and gives the Group and its operating companies early sight of likely changes to laws and regulations.
- The Group engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of the Group and aviation to society and economies.
- The Group's airlines have increased their focus on enhanced disruption management tools within airlines to increase operational resilience to restrictions e.g. capacity constraints at airports or health-related measures.

See the Regulatory environment section

4 Sustainable aviation

Chief People, Corporate Affairs and Sustainability Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	↑	1 2 4

Strategic relevance

- IAG is playing a leading role and working with industry to accelerate aviation decarbonisation. This means that environmental considerations are integrated into the business strategy at every level and the Group uses its influence to drive progress across the industry.
- Our stakeholders and potential investors seek confirmation over our sustainability agenda and may link their purchasing, investment or lending decisions to our commitments and progress against them.
- Our customers look to ensure that our airlines allow them to minimise their carbon footprint.

Status

IAG is committed to a target of net zero carbon emissions across its operations and supply chain by 2050, along with 2030 targets. The Procurement function will have a key role to play in ensuring its delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals. IAG has also committed to 10% Sustainable Aviation Fuel (SAF) usage on average across its fleet by 2030.

Plans implemented by the EU, UK and US governments to decarbonise aviation have resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which the Group airlines operate. SAF infrastructure and availability lags demand, impacting the ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact the Group's airlines versus their competitors. All of the Group's airlines have agreed new deals for the production of SAF to meet the Group's target on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations.

The Group continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption, with mitigation plans embedded into strategic and financial planning.

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidelines for climate-related scenario analysis and climate-specific risk assessments. The Group continues with its assessment of climate-related risks, by testing and revising the assumptions on updated forecasts for future business growth and the regulatory context and future carbon pricing. The Group has also embedded forecasting of its climate impacts into its strategic, business and financial planning processes and has assessed that it is resilient to material climate-related impacts.

Risk description

- Increasing global concern about climate change and the impact of carbon affects Group airlines' performance as customers seek alternative methods of transport or reduce their levels of travel.
- New taxes, the potential removal of aviation jet fuel exemptions and increasing price of carbon allowances impact on price and demand. Customers may choose to reduce the amount they fly.
- The airline industry is subject to increased regulatory requirements and policy asymmetry driving costs, distortion and operational complexity, as well as the potential for sub-optimal outcomes for the planet.
- Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets the Group airlines serve.
- SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs.
- Increasing severity of weather events results in operational and customer disruption.

Mitigations

- IAG climate change strategy to meet target of net zero carbon emissions by 2050.
- Annual incentive plans link manager bonuses to annual carbon intensity targets.
- All of the Group's airlines have platforms for customers to contribute towards mitigating their flight emissions over time, including contributing towards SAF or projects which remove carbon from the atmosphere.
- Embedded climate impacts into the financial statements, balance sheet, financial forecasting and other relevant disclosures.
- IAG investment in SAF with operating companies continuing to secure mid- and long-term supply agreements.
- IAG actively monitors the delivery of SAF procured.
- Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.
- Reporting on sustainability performance in the IAG supply chain to better mitigate supply chain-related sustainability risks.
- Partnering with ZeroAvia to explore hydrogen-powered aircraft technology.
- Participating in CORSIA, the ICAO global aviation carbon offsetting scheme and the EU-ETS and UK-ETS emission trading schemes.
- Horizon scanning for potential partners and technology.
- Engagement across UK, EU and global trade associations to shape effective climate policy and drive support for low-carbon solutions.

See the Sustainability risks and opportunities section

Business and operational

5 Critical third parties in the supply chain

Chief Information, Procurement, Services and Innovation Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	↑	2

Strategic relevance

- Any sub-optimal service delivery or asset supplied by a critical supplier can impact on the Group airlines' operational and financial performance as well as disrupting our customers and impacting our brand and reputation.
- Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside the Group's control.
- London Heathrow has no spare runway capacity.
- An uncontrolled increase in the planned cost of expansion of a hub airport, particularly London Heathrow, could result in increased landing charges making the airport uncompetitive versus other European hubs.
- Airport charges represent a significant operating cost to the airlines and have an impact on operations.
- Inflationary cost pressures within the supply chain may increase the cost of travel.

Status

The aviation sector continues to be affected by global supply chain disruption which has impacted aircraft deliveries, engine and component availability and reliability, resource availability and/or threat of employee industrial action in critical third parties and airport services, the level of resilience of airports, particularly London Heathrow, and ATC capability and restrictions. In August, a failure of UK national ATC services impacted flight operations across the UK.

The Group proactively assesses its schedules for operability and continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or services. Delays in new aircraft and spare engines, and technical performance issues requiring additional maintenance continue to impact operations and turnaround times for aircraft. This has led to increased costs to secure such services. Focus has been placed on key suppliers given the inflationary environment impacting wages and costs of goods, to understand any business or operational continuity impacts, and where possible identify other suitable suppliers. The Group has been impacted by reliability and performance of GTF engines, which is mitigated with replacement aircraft and remedy support from the engine manufacturer.

Many elements of the supply chain remain outside of the Group's ability to directly manage, including aircraft deliveries and availability of components, airport performance and ATC resilience.

The Group continues to consult stakeholders and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly with the capacity recovery and continued closure of airspace driven by geopolitical events. The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. The Group continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow.

Risk description

- IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and meet the commitments of the Group sustainability programme.
- IAG is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.
- IAG is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.
- IAG is dependent on the performance and costs of critical third-party suppliers that provide services to our customers and the Group such as airport operators, border control and caterers. Increases in costs or where suppliers face ongoing financial stress or restructuring where they exit the market for supply of services may impact the Group's operations.
- IAG is dependent on the availability and production of alternative fuels to meet its carbon commitments. This may require investments in infrastructure in the markets in which the Group operates.

Mitigations

- The Group mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements and aircraft lessors.
- The Group engages in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports.
- The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Charges Directive.
- The Group proactively works with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary and inflation minimised.
- The Group Procurement function has oversight of all critical contracts across the Group's businesses.
- Alternative suppliers are identified where feasible.
- Transformation initiatives to offset inflation.

Business and operational

6 Cyberattack and data security

Chief Information, Procurement, Services and Innovation Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	=	3

Strategic relevance

- The cyber threat environment remains challenging for all organisations, including the airline industry. Cyber threat actors, criminals, foreign governments and hacktivists have the capacity and motivation to attack the airline industry for financial gain and other political or social reasons.
- The fast-moving nature of this risk means that the Group will always retain a level of vulnerability.

Status

The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences particularly through social engineering and human behaviours. The threat of ransomware attacks on critical infrastructure and services remains high and increased in the year with heightened geopolitical tensions, with the Group exposed to threat actors targeting IAG, its operating companies and its suppliers. The Group continues to improve its cybersecurity posture either through major IT transformational change or additional monitoring through tools.

In the first half of the year, some of the Group's businesses were impacted by an attack on a third-party services provider holding employee data. The Group is focused on improving its cybersecurity posture and better understanding the risk presented by its suppliers.

The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. The Group airlines are subject to the requirements of privacy legislation such as GDPR and the National Information Security Directive (NISD).

The emergence and usage of AI to bypass cybersecurity controls, produce phishing emails and malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering attacks.

Investment in cybersecurity systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence within IAG Tech. All planned investment is linked to a Group-wide maturity assessment based on the National Institute of Standards and Technology (NIST) cybersecurity framework, a leading industry standard benchmark. Data centre migration activity to the cloud across the Group's airlines will further help to improve the security controls environment. As the Group improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect them.

Risk description

- The Group could face financial loss, disruption or damage to brand reputation arising from an attack on the Group's systems by criminals, foreign governments or hacktivists.
- If the Group does not adequately protect customer and employee data, it could breach regulations and face penalties and loss of customer trust.
- Changes in working practices and environments for the Group's employees and third-party suppliers could result in new weaknesses in the cyber and data security control environment.

Mitigations

- The Group has a Board-approved cyber strategy that drives investment and operational planning.
- A cyber risk management framework ensures the risk is reviewed across all operating companies.
- The IAG Cyber Governance board assesses the portfolio of projects quarterly and each operating company reviews its own portfolio at least quarterly.
- The IAG Chief Information, Procurement, Services and Innovation Officer (CIPSIO) provides assurance and expertise around strategy, policy, training and security operations for the Group.
- Detection tools and monitoring are in place. The Group-wide security engineering and operations teams proactively seek to identify and respond to threats and vulnerabilities, including ongoing testing of the Group's defences.
- External attack surface monitoring and threat intelligence is used to analyse cyber risks to the Group.
- External benchmarking on cyber posture with independent assessment in the year by a specialist third party.
- Regular cyber awareness training run by the operating companies, including annual mandatory training on cyber risk and data protection for all staff.
- Oversight of critical systems and suppliers to ensure that the Group understands the data it holds, that it is secure, and regulations are adhered to.
- Data Protection Officers are in place in all operating companies, coordinated through a Group-wide Privacy Steering Group.
- Working practices reviewed to ensure integrity of cyber and data security.
- All suppliers must adhere to IAG security requirements. A Group-wide third-party risk management process integrates cybersecurity due diligence into contracting processes to monitor supplier security performance.
- Security architecture team embedded into Datacentre migrations programmes.
- Desktop and simulated exercises to test business response plans.

Business and operational

7 IT systems and IT infrastructure

Chief Information, Procurement, Services and Innovation Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	3

Strategic relevance

- IAG is dependent on IT systems for most key business processes. Increasingly, the integration within IAG's supply chain means that the Group is also dependent on the performance of suppliers' IT infrastructure, e.g. airport baggage operators.
- Competitors and new entrants to the travel market may use digital tools, innovate or use AI and technology more effectively and disrupt the Group's business model.

Status

The Group recognises the importance of technology to business transformation and growth. The CIPSIO works with the Group's operating companies to ensure appropriate prioritisation and investment in the Group's digital and IT transformation. Both are members of the IAG Management Committee.

The Group continues to review its IT operating model as it progresses with digitalisation, migration to the cloud from on-premises data centres, remediation and transformation of its networks and addressing obsolescence. It has moved more resources into product teams more closely aligned to business needs. The Group is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. The Group continues with major programmes and upgrades to modernise, including new commercial capabilities and customer-centric enhancements using agile-based models, as well as replacing core IT infrastructure and improving network connectivity and redundancy. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes. This has strengthened the Group's operating companies' focus on addressing their legacy estates to deliver digital customer experiences. The CIPSIO works with the operating companies to ensure that their IT investment and requirements are appropriately prioritised and delivered, value to the Group from IT investment is maximised and central services can support the Group's businesses appropriately.

Risk description

- The dependency on IT systems and networks for key business and customer processes is increasing and the failure of a critical system may cause significant disruption to the operation and lost revenue.
- The level of transformational change at pace required by the Group's airlines may result in disruption to operations as the legacy environment is addressed.
- Obsolescence within the IAG Tech estate could result in service outages and/or operational disruption or delays in implementation of the Group's transformation.
- Technology disruptors may use tools to position themselves between our brands and our customers.

Mitigations

- IAG Tech works with the Group operating companies to deliver digital and IT change initiatives to enhance security and stability.
- Operating companies' IT governance boards are in place to review delivery timelines.
- Reversion plans are developed for migrations on critical IT infrastructure.
- System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.
- Robust portfolio process to determine the right investments across the Group.
- IAG Tech CIPSIO and operating company management committee members have strategic relationships with all critical IT suppliers and oversight of all critical IT contracts across the Group's businesses.
- The Group continues to develop platforms such as the New Distribution Capability, changing distribution arrangements and moving from indirect to direct channels.
- IAG Tech continues to create early engagement and leverages new opportunities with start-ups and technology disruptors.

Business and operational

8 Operational resilience

Chief Information, Procurement, Services and Innovation Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	↑	1 2 3

Strategic relevance

- The Group's airlines may be disrupted by a number of different events.
- A single prolonged event, or a series of events in close succession, impact on the Group airlines' operational capability, financial status and brand strength.
- The Group needs to adhere to local governments' restrictions and regulations, especially related to safety and public health, and is therefore sensitive to any consequential impact on demand.

Status

The Group is reliant on critical third parties for services and goods, many of which have been impacted by resourcing challenges, inflation and supply chain disruption. Ongoing labour shortages, particularly for technical licensed staff, industrial unrest and strike action in the aviation sector combined with goods availability shortages in the supply chain, especially engines, and airspace and ATC restrictions can all impact the operational environment and the customer experience of the Group's airlines and increase the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which the Group relies.

The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

The Group continues to consider and build its resilience to withstand severe unexpected stresses. Potential high-impact, low-likelihood events have been considered that could have the potential to disrupt IAG and/or the aviation sector. Many of these events remain outside the Group's control such as adverse weather, another pandemic, civil unrest or a terrorist event seen in cities served by the Group's airlines.

Risk description

- An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs to the Group.
- Public health concerns impacting populations at scale could see an adverse effect on the Group where governments choose to impose restrictions, as would any future pandemic outbreak, or other material event impacting operations or customers' ability to travel.
- The Group's airlines may not be able to resource their operations sufficiently resulting in impacts to customers and brands.
- The Group's airlines are reliant on critical third parties to deliver goods and services to maintain operations and meet customer expectations and any failure of the level of service or reliability and delivery of goods may impact operational resilience and our customers.

Mitigations

- Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery.
- The Group's airlines have standby aircraft and crew in place to improve resilience.
- Resilience to minimise the impact of ATC airspace restrictions and strike action on the Group's customers and operations is in place.
- All of the Group's airlines are focused on developing customer disruption management tools to help our customers in times of disruption.

Business and operational

9 People, culture and employee relations

Chief People, Corporate Affairs and Sustainability Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	2

Strategic relevance

- The Group has a large unionised workforce with around 87% of colleagues represented by one of a number of different trade unions under collective bargaining agreements (CBA). IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines.
- The right skillsets and culture are needed to transform our businesses at pace.
- The Group's airlines require specialist skillsets to continue to operate.

Status

Our people, their engagement, cultural appetite and mindset for change are critical to the Group's current performance and future success. Our leadership recognises the efforts of our staff and their commitment through the continued operational challenges facing our airlines. Resource shortages in crew have been addressed and our businesses are building the knowledge and experience of their new starters and managing the cultural impacts of onboarding at scale to ensure they have the right capabilities to operate. Shortages in technical licensed staff across the aviation sector and in the Group airlines may impact maintenance delivery timelines unless resource levels can be secured.

Across the Group, collective bargaining is in place with various unions. Where agreements are open, our operating companies continue to engage in discussions with unions to secure sustainable agreements and address concerns arising within the negotiations. In September, AENA announced the result of its competitive tender for ground handling licences at airports across Spain, which resulted in the loss of key airports to another provider, with unions for Iberia ground handling services taking strike action in January 2024. Iberia plans to create a new handling company, which will provide handling services and all airport staff affected by the AENA decision will be moved to the new company, with a new sector CBA and conditions for existing Iberia employees.

The Group is focused on staff wellbeing and people morale and motivation, including supporting agile and hybrid working models. Welfare support schemes are in place to support the Group's staff, and initiatives to build trust and engagement continue across the Group's businesses. The Group has identified the skills and capabilities that are required to manage its transformation, which include enhancing its leadership capability and delivering on the Group's diversity and inclusion plans. All operating companies recognise the critical role that their employees will play in the transformation and future success of the Group and they are focusing on improving organisational health and employee engagement.

Risk description

- Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance and customer perceptions of the airlines.
- Our people are not engaged, or they do not display the required leadership or cultural behaviours.
- The Group businesses fail to attract, motivate, retain or develop our people to deliver service and brand experience.
- Critical skillsets are not in place to execute on the required transformation plan or to exploit innovation and AI opportunities and drive the business forward.
- Technical licensed staff, including pilots and engineers, may be impacted by Brexit recruitment restrictions.

Mitigations

- Ongoing information sharing, consultation and collective bargaining with unions across the Group take place on a regular basis led by operating companies' human resources specialists, who have a strong skillset in industrial relations.
- Ensuring that remuneration is aligned to local markets in terms of productivity and pay.
- Operating companies' people strategies are in place in our businesses.
- Succession planning within and across operating companies has been reviewed by the IAG Management Committee and Board and a consistent process is being implemented across the Group.
- Focus on recruiting and developing skills to run and transform our business.
- The Group is investing in apprentice programmes and retention initiatives to help secure and retain engineers.
- Operating companies' engagement and organisational health surveys have been conducted with subsequent action plans developed to create a positive and inclusive culture.
- Access to support individuals' wellbeing.
- IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all of our staff.

Business and operational

10 Safety or security incident

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		=	=

Strategic relevance

- The safety and security of our customers and employees are fundamental values for the Group.
- High profile external events impacting the aviation sector and aircraft may change customer sentiment towards air travel.

Status

The IAG Safety, Environment and Corporate Responsibility (SECR) Committee of the Board and the board of each operating company continue to monitor the safety performance of IAG's airlines. Safety and security responsibility lies with each Group airline in accordance with its applicable standards. Further detail is provided in the SECR Committee report.

Risk description

- A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact the Group's brands, operations and financial performance.

Mitigations

- The corresponding safety committees of each of the airlines of the Group satisfy themselves that they have the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements.
- The Group's airlines have comprehensive training and maintenance programmes in place, supported by a just culture environment, where everyone is accountable for their actions and their performance is reflective of the knowledge, behaviours and skills they have.
- There is ongoing security engagement with airports, regulators and public authorities across the airlines' networks.
- Incident centres respond in a structured way in the event of a safety or security incident or intelligence.

See SECR report

Business and operational

11 Transformation, innovation and AI

Chief Information, Procurement, Services and Innovation Officer

Chief Transformation and Corporate Development Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	4

Strategic relevance

- The transformation, innovation and AI agenda is critical to the Group's ability to deliver strong returns and to compete in the new competitive marketplace, where distortionary effects of aviation support schemes may have allowed competitors to accelerate their change agendas and invest to improve capabilities and customer propositions.

Status

The Group has an established Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives across the Group focused on improving customer service, revenue and cost efficiency and the transformation mindset is becoming part of our culture. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals of the IAG Board. In the year, the Group established an AI governance committee and guidance for data usage in respect to AI tools and technology.

Risk description

- Failure to transform the business to effectively deliver cost efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across the Group and realise the benefits of the change initiatives to deliver Group digital platforms and customer propositions.
- The pace of change may expose the Group to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and customers.
- The impact on our people of the wide-ranging change agenda if poorly managed or uncoordinated could lead to logistical and engagement challenges with the potential to negatively impact NPS, revenue and efficiency benefits.
- Further standardisation, simplification and efficiencies of the Group platforms are not delivered.
- Competitors, or new entrants, may invest and innovate deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of the Group.
- The levels of data capture, data storage and security and availability of data, are not sufficient and ready to exploit AI use cases.

Mitigations

- The Chief Transformation and Corporate Development Officer has clear oversight of all programmes across the Group's businesses.
- Mirrored structures in the operating companies.
- Consistent core metrics and dashboard reporting used to assess performance against plan.
- The IAG Management Committee has regular operating company-specific meetings to assess their transformation agenda and the risks to delivery.
- The Group transformation agenda is subject to Board approval and progress is regularly monitored by the Board.
- Group AI governance committee to assess AI initiatives to allow the Group businesses to exploit AI capabilities.
- There is operating company-led communications to our employees on change initiatives and changes that may affect them.
- Consideration is given to the Group's sustainability commitments and agenda for all programmes.
- Any potential changes that could impact the brands are reviewed to mitigate against reputational and brand damage.

Financial risk including tax

12 **Debt funding** Chief Financial Officer	Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
			↓	=	1

Strategic relevance	Status
• The Group's ability to finance ongoing operations, committed aircraft orders, future fleet growth plans or acquisitions is vulnerable to various factors including financial market conditions, financial institutions' appetite for secured aircraft financing and the financial market's perceptions of the future resilience and cash flows of the Group.	Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting funding options and interest rates available to the Group for new aircraft financing or where it chooses to re-finance debt. Interest rate increases implemented by central banks in 2023 to address inflation increase the cost for the Group of existing floating rate debt, as well as for new financing. As at 31 December 2023 approximately 13% of the Group's debt, including hedges, was floating rate as the Group has paid down a substantial part of its floating debt in 2023. The Group successfully raised financing for all aircraft deliveries it sought to finance during 2023, using traditional long-term aircraft financing arrangements. The Group's credit rating with Standard & Poors was upgraded to investment grade (BBB-) during the year, whilst its rating with Moody's was increased by one notch to Ba1. In December, Fitch upgraded British Airways to BB- investment grade.

Risk description	Mitigations
• Failure to finance ongoing operations, committed aircraft orders, future fleet growth plans, business acquisitions and third-party financial guarantees. • New financial arrangements, in addition to the repayment of existing arrangements, may impact plans to transform the Group and will influence the timing for IAG to resume paying dividends to its shareholders. • Higher interest rates in the market, or more restrictive terms, for new finance arrangements or re-financing may impact the Group's cost base.	• The IAG Board and Management Committee review the Group's financial position and financing strategy regularly. • The Group has maintained its clear focus on managing liquidity and ensuring that critical investment in the Group is maintained. • During 2023, the Group extended the availability for $1,655 million of its $1,755 million revolving credit facility by one year to March 2026. • Maintain strong relationship with banks, lenders and lessors. • Scenario planning for different financial environments. • Continuous review of capital structure to minimise interest rate exposure and lower cost of capital.

See Financial review section

Financial risk including tax

13 Financial and treasury-related risk

Chief Financial Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	1

Strategic relevance

- The volatility in the price of oil and petroleum products can have a material impact on the Group's operating results.
- The volatility in currencies other than the airlines' local currencies can have a material impact on the Group's operating results, particularly the US dollar.
- Higher interest rates can have a material impact on the Group's operating results.
- The Group is exposed to non-performance of financial contracts that may result in financial losses.

Status

Fuel cost volatility driven by geo-political events has been partly mitigated by the Group's fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Group's profits. The Group continues to assess the strength of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results. All airlines hedge currency risk in line with the Group hedging policy.

The approach to fuel risk management, financial risk management, interest rate risk management, proportions of fixed and floating debt management and financial counterparty credit risk management and the Group's exposure by geography continue to be assessed to ensure the Group responds to the rapidly changing financial environment appropriately. Details are set out in the Group financial statements.

Risk description

- Failure to manage the volatility in the price of oil and petroleum products.
- Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than the airlines' local currencies of euro and sterling.
- Failure to manage the impact of interest rate changes on floating finance debt and floating operating leases.
- Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading.

Mitigations

- The IAG Audit and Compliance Committee and IAG Management Committee regularly review the Group's fuel and currency positions and other financial contracts.
- All airlines hedge in line with the Group's hedging policy under the Group Treasury oversight.
- Fuel price risk is partially hedged through the purchase of oil and oil distillates derivatives in accordance with the Group risk appetite.
- Currency risk is hedged through matching inflows and outflows and managing the surplus or shortfall through foreign exchange derivatives.
- All airlines review routes to countries with exchange controls to monitor delays in the repatriation of cash and/or with the risk of material local currency devaluation.
- The impact of interest rate changes on floating debt positions is mitigated through interest rate derivatives as well as structuring selected new debt and lease deals at fixed rates throughout their term.
- The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis.
- The IAG Management Committee and the IAG Audit and Compliance Committee regularly review the financial risks and the hedged amounts. Any material position outside policy limits has to be approved by the IAG Audit and Compliance Committee.

Financial risk including tax

14 Tax

Chief Financial Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		↑	=

Strategic relevance

- Payment of tax is a legal obligation. Changes in the tax regulatory environment, including changes in tax rates, may result in additional tax costs for the Group and in additional complexity in complying with such changes.
- The Group's tax strategy aims to balance the needs of our key stakeholders, recognising that tax is one of the Group's positive contributions to the economies and wider societies of the countries in which IAG operates.

Status

Tax is managed in accordance with the tax strategy, found in the Corporate Policies section of the IAG website. The Group has a number of scheduled tax audits, by local tax authorities, in progress across its businesses. In the UK, there are ongoing discussions with HMRC on certain treatments of VAT. Further information about taxes paid and collected by IAG is set out in note 10 of the Group financial statements.

Risk description

- The Group is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation.
- Businesses and consumers may be subject to higher levels of taxation as governments seek to increase environmental taxes, redesign the global tax framework and rebuild public finance.
- The Group's stakeholders' expectations of the tax behaviours of large corporates may lead to reputational risk from the Group's management of tax.

Mitigations

- The Group adheres to the tax policy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities.
- Tax risk is managed by the operating companies in conjunction with the IAG Tax function.
- Tax risk is overseen by the Board through the Audit and Compliance Committee.
- The Group seeks to understand its stakeholders' expectations on tax matters, e.g. cooperative working with tax authorities and its interaction with non-governmental organisations.
- The IAG Board annually reviews and approves the Tax Strategy.
- The Group takes expert advice on tax matters as required.

Compliance and regulatory

15 Group governance structure

General Counsel

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		=	=

Strategic relevance

- Airlines are subject to a significant degree of regulatory control. In order for air carriers to hold EU operating licences, an EU airline must be majority-owned and effectively controlled by EU nationals. British Airways is a UK carrier and not subject to the same requirement.

Status

The aviation industry continues to operate under a range of nationality and other restrictions, some of which are relevant to market access under applicable bi-lateral and multi-lateral air service agreements, while some are relevant to eligibility for applicable operating licences. The Group will continue to encourage stakeholders to normalise ownership of airlines in line with other business sectors.

Risk description

- IAG could face a challenge to its ownership and control structure.

Mitigations

- The Group has governance structures in place that include nationality structures to protect Aer Lingus', British Airways' and Iberia's operating licences and/or route rights. These have been approved by the relevant national regulators.
- IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU.

See Corporate Governance section

16 Non-compliance with key regulation and laws

General Counsel

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		=	=

Strategic relevance

- Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectations of the Group's customers and stakeholders.

Status

The Group has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year. For safety- and security-related regulatory risks, please refer to the 'Safety or security incident' risk.

Risk description

- The Group is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.
- Failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our customers, employees, or third parties, or impact our operations, and lead to reputational damage, fines or losses to the Group.

Mitigations

- The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance, monitored by the IAG Audit and Compliance Committee.
- There are mandatory training programmes in place to educate employees as required for their roles in these matters.
- Compliance, human resources and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to the Group businesses support and advise the Group's businesses.
- IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas.
- Compliance Officers and Data Protection Officers are in place in all operating companies.
- Speak up and whistleblowing channels are available across the Group's businesses.

Viability assessment

Longer-term trends and risk considerations

The directors have assessed industry, Group-specific and non sector-specific longer-term trends over a timeframe beyond the plan period, such as climate change regulation, infrastructure proposals at hubs, availability and timing of technologies in fleet, move to and exploitation of the cloud, AI and disruptive innovation tools. These trends may require the business to consider strategic responses, business model adaptions and new skillsets ahead of any potential impact to the Group plan.

Other considerations include:

- economic trends and shifts in the relative strengths of global economies including rise of emerging markets and hubs, market shifts and interconnectivity including partnerships and alliances, the competitive landscape and changes in customer mix or sentiment to travel;
- supply chains and proximity and reliability of supply, inflationary, resource and availability pressures on key suppliers;
- costs of compliance to environmental and climate change regulations and/or lack of availability of infrastructure within countries to meet commitments or government mandates;
- increasing regulatory burdens, asymmetry in policy and/or government intervention impacting aviation and the Group's business model;
- areas of risk or opportunity for the Group, such as workforce availability, migration, war for talent, impact of AI on business and skillsets, outcomes of mis- and dis-information, diversity and inclusion ambitions, hybrid ways of working and different career expectations from new joiners into workforces and the aviation industry;
- structural changes in how customers travel;
- the potential macroeconomic consequences of interest rates and inflation especially where there are labour shortages in key markets or a shortage of technical specialists;
- the potential longer-term impacts of Brexit and the UK's divergence from EU policy and laws;
- the Group's resilience to future events impacting aviation or global markets, financial markets, interest rates and exchange rates, particularly the US dollar; and
- stakeholder expectations over commitment to acting with integrity to protect our planet, particularly climate change and carbon impacts.

Risk assessment across the timeline of the plan

The directors have assessed key threats and trends faced by the industry, emerging risks and opportunities, as well as other industry and Group-specific risks that could impact the Group's business plan:

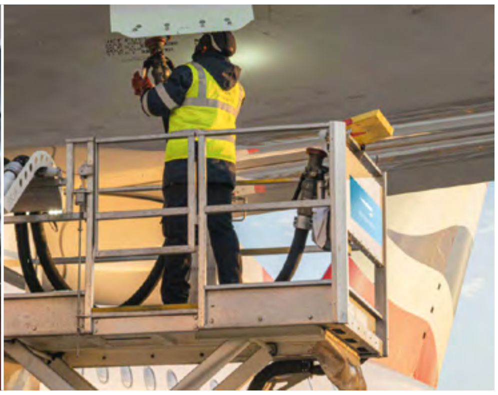
- these are considered in light of their impact on our business model and relevance, operations, customers and financial status and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, regional market opportunities, technology trends, environmental implications and infrastructure developments that could impact our operations, as well as more existential threats to aviation;
- when developing the Group's three-year business plan, longer-term considerations have been assessed by the IAG Management Committee and the Board in conjunction with the priorities of and risks faced by the business; and
- the Board has also conducted its annual strategy session in addition to regular performance and strategy delivery progress reviews during the year. Following this process, short-, medium- and longer-term priorities, challenges and opportunities have been identified and actions agreed.

Viability scenario process

When considering the viability of the Group, for the purposes of this report, the directors have evaluated the risk landscape facing the Group and recommended plausible but severe downside scenarios that could impact the Group's three-year plan to determine the Group's resilience to such impacts.

The results of these scenarios on the plan have been presented both pre and post an assessment of the likely effectiveness of the mitigations that management reasonably believes would be available over this period (and not already reflected in the plan).

The directors have assessed key threats and trends, and emerging risks and opportunities, to determine plausible but severe downside scenarios that could impact the Group's three-year business plan.



Scenarios modelled

The scenarios have been defined by management and designed to consider principal risks (or combinations of risks) that could materialise over the viability period and weaken the Group's liquidity position, and therefore its financial sustainability. Each scenario is regarded as severe but also plausible and has considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment.

Management has also assessed mitigations that are available to the business beyond operating cost reductions including further financing, capital expenditure plans and potential disposals. Options are presented, as appropriate, for the Board to assess. In reviewing and approving the scenarios, the Board considered, amongst other matters, the availability and sufficiency of potential mitigations, the expected speed of implementation in response to the uncertainty and the future flexibility required for the Group to adapt further as needed.

Sensitivities in the scenarios' assumptions have been highlighted by management and challenged by the Board. In addition, the Board reviewed the results of revenue and margin reverse stress tests, which demonstrated the level of sustained passenger revenue decline, and, separately, margin decline before mitigations, that would result in the Group using all available liquidity (including cash and currently available undrawn credit facilities) and compared this to the outputs from the scenarios.

No.	Title	Link to principal risks
1	**Downside case** This scenario configures a blend of commercial and operational adverse impacts which would result in capacity reductions, in addition to an increase in fuel prices, over and above the Group's business plan assumptions. Economic considerations include a combination of events reducing capacity up to a maximum of 25%, increasing fuel prices up to 20%, reducing passenger unit revenue and increased operational costs. The Downside case assumes that British Airways would be required to draw down, in full, its portion of the available US dollar Revolving Credit Facility. The Downside case also builds in a downside impact in Air Europa Holdings, which the Group plans to acquire in the plan period, subject to regulatory approval. The period to June 2025 of this Downside case has also been applied as the Downside case in the going concern analysis (see note 2 of the Group financial statements).	**2, 3, 4, 8, 12, 13**
2	**Operational resilience challenges** Lost revenue within some IAG airlines from pre-emptive flight cancellations in response to resourcing challenges with resultant reputational impact. Ongoing challenges in the global supply chain, particularly engine availability, reliability and performance leads to an increase in grounded aircraft awaiting maintenance with further capacity reductions also impacting revenues. Revenues from the Group's maintenance business also impacted by the lack of available spare parts. Further revenue impact considered from reduced capacity as a result of airport capacity and air traffic control airspace restrictions. Revenue impact from schedule disruption due to extreme weather events also considered within the scenario.	**1, 4, 5, 8, 9**
3	**Cybersecurity and IT infrastructure** A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period of five days resulting from the attack before full connectivity is restored, impacting customers and operations of the affected airline. It also assumes lost revenue due to disruption of operations at the affected airline with knock-on impacts to other IAG airlines due to the need to isolate and switch off connectivity of Group shared credentials platforms. There are also further lost revenues due to reputational impact and increased EU 261 and other customer goodwill costs. Associated costs of recovery from the incident include the disruption through the investigation period including increased IT costs as well as brand impacts, and the potential for regulatory scrutiny and fines. In addition, the scenario considers an unplanned outage owing to data centre migration activity resulting in short notice flight cancellations causing further lost revenue and increased EU 261 and other customer goodwill costs.	**1, 6, 7, 8**
4	**Sustainability and business transformation** An increasing revenue stress on short-haul operations across the Group to reflect changes in customer behaviours towards short-haul travel where other travel options exist. Increased carbon costs and sustainable fuel costs to meet mandates and where supply cannot be secured. Revenues in key markets below plan expectations also modelled to reflect a potential long-term change in mix and travel behaviours. Potential for lost revenue impact arising from delays in delivering and realising the benefits of business transformation initiatives and increased costs of securing required resourcing levels. Longer-term consideration of the impacts of climate change and carbon and regulatory initiatives to address this within the aviation sector, such as the implementation of new regulatory policy, carbon costs and the cost and availability of Sustainable Aviation Fuel are also subject to assessment and modelling by the Group in addition to the viability scenario assessments.	**1, 4, 11**

Viability scenario includes sustainability-related stress

Viability statement

The directors have assessed the viability of the Group over three years to December 2026. They have considered the global macroeconomic environment and geopolitical uncertainty, the health of the aviation industry and its supply chain, the assumptions of the plan, the strategy of the Group and the Board's risk appetite. Although the prospects of the Group are considered over a longer period, the directors have determined that a three-year period is an appropriate timeframe for assessment as it is aligned with the Group's strategic planning period (as reflected in the plan), and as the external uncertainties facing the aviation sector continue to be significant and many are beyond the Group's ability to influence directly.

The Board recognises the pace of change required within the Group to further adapt, build appropriate resilience and respond to this environment, in addition to the rapidly changing competitive landscape and wider global macroeconomic conditions.

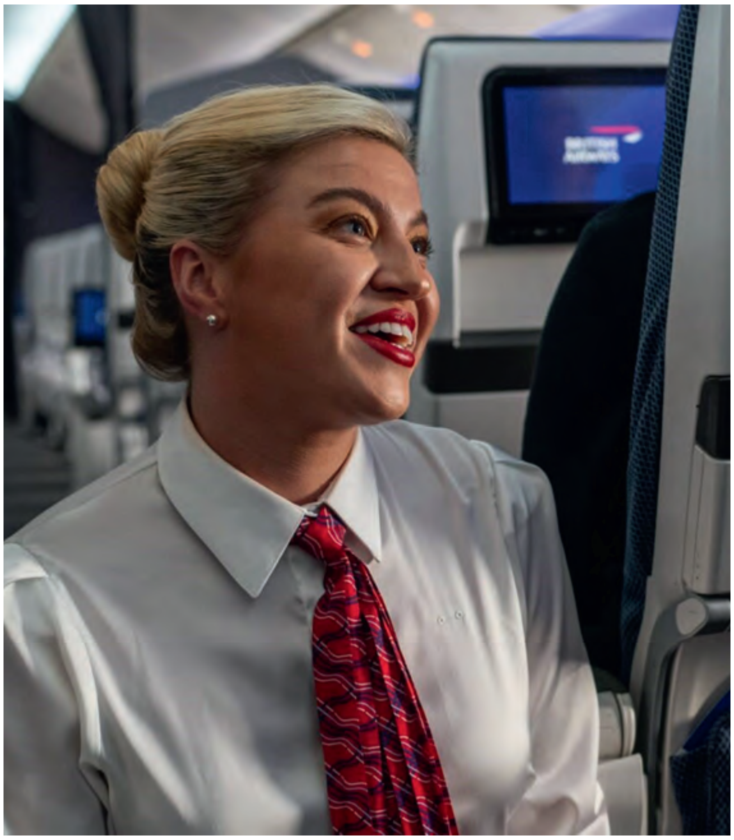
The Group has reviewed the modelling of the impact of mitigating actions to offset further deterioration in demand and capacity, including reductions in operating expenditure and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

Further details on debt financing can be found in the going concern disclosures in note 2 of the Group financial statements.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and raise financing as required over the period to December 2026. However, this is subject to a number of significant factors that are outside the control of the Group. In reaching this assessment the directors have made assumptions when considering both the plan and the Downside case (the most severe and plausible of the viability scenarios considered):

- the Group will continue to have access to funding options and that the capital markets retain a level of stability and appetite for funding within the aviation sector;
- the Group can implement any further structural changes required in agreement with any union consultation processes and regulatory approvals;
- any future pandemic or other public health-related restrictions do not result in further prolonged and substantial capacity reductions and groundings as governments do not have the appetite for the economic impact and stress that it would place on their respective economies and populations;
- any new virus strain or threat to public health that emerges during the viability period can be managed within existing health and testing regimes without recourse to government regulations that significantly affect our airlines' operations; and
- geopolitical events do not result in significant war zones impacting financial markets, airspace operations and connectivity flows across our flight schedules.

Annual Corporate Governance Report and Directors Remuneration Report



The 2023 annual corporate governance and directors' remuneration reports of International Consolidated Airlines Group, S.A., prepared according to Circular 3/2021, of 28 September, of the Spanish National Stock Exchange Commission are part of this Management Report and, from the date of the publication of the 2023 Financial Statements, are available in the Spanish National Stock Exchange Commission website and in the International Consolidated Airlines Group, S.A. website, being incorporated by reference to this report as appropriate

International Consolidated Airlines Group, S.A. and subsidiaries

Independent Assurance Report on the Consolidated Non-Financial Information Statement (NFIS)

4 March 2024

KPMG Auditores, S.L.
P.º de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of International Consolidated Airlines Group, S.A. and subsidiaries for 2023

To the Shareholders of International Consolidated Airlines Group, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the Consolidated Non-Financial Information Statement (hereinafter NFIS) of International Consolidated Airlines Group, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) for the year ended 31 December 2023, which forms part of the accompanying consolidated Directors' Report of the Group for 2023.

The NFIS includes additional information to that required by prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. Our work was limited exclusively to providing assurance on the information identified in the "Table of contents" included in the accompanying consolidated Directors' Report.

Directors' Responsibility

The Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) based on each subject area in the "Table of contents" included in the aforementioned NFIS.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS was obtained.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) of the International Ethics Standards Board for Accountants (IESBA Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Management (ISQC) 1, which requires us to design, implement and operate a system of quality management including documented policies and

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the NFIS and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS for 2023 based on the materiality analysis performed by the Group and described in the "C.1. Sustainability strategy" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2023.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2023.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2023 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of International Consolidated Airlines Group, S.A. and subsidiaries for the year ended 31 December 2023 has not been prepared, in all material aspects, in accordance with prevailing mercantile legislation and the selected GRI Standards based on each subject area in the "Table of contents" included in the aforementioned NFIS.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and the Delegated Acts adopted in accordance with this Regulation, stipulate the obligation to disclose information on how and to what extent the undertaking's activities are associated with eligible economic activities in relation to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems (the other environmental objectives), and with respect to certain new activities included in the climate change mitigation and climate change adaptation objectives, for the first time for the 2023 fiscal year, in addition to the information on eligible and aligned activities already required in 2022 in relation to the climate change mitigation and climate change adaptation objectives. Consequently, no comparative information on eligibility has been included in the NFIS in relation to the other environmental objectives listed above or to the new activities included in the 15 climate change mitigation and climate change adaptation objectives. Furthermore, inasmuch as the information on 2022 was not required to be as detailed as in 2023, the disclosures included in the NFIS are not strictly comparable. In addition, the directors of International Consolidated Airlines Group, S.A. have included information on the criteria which, in their opinion, allow them to comply better with these obligations and which are defined in section "C.8. Governance" of the accompanying Directors' Report. Our conclusion is not modified in respect of this matter.

Use and Distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

Marta Contreras Hernández

4 March 2024

INTERNATIONAL AIRLINES GROUP

Consolidated Statement of Non-Financial Information 2023

Consolidated Statement of Non-Financial Information

The present statement was prepared to comply with the requirements of Spanish Law 11/2018, of December 28, 2018 on non-financial information and diversity (amending the Commercial Code, the revised Capital Companies Law approved by Legislative Royal Decree 1/2010, of July 2, 2010 and Audit Law 22/2015, of July 20, 2015), and forms part of the Group's Management Report. The title of this statement complies with the UK Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, SI 2022/31.

International Consolidated Airlines Group (IAG) provides information about environmental, social, employee-related, and human rights-related issues, which is relevant to the Company and important for the execution of business activities. All information except the Additional Disclosures section is also in the IAG Annual Report and Accounts. The main change in the scope of this Statement of Non-financial Information versus last year is the inclusion of aligned spend for the EU Taxonomy.

This statement contains the following sections:

Connecting people, businesses and countries

Who we are

We are International Airlines Group (IAG). One of the world's largest airline groups, made up of our airline portfolio brands and our non-airline businesses. Our world-class airline brands have distinct identities, customer propositions and strategies.

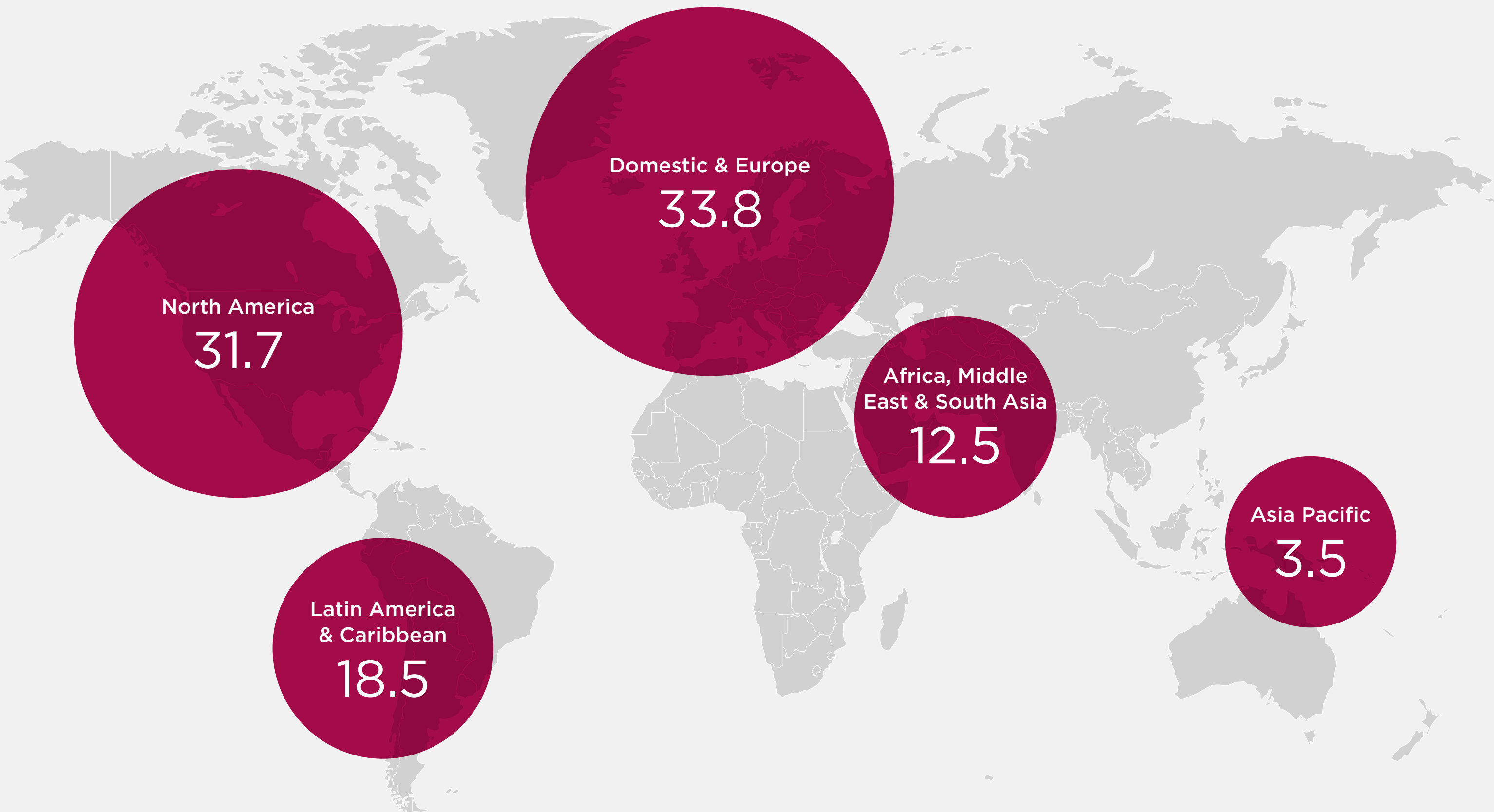
We have a portfolio of world-class brands and operations

For more information see the operating companies' sections

Our stakeholders

- Customers
- Employees
- Suppliers
- Shareholders, lenders and other financial stakeholders
- Governments and regulators

Creating global connections



Available seat kilometres (ASK % of IAG 2023 network)

250+
destinations across 91 countries

115.6 million
passengers

71,794
employees globally

582
fleet

4.7 billion
cargo tonne kilometres

142.8 billion
Avios issued

Our proven structure facilitates transformation and innovation

Corporate parent company

Drive portfolio and financial strategy
- Drive Group corporate strategy; set the portfolio
- Allocate capital and manage the balance sheet
- Manage investor relations and financial stakeholders
- Drive value through mergers and acquisitions, partnerships and joint businesses

Performance manage
- Performance manage the operating companies
- Oversee transformation of the operating companies

Facilitate value capture and share best practices
- Set the ambition and facilitate asset-light growth
- Drive top talent management and pipeline
- Drive sustainability agenda
- Facilitate capture of additional synergies
- Drive innovation
- Provide centres of excellence to facilitate best-practice sharing

Operating companies
- Performance accountability
- Commercial independence
- Operational independence
- Customer value proposition and relationship
- People management
- Manage relevant stakeholders

Central platform
Allow our airlines to benefit from scale and world-class expertise

IAG, as the parent company, defines the Group ambition and drives its long-term strategy. Its independence from the operating companies enables IAG to set performance targets for these, manage their progress, oversee their transformation initiatives, and efficiently allocate capital within the Group. IAG supports intra-Group coordination, best practices sharing and talent management, facilitating the capture of synergies. Our model also allows the Group to take part more effectively in industry consolidation, with IAG ensuring inorganic options are aligned with the Group's strategy and providing a central platform to the benefit of new operating companies joining the Group.

The Group's structure allows our brands to focus their efforts on their addressable markets, customer proposition, cultural identity, commercial strategy and their industrial relations, while its scale supports innovation and investment in new products and services to enhance our operating companies' customer experience.

The Group's portfolio sits on a central platform, which drives efficiency and transformation. The IAG central platform leads collective efforts for the Group to be at the forefront of innovation and sustainability in the airline industry, by supporting and scaling top emerging technologies in travel and aviation and working towards ambitious sustainability targets.

Our focus is on maximising total shareholder returns

Strengthening our core

1. Growing our portfolio of global leadership positions

2. Strengthening our portfolio of world-class brands and operations

Driving earnings growth through asset-light businesses

3. Growing IAG Loyalty

4. Further developing and leveraging our strategic airline partnerships

Operating under a strengthened financial and sustainability framework

5. Disciplined capital allocation and balance sheet management

6. Industry leader to net zero

Transforming our business

- Proven structure and business model
- Investing in unrivalled network and customer proposition
- Driving efficiency and innovation
- World-class and diverse team

Sustainable growth + Delivering world-class margins = Maximising total shareholder returns

Our medium-term ambitions

- 12-15% operating margin[1]
- 13-16% ROIC[1]
- +4-5%[2] organic ASK growth
- <1.8x leverage[1] through cycle to support inorganic growth

1 For further detail refer to the Alternative performance measures section of the financial statements
2 2024 to 2026

Sustainability supporting our purpose

2023 has been another very important year on our journey to be both a leader in the industry in sustainability and towards our primary ambition to achieve net zero emissions by 2050.

The summary below outlines key highlights from across IAG's sustainability programme in 2023, which includes emphasis on increasing our use and forward supply of Sustainable Aviation Fuels (SAF), building our sustainability governance around key initiatives and enhancing our sustainability reporting and disclosures.

Contents of this section

A. Planet

This section includes: Performance highlights, Task Force on Climate-related Financial Disclosures (TCFD) summary, transition plan, metrics and progress, emissions reduction initiatives, scenario analysis, risks and opportunities, stakeholder engagement, waste, noise and air quality initiatives.

B. People and prosperity

This section includes: Key metrics and progress, health, safety and wellbeing, human rights and modern slavery, diversity, equity and inclusion, community engagement and charitable support.

C. Principles of governance

This section includes: Sustainability strategy, governance frameworks, workforce governance, supply chain governance, ethics and integrity, ESG risk management, reporting and data governance and alignment with GRI and SASB standards.

The full contents of this sustainability report are included in the IAG Non-Financial Information Statement (NFIS) which is independently verified by a third-party to limited assurance standards in line with ISAE3000 (Revised) standards.

IAG's most material environmental metric – Scope 1 emissions – receives additional verification each year as part of the EU, Swiss and UK Emissions Trading Schemes (ETS) and the international Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), within six months of the issuance of this report. Any material changes are restated in future reports.

Compliance with specific frameworks and standards is listed under relevant section headings and summarised in section C.8. While IAG does not align with the Global Reporting Initiative (GRI) Core or GRI Comprehensive standards, it aligns with selected GRI standards based on compliance with Spanish Law 11/2018 and chooses to voluntarily align with other GRI standards on material issues.

SAF investments

$1 billion

total investment in SAF as of 31 December 2023, of which 86% is in future commitments[1]

Carbon intensity

80.5 gCO_2/pkm

-3.6% vly, and on track to exceed our 2025 target of 80gCO_2/pkm

Governance

7,500+

senior executives and managers with climate-related annual incentives

Supply chain

100%

of suppliers screened for sustainability risks

1 Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

Our vision

is to be a world-leading airline group on sustainability

Our strategy

is to pursue nine sustainability leadership KPIs as listed in section C.1 Principles of Sustainability Governance

Our governance

Board-level oversight	IAG Management Committee oversight	Operating company oversight	Cross-Group alignment
• Safety, Environment and Corporate Responsibility Committee (SECR) • Audit and Compliance Committee	• Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	• Management committees oversee tailored sustainability programmes	• Group sustainability strategy • Group sustainability team updates • Working groups for key sustainability initiatives

Our material issues and initiatives

IAG takes a holistic approach to sustainability[1]

A. Planet	B. People and prosperity	C. Principles of governance
Key material issues		
• Reducing our climate impact • Influencing and shaping policy	• Engaging with employees • Building a diverse and inclusive workplace	• Investing in the future • Planning for climate-resilient operations • Working with suppliers
Key policies		
• Environmental sustainability policy	• Equity, Diversity and Inclusion (EDI) policy • Modern slavery and anti-trafficking statement	• Code of Conduct • Supplier Code of Conduct • Anti-bribery and corruption policy • Whistleblowing policy • Policy on disclosure of corporate information and engagement with shareholders
Annual initiatives		
• Flightpath Net Zero strategy • Climate-related remuneration • Policy advocacy for low-carbon solutions • Leadership in trade associations	• Organisational Health Index (OHI) surveys (every six months) • EDI and engagement initiatives • Community giving and fundraising • Developing a social roadmap	• Accelerator programme and ventures • Supply Chain Sustainability Programme • Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis
Key UN Sustainable Development Goals		
		

Targets

2019	2025	2030	2050
Target baseline	• 11% reduction in carbon intensity, to $80gCO_2$/pkm • '5 by 2025' waste targets • 40% of senior leadership roles held by women	• 10% SAF use • 20% drop in net Scope 1 emissions, to 22m tonnes • 20% drop in net Scope 3 emissions, to 6.6m tonnes	• Net zero Scope 1, 2, and 3 emissions across our full operations and supply chain • Carbon removals for any residual emissions

1 The above pillars align with the World Economic Forum 'Measuring Stakeholder Capitalism' report in 2020. 'Running a profitable business' and 'Pleasing our customers' are material issues relevant to Prosperity which are covered in other sections of the Non-Financial Information Statement.

Towards more sustainable journeys

Our sustainable products and services for customers help them to reduce their carbon emissions and support wider sustainability goals. We continue to trial new offers.

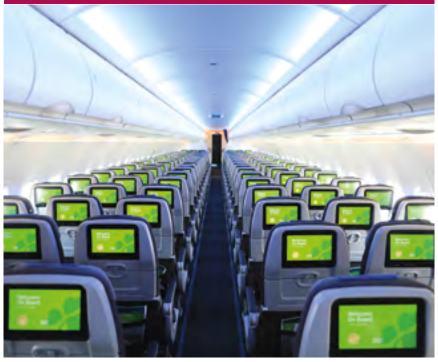
Pre-flight services at airports

- Renewable electricity in lounges[1]
- Vegan menus in lounges[2,3]
- Pre-ordering meal service to reduce food waste[3]

Ground transport at airports

- Trialling electric buses for passengers[2,4]
- Electric Mototoks to pull aircraft to runways[2,3,4]
- Trialling electric trucks[5]
- Renewable electricity to power aircraft on the ground[1]

On-board impacts



- Opportunity for customers to contribute towards carbon removal projects[1]
- Voluntary SAF for customers[2,4]
- Use of SAF supported by IAG investment[1]
- Vegan food[2,3]
- Recycling on board[1]

Planet highlights

$1 billion
total investment in SAF as of 31 December 2023, of which 86% is in future commitments

Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

First
alcohol-to-jet SAF plant in the world opens, the LanzaJet Freedom Pines project, in a signed partnership with IAG

100%
of IAG airline senior executives have climate-related remuneration

80.5 gCO_2
per passenger kilometre, a 3.6% annual improvement in carbon intensity, and on track to achieve our 2025 target

A-
CDP rating in 2023, the fourth consecutive year of achieving a leadership rating for our climate action

157.1k
tonnes of CO_2 saved from SAF use in 2023, an increase of 418% year-on-year and representing 0.6% of our annual emission reductions

People and prosperity highlights

71,794
people employed across the Group in 77 countries

9%
increase in our workforce versus 2022

87%
of staff covered by collective bargaining agreements

36%
of senior leadership roles held by women

Governance highlights

4
meetings of the Board SECR Committee

100%
of suppliers screened for legal and financial risks

3.2+ million
training hours completed in 2023

90%
of suppliers, by spend, completed ESG scorecards

1 All airlines. 2 British Airways. 3 Iberia. 4 Vueling. 5 IAG Cargo.

A.1. Planet – climate change

Carbon intensity

80.5 gCO_2/pkm

-3.6% vly

CO_2 saved from SAF use in 2023

157.1k tonnes

A.1.1. TCFD summary

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidance and first carried out TCFD-aligned scenario analysis in 2018, ahead of the UK requirement – Listing Rule 9.8 – which defines the information to be included in a company's annual report and accounts.

Descriptions of TCFD recommendations are on the TCFD website. IAG has applied the TCFD Guidance for All Sectors to the disclosures in this report. An internal review of compliance with the 11 core TCFD recommendations identified no material gaps or material changes from last year.

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities (a, b)	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material (a, b, c)	Disclose how the organisation identifies, assesses and manages climate-related risks (a, b, c)	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material (a, b, c)
Relevant disclosures in this report			
a. See C.2., C.6. b. See A.1.5., C.2., C.6., Risk management and principal risk factors section	a. See A.1.6. b. See A.1.6., C.6., Risk management and principal risk factors section c. See A.1.5.	a. See A.1.5., A.1.6., C.6., Risk management and principal risk factors section b. See above c. See above	a. See A.1.3., A.1.5., Report of Remuneration Committee b. See A.1.3., A.1.6. c. See Sustainability at a glance, A.1.2., A.1.6.
Current activities			
Board oversight via SECR Committee and Audit and Compliance Committee; robust governance; 2021 materiality assessment will be updated in 2024	Delivering against Flightpath Net Zero strategy and nine leadership KPIs; sustainability-linked loans for British Airways and Iberia; TCFD-aligned scenario analysis; one- and three-year financial and business plans integrate sustainability aspects; new sustainability contract clause for suppliers	Sustainable aviation risks are treated as a principal risk and regularly reviewed within Enterprise Risk Management (ERM) processes; risk disclosures and risk management processes received an 'A' rating from the Carbon Disclosure Project	Clear metrics and targets for 2025, 2030 and 2050 (see 'At a glance'); climate-related remuneration for senior executives and managers
Planned future activities			
Review assurance, double materiality assessment to be completed in 2024, process and control changes to achieve reasonable assurance by 2026	Ramp up of SAF procurement, ongoing scenario analysis, reviewing guidance and evidence on pathways to support 1.5°C transition	More detailed work on risk impacts to 2030 and 2040, actions to maximise climate resilience, and risk mitigation KPIs	Delivery against existing targets, review 2030 targets in line with latest evidence on 1.5°C-aligned transitions

Leading our industry in SAF projects

What is Sustainable Aviation Fuel?

Sustainable Aviation Fuels (SAF) are chemically almost identical to kerosene.

The feedstocks for these fuels – currently waste materials such as municipal waste or waste wood – absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then emitted during the flight.

There are eight certified pathways to making SAF based on use of specific technologies and feedstocks. These processes are certified to international standards to ensure the fuels are safe to use. SAF can be used in existing aircraft and airport fuelling infrastructure.

IAG also ensures its SAF complies with strict sustainability certification schemes, to ensure the feedstocks come from sustainable sources, and that the production processes conserve water and energy and have minimal wider impacts.

Supporting advanced SAF pathways

IAG continues to make direct investments in new and innovative SAF production capacity, catalysing the wider development of the SAF market. These investments are typically coupled with SAF purchase agreements, which are critical to the financial viability of the new SAF production capacity.

The Group uplifts jet fuel in multiple locations, including the US and Europe, and therefore is exploring projects in multiple regions.

IAG is working with technology developers to establish a range of SAF supply options, including the projects listed in this section. We aim to be a leader in supporting developed SAF production pathways that achieve the greatest life-cycle emission reductions and can accelerate our efforts to decarbonise.

In February 2024, IAG signed its largest-ever SAF purchase agreement with Twelve, a SAF project based in Washington, which produces advanced power-to-liquid SAF made from CO_2, water and renewable energy. This means we have secured one-third of the SAF required to meet IAG's 10% SAF by 2030 target.

For SAF produced from other pathways, the Group is also working to support projects which remove carbon or capture and store it.

Delivering on our commitment

As of 31 December 2023, our total investment in SAF reached $1 billion, of which 86% is future commitments.[1] This is the largest disclosed commitment to SAF by any airline globally.

In 2023, Group airlines used more than 53,000 tonnes of SAF, an increase of 417% versus 2022, and one of the highest volumes globally. This saved around 157.1 ktCO_2, accounting for 0.6% of emission reductions.

IAG remains on track to deliver a 100-fold increase in its SAF volumes between 2022 and 2030, and expects to use SAF for 70% of total fuel in 2050.

Role in IAG transition plan

SAF is a key solution in IAG's transition plan to net zero (Section A.1.2.). It reduces carbon emissions on a greenhouse gas lifecycle basis, typically by 80% or more compared with the fossil jet fuels it replaces.

In 2021, the Group set a target of using one million tonnes of SAF a year by 2030, dependent on appropriate government policy support.

1 Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

Advocating for appropriate SAF policy

IAG recognises that policies designed to support the development of SAF globally are currently fragmented and take different forms. The Group is therefore working closely with policymakers and industry to support the development of appropriate SAF policies needed to provide a strong investment signal and to scale up supply to meet sector demands.

We welcome the decision made by ICAO and its Member States at the third ICAO Conference on Aviation Alternative Fuels (CAAF/3), to strive to achieve a global aspirational vision to reduce CO_2 emissions in international aviation by 5% by 2030 through the use of SAF, low-carbon alternative fuels (LCAF) and other aviation clean energies.

In key markets, such as the US, EU and UK, our policy advocacy has focused in 2023 on the following areas below.

US	EU	UK
Policy overview SAF supply is currently incentivised in the US under state-level programmes, which offer producers tax credits for their production. These programmes currently operate in states such as California, Illinois, Minnesota, Washington and Oregon. The Inflation Reduction Act, signed in August 2022, also provides federal tax credits for SAF producers (for SAF dispensed in the US). **IAG 2023 activity** IAG continues to explore and sign purchase agreements for SAF from projects in the US which will be eligible to claim tax credit incentives. Please see our key SAF partnerships table for more details.	**Policy overview** The EU has legislated under its Fit for 55 package a new ReFuelEU policy that will set a SAF mandate from 2025. The mandate will require a minimum volume of SAF in the EU, starting in 2025 at 2% and reaching 6% by 2030, with 1.2% of the 2030 volume to be met through use of advanced SAF pathways, such as Power-to-Liquid (PtL) SAF. Also within the Fit for 55 package, the EU has agreed to amend the Emissions Trading System (ETS) Directive, and introduce an incentive for aircraft operators to increase SAF uplift through the EU ETS from 2024. This will make it possible for aircraft operators to claim a share of 20 million allowances set aside by the European Commission to cover some of the difference in the price paid for SAF compared to jet kerosene, on EU ETS compliant routes. SAF continues to be zero-emission rated under the EU ETS, which also incentivises use by aircraft operators to reduce annual carbon cost exposure. **IAG 2023 activity** We support the legislative changes made by the EU to support the development of SAF supply in Europe. We are now engaging with policymakers on technical details concerning the monitoring, reporting and verification (MRV) of SAF use, alignment of new legislative requirements with existing EU ETS reporting frameworks and geographic scope. We have also responded to public consultations on the implementation of these policies in Member States.	**Policy overview** The UK has set a SAF target of 10% by 2030, and a target to commence the construction of five SAF plants by 2025. In 2023, following advocacy efforts by industry, the UK Government agreed to develop a revenue certainty mechanism for SAF producers, that should be in force by 2026. Under the UK ETS, SAF is zero-emission rated, but there currently is no incentive comparable with policy provided under the EU ETS. **IAG 2023 activity** IAG responded to the UK's consultation on its SAF mandate in 2023. We continue to engage with policymakers on ways to incentivise SAF use in the UK, including the UK ETS. As a member of the Jet Zero Council, IAG has engaged with the UK Government and supported industry calls for a revenue certainty mechanism for UK SAF producers. We continue to engage through the Jet Zero Council to support the development of this mechanism as quickly as practicable, to accelerate SAF production in the UK. IAG also engages with Heathrow airport on its financial incentive scheme to support SAF uplift.

SAF governance in IAG

SAF is a key solution in IAG's transition plan to net zero emissions. In 2023, IAG enhanced its governance framework suitable for accelerating our engagement with SAF investments and policy. This included establishing a SAF Management Group, comprised of colleagues from IAG sustainability, Group finance and each operating company. The SAF Management Group reports to the SAF Steering Group. Please refer to 'Principles of sustainability governance' for more information.

Supporting emissions reductions for our customers

IAG offers corporate customers the opportunity to purchase the emission reductions from SAF to support their own Scope 3 emission reductions. In total, Group airlines sold more than 150,000 tonnes of CO_2 to customers last year. IAG also allocated around 150 tonnes CO_2 towards internal activities, including emissions associated with travel to senior leadership conferences.

Key SAF partnerships

LanzaJet: Freedom Pines
Supported by investment by British Airways in 2021, on 24 January 2024, LanzaJet opened the first production plant dedicated to low-carbon ethanol SAF in Georgia, USA.

Project Speedbird – Developing SAF in the UK
In June 2023, British Airways, LanzaJet and Nova Pangaea Technologies signed an agreement that will accelerate Project Speedbird, an initiative created by the companies in 2021 to develop cost-effective SAF for commercial use in the UK.

Twelve
In February 2024, IAG signed its largest-ever SAF purchase agreement with Twelve, a SAF project based in Washington which produces advanced Power-to-Liquid SAF made from CO_2, water and renewable energy. This means we have secured one third of the SAF required to meet IAG's 10% SAF by 2030 target.

Key SAF partnerships

Producer	Production location	Anticipated supply start	Technology
BP	Europe; China	Supplying since 2021	HEFA
Neste	Finland; Singapore	Supplying since 2021	HEFA
Phillips 66	Humber, UK	Supplying since 2021	HEFA
Repsol	Cartagena, Spain	Supplying since 2022	HEFA
Cepsa	Huelva, Spain	Supplying since 2023	HEFA
LanzaJet	Georgia, USA	2024	Alcohol-to-jet
Twelve	Washington, USA	2025	Power-to-Liquid
LanzaJet/Nova Pangaea[1]	North East, UK	2027	Alcohol-to-jet
Aemetis	California, USA	2027	HEFA
Gevo	Minnesota, USA	2028	Alcohol-to-jet
LanzaTech	South Wales, UK	2028	Alcohol-to-jet
Velocys[1]	Immingham, UK Mississippi, USA	2029	Fischer-Tropsch

[1] Includes carbon capture and storage.

A.1.2. Transition plan

Overview

IAG is targeting net zero emissions by 2050 across its Scope 1, 2 and 3 emissions.

'Net zero' means any residual emissions from IAG operations in 2050, or by the manufacture and transport of goods supplied to the Group, will be mitigated by an equivalent amount of CO_2 removed from the atmosphere via carbon removals.

IAG is on track to deliver its 2025, 2030 and 2050 climate targets (see below) by carrying out emission-reduction initiatives, working in collaboration with key stakeholders and proactively advocating for supportive government policy and technology development.

IAG is also driving internal action by using climate-related annual incentives for over 7,500 senior executives and managers.

Key measures to reduce emissions are fleet modernisation, SAF usage, market-based measures, including the UK and EU ETS and CORSIA, and carbon removals.

Less than 10% of the emissions reductions between 2019 and 2050 are expected to come from offsets.

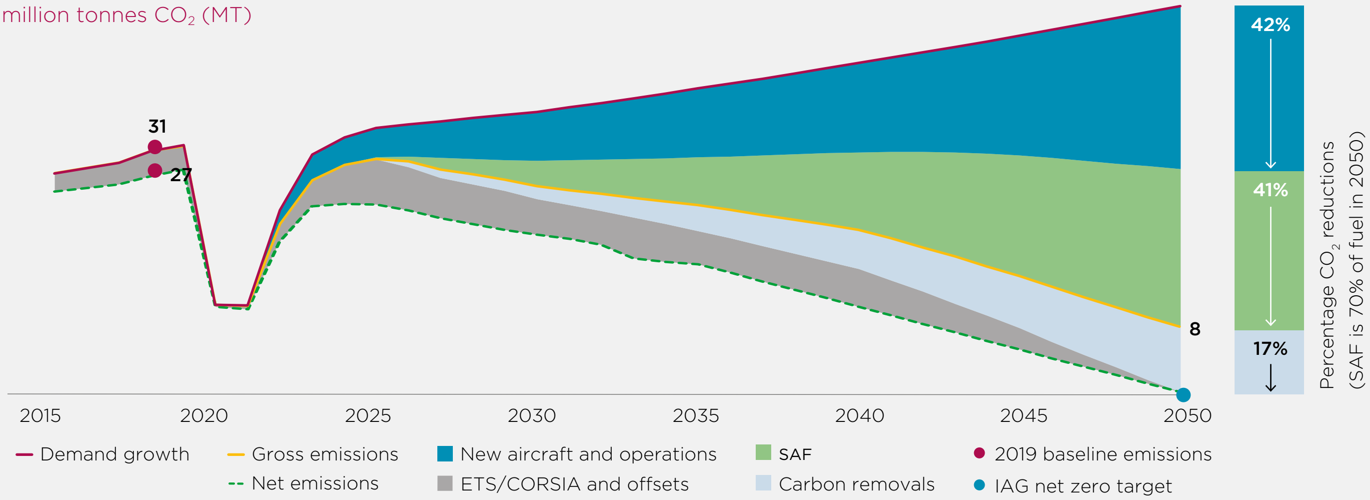
Roadmap to net zero

IAG was the first airline group in the world to commit to net zero emissions, and has been publishing updates to its roadmap to this goal every year since 2019.

The version below is a core Group scenario which assumes continued policy support for aviation decarbonisation, an overall recovery to 2019 levels of passenger demand by 2024 and annual demand growth aligned with the long-term growth forecasts disclosed in notes 4 and 17 of the financial statements.

Changes to our roadmap in 2023 focus on increasing the use of SAF in our operations in the short term, and our investment in carbon removals before 2030. Beyond 2030, it maintains an assumption that hydrogen aircraft will be introduced to the fleet from 2040, and a 5% emissions saving from airspace modernisation will be achieved by 2050.

Latest IAG roadmap to net zero
million tonnes CO_2 (MT)



IAG interim targets: 11% improvement in fuel efficiency 2019-2025, 20% drop in net Scope 1 and 3 emissions 2019-30, 10% SAF in 2030, net zero by 2050.

Pillar of carbon roadmap	Delivery plans	Venture investments/key innovation partners
New aircraft and operations	• €12 billion investment between 2024 and 2028 for 178 new, efficient aircraft	ZeroAvia (hydrogen aircraft manufacturer) I6 (fuel management software) NAVflight services (flight planning services) Honeywell Forge (fuel efficiency software)
SAF	• As of 31 December 2023, our total investment in SAF reached $1 billion, of which 86% is future commitments, based on assumed energy prices	LanzaJet (sustainable fuels producer) Nova Pangaea
Carbon removals	• Refining the IAG carbon removals roadmap, and supporting the inclusion of carbon removals in the global CORSIA scheme, and UK and EU ETS	Heirloom (carbon capture start-up) CUR8 (carbon removal platform)
Market-based measures and offsets	• Support for the global CORSIA scheme to limit net emissions from aviation • Continue advocacy to strengthen CORSIA	CHOOOSE (customer offsetting platform)
Supply chain	• 90% of suppliers by spend have submitted scorecards on ESG performance • Supplier contract clause on sustainability	EcoVadis (business sustainability ratings) Watershed (emissions reporting platform)

Future carbon intensity

Delivery of IAG's current decarbonisation plans, dependent on appropriate policy support, is expected to enable the following changes versus 2019:

Gross carbon emissions (MT CO_2):

- 2030 – 15% lower
- 2050 – 73% lower

Gross carbon intensity (gCO_2/pkm):

- 2025 – 12% lower
- 2030 – 27% lower
- 2035 – 39% lower
- 2050 – 83% lower

IAG supports the inclusion of carbon removals in industry decarbonisation pathways, and in external assessments of support for the 1.5°C global ambition.

IAG's short- and long-term targets have been independently assessed by the Transition Pathway Initiative (TPI) as 1.5°C-aligned and its mid-term target assessed as well-below-2°C-aligned. The TPI assessment compared the milestones in the 2021 IAG roadmap with an industry-wide pathway modelled by the International Energy Agency (IEA), taking removals commitments into account.

IAG began investing in ZeroAvia in 2020, a leading developer of hydrogen-electric, zero-emission aviation. IAG increased its investment in 2022, to advance ZeroAvia's 2-5 MW hydrogen-electric powertrain development programme.

Carbon removals

Introduction

Carbon removal solutions extract CO_2 already in the atmosphere and store it in biological or geological ways.

Examples of carbon removal include:

- Nature-Based Solutions (NBS) – include creating new forests and peatland;
- BioEnergy Carbon Capture and Storage (BECCS) – capturing biogenic carbon from industrial facilities and storing it in, e.g. underground aquifers;
- Carbon Capture and Storage (CCS) with SAF production – as above and including the use of byproducts which can absorb CO_2; and
- Direct Air Capture (DAC) – absorbing CO_2 directly from the air using a catalyst.

IAG sees carbon avoidance projects as a key transitional solution en route to full use of removals. Carbon removal projects differ from carbon avoidance projects, which prevent the future release of CO_2.

Role in IAG transition plan

Group airlines have offered customers the opportunity to make a financial contribution to support carbon removals projects since 2022. British Airways customers have supported removals projects including mangrove restoration in Pakistan and a biochar project in Oregon, USA.

By 2050, IAG will only use carbon removals to mitigate any residual emissions from its operations.

IAG will only work with suppliers who do the same, as part of meeting the Group's Scope 3 commitment. IAG is already encouraging suppliers to transition from offsets to removals as part of a new supplier contract clause which is being rolled out across its supply chain.

Advocacy for carbon removal policy

IAG expects to use carbon removals to meet an increasing share of its CORSIA obligations between 2024 and 2035, conditional on appropriate policy, and supports wider guidance on how to transition to removals such as the Oxford Offsetting Principles.

The Group continues to advocate for policies that will accelerate global uptake of carbon removals, via the Coalition for Negative Emissions and other trade associations listed in A.1.7., and supports the inclusion of removals in the EU, Swiss and UK ETS.

Investing in carbon removals

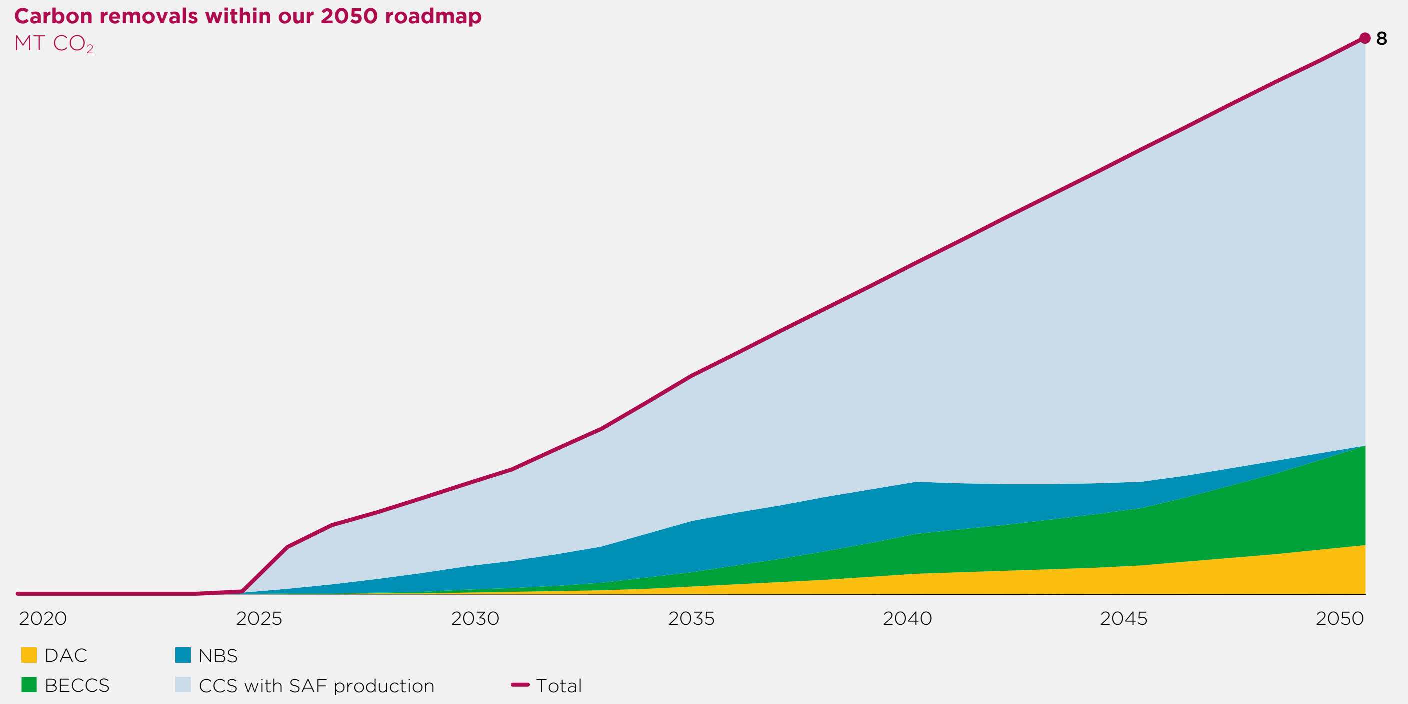
IAG is committed to supporting a variety of innovative carbon removals solutions and is considering projects that are immediately available and independently verified today, as well as more innovative technology solutions.

Our investment in Greenhouse Gas Removal (GGR) technologies involves a combination of forward delivery procurement and project financial support, facilitating the scale-up of GGR technologies alongside relevant government support.

When IAG or its operating companies choose to voluntarily invest in carbon avoidance and removal projects, they work in collaboration with key partners, carry out due diligence to select reputable providers and select projects carefully to meet and align with verified quality standards, such as Gold Standard, Puro Standard and Verified Carbon Standard (VCS).

In 2023, British Airways worked in partnership with CUR8 (a UK-based company dedicated to building the global market for carbon removals), UNDO (a world-leading carbon dioxide removal project developer specialising in enhanced rock weathering), and Standard Chartered, representing financial institutions, to launch a first-of-a-kind financing pilot designed to help scale-up the carbon removals market.

The pilot aims to support the scale-up of the carbon removals market by creating a blueprint to enable carbon removal suppliers to access capital in the form of debt financing via advanced purchase agreements. British Airways has committed to purchase more than 4,000 tonnes of carbon removal credits delivered by UNDO through enhanced rock weathering, and Standard Chartered is looking to be the banking partner.



Based on the latest roadmap, the Group expects to use approximately 100 MT of carbon removals between 2022 and 2050 to mitigate Scope 1 emissions and could potentially be removing 2 MT annually in 2030, conditional on clear and globally agreed verification and quality standards for removals, inclusion of removals in ETS schemes, and stable policy support.

Key carbon removal projects

Freres Biochar project
The Freres Biochar project in Oregon, USA, involves a biomass power production plant that produces biochar, a carbon-rich, charcoal-like material that is created when agricultural and wood waste is used as fuel. The process feeds carbon into the soil and prevents it from naturally decaying, locking carbon away and keeping it out of the atmosphere for several hundred years.

Blue Carbon Mangrove project
The Blue Carbon Mangrove project in the Indus Delta area in Pakistan is a nature-based carbon removal project (where plants absorb carbon from the atmosphere through photosynthesis). The project will support greenhouse gas removal by reforestation and revegetation of approximately 225,000 hectares of degraded tidal wetlands with mangrove and other species to absorb carbon dioxide, stabilise the area and protect the coastal area and communities.

A.1.3. Metrics and progress

Overview

IAG's transition plan focuses on reducing CO_2 from jet fuel use, as this represents over 99% of Scope 1 emissions.

The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on tackling climate change.

2023 saw strong progress against the key metric of carbon efficiency.

With a 3.6% annual improvement to 80.5 gCO_2/pkm, the Group is on track to deliver our carbon efficiency target of 80.0 gCO_2/pkm by 2025, accounting for emissions reductions achieved from SAF.

Calculation methodology

Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2023 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available. Other factors such as International Energy Agency emissions factors are used in specific cases as described in the IAG statement of non-financial information.

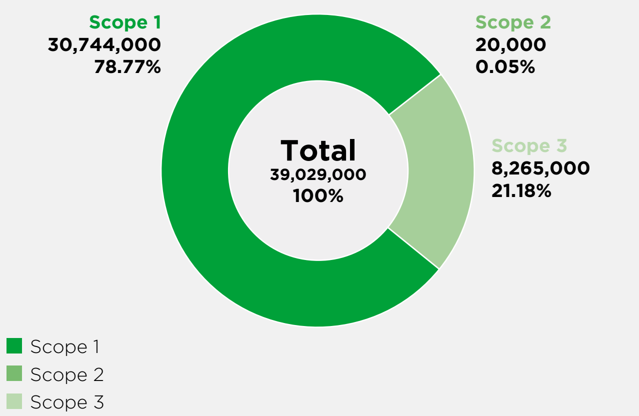
Our carbon intensity calculation includes CO_2 emission reductions achieved from SAF. SAF reductions are calculated using actual life cycle analysis (LCA) carbon intensity values for SAF fuel uplifted by airlines in the Group, and subtracting the achieved emission reductions from our total CO_2 footprint.

IAG discloses methane (CH_4) and nitrous oxide (N_2O) as Scope 1 non-CO_2 greenhouse gases (GHGs), in line with the UK conversion factors.

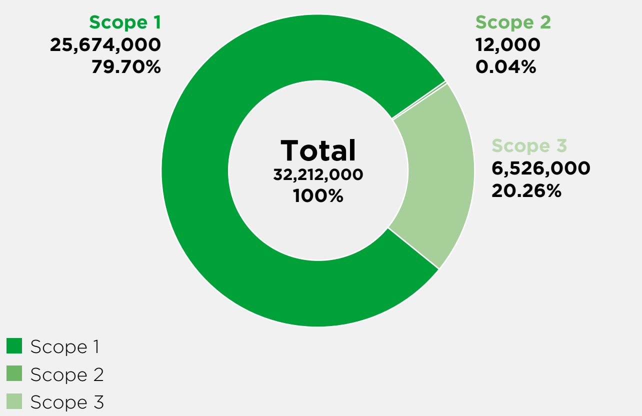
In 2023, emissions of CH_4 were 18,009 tonnes and N_2O were 216,542 tonnes.

A detailed Scope 3 emissions breakdown is available in the IAG statement of non-financial information.

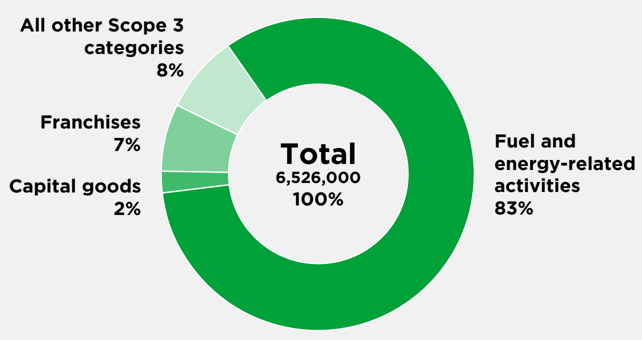
2019 emissions (tonnes CO_2e)[1]



2023 emissions (tonnes CO_2e)[1,2]



Scope 3 emissions (tonnes CO_2e)[1,2]



1 Rounded to the nearest '000 tonnes CO_2e.
2 Please refer to details in this section regarding Scope 3 emissions data collection. Data for Scope 3 emissions reported using existing methodology, and does not include revised values for Scope 3.1 emissions as identified following a proof-of-concept trial between IAG GBS and Watershed in 2023.

Key emission metrics

Key carbon footprint metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Scope 1 CO_2e	305-1	MT CO_2e	22%	(16%)	**25.67**	21.13*	10.92	11.02	30.74*
Net Scope 1 CO_2e		MT CO_2e	19%	(15%)	**22.82**	19.10*	10.50	10.85	26.95*
Scope 2 location-based	305-2	kt CO_2e	11%	(24%)	**56.5**	51.1	39.2	48.2	74.6*
Scope 2 market-based	305-2	kt CO_2e	6%	(37%)	**12.4**	11.7	8.4	9.3	19.7*
Scope 3[1]	305-3	MT CO_2e	19%	(21%)	**6.53**	5.48	3.32	3.66*	8.27*

Key emission reduction metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Flight-only carbon intensity (exclusive of SAF CO_2 reductions)[2]	305-4	gCO_2/pkm	(3%)	(10%)	**81.0**	83.6	94.5	106.2	89.8
Flight-only carbon intensity (inclusive of SAF CO_2 reductions)[2]	305-4	gCO_2/pkm	(4%)	(10%)	**80.5**	83.5	94.5	106.2	89.8
GHG reduction initiatives	305-5	$ktCO_2e$	5%	12%	**86.7**	82.4	59.7	17.2	77.4
Emissions covered by ETS (UK, EU, Swiss)		MT CO_2e	(1%)	(26%)	**5.68**	5.74	2.71	2.32	7.66
Net reduction (SAF uplift)		$ktCO_2$	418%	n/a	**157.1**	30.3	6.5	n/a	n/a
Net reduction (ETS[3])		$ktCO_2e$	45%	(18%)	**2,604**	1,796	219	0	3,182
Net reduction (offset projects)		$ktCO_2e$	17%	n/a	**246**	229	196*	168	n/a
Average fleet age		years	>1%	6%	**12.0**	11.9	11.2	10.6	11.4

Other metric	GRI standard	Unit	vly	v2019	2023	2022	2021	2020	2019
Scope 2 carbon intensity	305-4	gCO_2/pkm	(12%)	(19%)	**0.18**	0.20	0.34	0.47	0.22*
Revenue per tonne CO_2e		€/tonne CO_2e	5%	38%	**1,145**	1,088	771	705	827
Jet fuel	301-1	MT fuel	22%	(16%)	**8.11**	6.64	3.42	3.45	9.65
SAF		kt fuel	417%	n/a	**53.3**	10.3	2.4	nr	nr
Electricity	302-1	'000 MWh	1%	(19%)	**217.0**	213.7	189.0	200.1	267.7
Energy	302-1	Mn MWh	24%	(15%)	**100.7**	81.5	42.1	41.9	119.7
Renewable electricity[4]		%	0pts	9pts	**81%**	81%	86%	86%	72%
Renewable energy		%	0.5pts	0.7pts	**0.9%**	0.4%	0.5%	0.4%	0.2%

Descriptions and commentary on other metrics are available in the Additional Disclosures section of the IAG statement of non-financial information.
Note: 'nr' means 'not reported'. * means restated using the latest data and assumptions.

1 Please refer to details below regarding Scope 3 emissions data collection. Data for Scope 3 emissions reported using existing methodology, and does not include revised values for Scope 3.1 emissions as identified following a proof-of-concept trial between IAG GBS and Watershed in 2023.
2 pkm means 'passenger-km'. The passenger-km used for this calculation is 273,607 million, which excludes no-show passengers. The cargo-tonne-km used is 4,386 million, which excludes cargo carried on other airlines or trucks. The jet fuel used excludes fuel for franchises and engine testing.
3 2020 emissions were below the EU ETS sector cap for aviation so no net reductions were delivered.
4 For completeness, Scope 2 emissions cover electricity use at airports and overseas offices, which are partly outside IAG's operational control.

As part of complying with the UK Streamlined Energy and Carbon Reporting regulation, 58% of Group energy use was UK energy use, based on Scope 1 emissions and Group electricity use in UK-based offices, up from 56% in 2022.

Scope 3 emissions calculations

IAG Scope 3 emissions accounted for approximately 20% of total emissions in 2023. Our target is to achieve a 20% drop in net Scope 3 emissions compared to the 2019 baseline, from 8.3 MT to 6.6 MT by 2030. In 2023 IAG Scope 3 emissions were 6.5 million tonnes CO_2e.

IAG GBS operates a supply chain sustainability programme which includes ESG scorecards and supplier risk screening.

In 2023, IAG GBS ran a proof-of-concept trial with Watershed to improve Scope 3.1 emissions reporting across the Group. In previous measurements, IAG reported Scope 3.1 emissions based on emissions calculated from water usage only. Under the trial with Watershed, a spend-based methodology for Scope 3.1 emissions was applied, combining IAG GBS supply chain spend data with Watershed's emissions database. This improved reporting accuracy as emissions factors could be associated with the location and business activities of each supplier, including supplier-specific emission factors for those with CDP disclosures. The results of this trial are provided alongside previous emissions data captured in our Scope 3 emissions submission.

IAG is expanding this research across our Scope 3 activities in 2024, to improve our data collection across all Scope 3 emission categories.

Other metric	GRI standard	Unit	% of Scope 3 emissions	v2019	**2023**	2022	2021	2020	2019
Fuel and energy-related activities (Scope 3.3)	305-3	tCO_2e	83%	(15%)	**5,424,914**	4,399,985*	2,266,587*	2,284,992	6,371,621
Franchises (Scope 3.14)	305-3	tCO_2e	7%	(44%)	**449,848**	475,576	369,718	235,167	810,334
Capital goods (Scope 3.2)	305-3	tCO_2e	2%	(77%)	**128,000**	232,000	424,000	912,000	568,000
Purchased goods/ services (Scope 3.1)	305-3	tCO_2e	>1%	(70%)	**204**	268	229	525	689
(Scope 3.1 emissions data following Watershed proof-of-concept trial)					**(2,762,833)**	(2,028,326)	(1,172,771)	(1,398,858)	(2,731,217)
All other Scope 3 categories	305-3	tCO_2e	8%	2%	**523,501**	387,579	264,457*	227,033	514,618
Total Scope 3 emissions	305-3	tCO_2e	N/A	(21%)	**6,526,467**	5,495,408*	3,324,992	3,659,717	8,265,262

Descriptions and commentary on other Scope 3 category metrics are available in the Additional Disclosures section of the IAG statement of non financial information.

Note: Data from Watershed trial is not included in Total Scope 3 emissions. * means restated using the latest data and assumptions.

Carbon footprint calculation methodologies

The Group's airlines offer passengers the ability to calculate their emissions footprint associated with their flights. This emissions footprint is estimated using a carbon calculator, which determines a volume of CO_2 emissions that an aircraft emits per passenger over a defined flight route and cabin.

Additionally, some airlines offer customers the opportunity to offset or mitigate part of their emissions through investing in carbon removals projects and/or SAF.

IAG continues to develop the carbon calculation methodology that underpins our passenger emission calculators used by the Group, and advocates for an industry-wide standard that provides transparency and simplicity for customers.

Key developments in 2023 include:

- Aer Lingus continues its partnership with charity Pure Leapfrog to help passengers contribute towards mitigating some of the emissions generated from their flights;
- British Airways continues to collaborate with the CHOOOSE platform that enables customers to understand their flight emissions and take steps to address their climate impact before or after their journey, or directly from their seat on board. This includes carbon removals from the 'case study' projects listed in section A.1.2.;
- Iberia has certified its carbon footprint calculator methodology with AENOR (third-party verification entity); and
- Vueling offers its customers the opportunity to make a contribution to the supply of SAF. Vueling matches its customers' contributions, doubling the amount of SAF supplied. Almost 197,000 passengers have contributed 246 tonnes of SAF purchased since the initiative started in 2022. Passengers can also mitigate flight emissions by contributing towards the purchase of carbon removals though the collaboration with CHOOOSE.

Non-CO_2 effects

IAG is supporting the ongoing research and development of mitigations for the non-CO_2 effects of aviation. This includes participating in the UK Jet Zero Council's non-CO_2 working group, and supporting research by the Rocky Mountain Institute (RMI).

The Group's airlines already participate in several non-CO_2 research projects.

- British Airways and Iberia are collaborating with Breakthrough Energy to identify which of our flights' trajectories pass through Ice Super-Saturated Regions (ISSR) and may contribute to non-CO_2 climate effects;
- Iberia participates in the IAGOS* project, which combines the knowledge of scientific institutions with the civil aviation operations to obtain essential data on atmosphere and air quality conditions for the subsequent development of more accurate climate models. New IAGOS equipment has been installed in an Airbus A330-200 which mainly operates routes across the Atlantic, providing atmospheric data from a valuable climate region;
- Vueling completed several trials with SATAVIA** that aimed to reduce the creation of contrails and measure the improvements from adjustments made in-flight; and
- Group airlines are also preparing to monitor, report and verify non-CO_2 emissions for their future obligations under the EU ETS from 2025.

IAG advocates for further scientific research to support effective policy-making that can deliver true emission reductions.

* IAGOS - In-service Aircraft For a Global Observing System

** SATAAVIA - Company supporting airline control management

A.1.4. Emissions reduction initiatives

Relevant standards: TR-AL-110a2. GRI 305-5.

Reducing gross and net emissions is a collective effort across the Group. Examples are provided throughout this report.

By 2030, fleet renewal and SAF programmes will have the biggest impact on reducing gross emissions, and CORSIA will have the biggest impact on reducing net emissions. In addition, other specific initiatives are run within operating airlines.

Our savings from key initiatives in 2023, rounded to the nearest 1,000 tonnes, are shown in the table below. See section 'Leading our industry in SAF projects' for more details on our emission reductions:

Fleet efficiency

€12 billion

investment between 2024 and 2028 for 178 new, more efficient aircraft

SAF

157,000

tonnes of CO_2 saved from SAF used this year, representing 0.6% of our total annual emission

Operational efficiency

86,000

tonnes of CO_2e saved from operational efficiency initiatives such as reduced use of landing flaps, single-engine taxi-in and reduced weight on-board

Carbon markets

2.6m

net tonnes of CO_2e reduced through participation in carbon pricing mechanisms including the EU ETS, UK ETS and Swiss ETS

Supply chain

38

supply chain audits were completed in 2023

Examples of emission reduction initiatives across the Group:

Operating company	2023 examples	Initiative type
Aer Lingus	Aer Lingus took its first new Airbus A320 aircraft delivery flight with 50% Sustainable Aviation Fuel onboard. 2023 also saw Aer Lingus procure SAF for the first time at London Heathrow as part of the Group deal with Phillips 66.	Fleet efficiency and SAF
	More efficient alternate routings. This change means that one-third of Aer Lingus flights can carry 160kg less fuel, reducing daily CO_2 emissions by 3.2 tonnes.	Operational efficiency
British Airways	British Airways was the first airline in the world to use SAF produced on a commercial scale in the UK after signing a multi-year agreement with Phillips 66.	SAF
	British Airways took delivery of 10 new aircraft into the fleet, whilst retiring some of its older aircraft, which continues to help increase CO_2 efficiency.	Fleet efficiency
	Sustainability is now integrated into annual pilot simulator checks with training rolled out across all fleets and a sustainability update issued to all flight crew.	Operational efficiency
IAG Cargo	IAG Cargo allows customers to purchase Scope 3 emission reductions from SAF production to support their own emissions reductions. In 2023, customers including Bolloré Logistics, DB Schenker, DHL Global Forwarding and Kuehne + Nagel engaged with this programme.	SAF and Supply Chain
	IAG Cargo delivered trials including a lease of 40 tractor units running on Hydrogenated Vegetable Oil (HVO) biofuel, and an electric tractor.	Operational efficiency
IAG GBS	IAG GBS operated a proof-of-concept trial with Watershed, a digital automated solution for carbon calculation measurement and sustainability accounting, to improve reporting of its Scope 3, category 1 (purchased goods and services) emissions footprint. See Section A.1.3. for more details.	Supply chain
	IAG GBS continues to partner with other companies through the 'Business vs Smog' programme to leverage its resources to help the fight against climate change. During the five years that GBS has been involved, programme volunteers have run 2,000 free workshops for 45,000 participants in 150 towns.	Supply chain
IAG Loyalty	British Airways Executive Club members can use their Avios to contribute towards the purchase of SAF on short-haul flights via the High Life Café.	SAF
IAG Tech	Migration of IT services to Amazon cloud servers, saving energy and reducing CO_2.	Supply chain
Iberia	Iberia continues to deliver efficiency initiatives across the whole flight phase including take-off, cruise, approach and landing.	Operational efficiency
	Iberia welcomed six new Airbus A350-900, which increase CO_2 efficiency and reduce carbon emissions by around 65,000 tCO_2e compared to 2022.	Fleet efficiency
Vueling	Vueling took delivery of four Airbus A321neos, increasing carbon efficiency by 20% by saving fuel and having a higher passenger capacity than the aircraft they replace.	Fleet efficiency
	Vueling is working with EUROCONTROL and ENAIRE to define a new KPI that measures the airspace efficiency according to CO_2 emissions instead of distance flown. This will support changes within European airspace and promote optimal trajectories that reduce CO_2 emissions.	Operational efficiency
	Vueling was the first European LCC to partner with WheelTug, to accelerate the development of its device that will allow minimising engine use on the ground, reducing emissions and noise.	Operational efficiency

Fuel efficiency programme
As part of the IAG sustainability commitment, each Group airline has a fuel efficiency programme which supports flight planning and enables pilots to increase fuel efficiency. Best practices are shared across the Group to leverage synergies and further increase fuel efficiency.

2023 examples include:

- British Airways and Vueling deployed NAVlink Wind Updates services in their A320 fleets. NAVlink provides optimised in-flight wind data updates, allowing pilots to plan a more efficient descent trajectory. NAVlink has proven to reduce around 22kg of CO_2 emissions per descent. This partnership was developed with the support of Hangar 51 – IAG's innovation team;
- Group airlines collaborated with Honeywell for the use of its Forge software. This software uses in-flight data to improve flight planning and increase fuel efficiency; and
- Vueling has implemented the 'Pilot App' which provides transparent data on individual pilots' contribution towards sustainability goals. This app tracks the CO_2 emissions saved during each flight, enhancing decision-making in their day-to-day duties.

A.1.5. Scenario analysis

Overview
In 2023, IAG carried out multiple and aligned forms of scenario analysis:

- the IAG Sustainability team and the Enterprise Risk Management (ERM) team reviewed all climate-related risks and opportunities and potential impacts to 2026 and 2030. The impacts of material risks are quantified as part of the Company-wide ERM process which receives Board oversight;
- operating airlines modelled compliance-related costs, including from the UK and EU ETS and CORSIA, to 2050;
- TCFD-aligned scenario analysis was repeated using a dual timeframe of 2030 and 2050; and
- ongoing analysis was carried out on the Flightpath Net Zero strategy to 2050.

This scenario work informs strategy, planning, risk management and financial management.

IAG takes a proactive approach to managing climate-related risks and opportunities, and is committed to managing their regulatory, reputational, financial, market and technology aspects.

Applying carbon prices
IAG concurrently applies carbon prices to financial planning and to future scenario analysis.

The Fleet team uses updated carbon prices and price forecasts for short-haul and long-haul fleet purchasing decisions, based on market values and reputable external sources. The Group airlines use carbon prices in financial planning, and flight operations teams and pilots use carbon prices in operational decisions about fuel uptake.

Potential acquisitions include an assessment of exposure to climate-related issues and policy.

For the period 2024 to 2033, UK ETS prices of £55 – £89/tonne, EU ETS prices of €84 – €124/tonne and CORSIA prices of $11 – $25/tonne were used for modelling compliance costs.

EU and UK ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

TCFD-aligned scenario analysis
Since 2018 IAG has been incorporating the TCFD recommended guidance on climate risk disclosures. In 2023, IAG repeated a TCFD-aligned scenario analysis exercise, building on previous years' exercises.

This was a structured, qualitative discussion of potential climate-related impacts and business responses, using the latest evidence and analysis from reputable sources like the UN, EUROCONTROL and Climate Action Tracker (CAT). IAG conducted its 2023 analysis in line with the latest TCFD guidance update published in 2021.

Temperature scenarios of 1.5°C[1] were chosen for transitional risks, in recognition of IAG and global targets. The 2°C and 3°C warming scenarios were chosen for physical risks, based on the latest UN projections.

The year 2030 was chosen as the key timeframe, based on IAG targets and key policy timelines, e.g. for SAF mandates. The year 2040 was also considered due to the possibility of the world overshooting 1.5°C in the 2030s leading to faster societal changes.

IAG exercises involved representatives from multiple teams including Strategy, Treasury, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG Tech, IAG GBS, IAG Loyalty and sustainability representatives from all operating airlines. The Group Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group and the Safety, Environment and Corporate Responsibility (SECR) Committee.

The Group remains resilient to the most material climate-related impacts – industry-wide policy shifts – and these have been quantified and mitigation plans embedded into financial and strategic planning. Industry-wide changes also create opportunities for the Group to become more resilient than its competitors.

To address significant uncertainty around future policy, technology and market trends, IAG is repeating this scenario analysis annually. We will keep implementing action plans in coming years to further improve resilience to wider changes.

1 'Orderly' and 'Disorderly' scenarios were chosen as per TCFD definitions. These scenarios compare smooth, predictable and idealised climate-related changes with abrupt, variable and disjointed changes across regions.

A.1.6. Risks and opportunities

Climate-related risks are assessed and managed within the ERM framework as described in Section C.6. and in the Risk management and principal risks factors section under the principal risk 'Sustainable aviation'. Opportunities are managed within relevant teams.

Transitional risks primarily affect airline activity between European destinations, which contributed to 34% of flying activity in 2023. Physical risks could affect IAG operations across its global network, reflecting the global nature of climate change.

IAG considers the relevant risk factors that could impact each risk by region and timescale. Such variability may arise from fragmented policy definition, scope and implementation, changeable market perceptions, or unpredictable delivery of new technology (among other causes). IAG considers its mitigation strategy for each risk accordingly. Please refer to the 'Risk impacts and mitigation' table for more information.

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation of these risks, along with the consideration of these risks in relevant governance processes. The external risk environment, materiality of risks, mitigation actions and KPIs for these mitigating actions are reviewed regularly.

The table below lists risks assessed through the ERM process. The most material risks are policy risks. Risk timeframes align with corporate planning timelines.

TCFD risk type	Risk and/or opportunity combined description	Risk time frame	Risk trend[1]	Scenario dependency[2]
Physical	Resilience to acute weather events	M	Stable	Temperature
	Resilience of routes and assets to chronic climate changes	L	Stable	Temperature
Market	Customer spend due to perceptions of ESG progress in IAG or the aviation sector	S	Down	Transition
	Perceived quality of offset and removal projects	M	Up	Transition
	Supply chain readiness	L	Stable	Transition
	SAF delivery against committed offtake agreement volumes	M	Up	Transition
Policy	Litigation against claimed carbon reductions from offsetting	S	Up	Transition
	Demand impact of EU and UK climate policy	L	Stable	Transition
	Resilience to changes in ETS/CORSIA pricing	M	Up	Transition
	Policy asymmetry across regions	M	Up	Transition
	Extra regulation on activity rather than emissions	L	Stable	Transition
	Lack of supporting SAF infrastructure or policy	M	Down	Transition
	Regulation on non-CO_2 effects	M	Up	Transition
Technology	Access to and readiness for lower-emission technologies	L	Stable	Transition
	Access to SAF supply	M	Down	Transition

Key: short-term (S) is 1-3 years, medium-term (M) is up to 5 years, long-term (L) is more than 5 years.

IAG continues to analyse risk and transition scenarios to inform mitigation plans to 2030. Key parameters for defining scenarios are below, based on UN, Climate Action Tracker (CAT), UK Climate Change Committee and internal analysis. These are kept under review.

Physical risk parameters	Current projection	2°C scenario	3°C scenario
Global scenario to 2100	2.4°C	RCP[3] 2.6	RCP 4.5

Transition risk parameters – 2030	Current policies/projections	Current targets	1.5°C-aligned scenario
Global emissions vs 2019	0%	-7%	-41% (-27%)[4]
UK emissions vs 2019	-28%	-42%	-42%
EU emissions vs 1990	-55% (via Fit for 55)	-55%	-62%
US emissions vs 2005	-37%	-50%	-58%
Aviation (net) emissions vs 2019	-15% (via CORSIA)	-15%	-15%

1 Risks might be increasing (up), decreasing (down) or stabilising from a business perspective. IAG calculates this based on central strategy modelling and economic forecasting, and the risk trend shown is based on an end-of-year assessment, relative to in-year review.
2 Whether the cost impacts depend more on the temperature scenario (2°C or 3°C), or type of transition (Orderly or Disorderly).
3 Representative Concentration Pathway (RCP), a globally recognised scenario for physical changes under different temperature ranges.
4 A 41% drop by 2030 represents an Orderly transition. A 27% drop represents a Disorderly transition because smaller global emissions reductions to 2030 require rapid decarbonisation after 2030 to return to 1.5°C by 2100.

Risk impacts and mitigation

Description as per previous page	Potential unmitigated financial impacts	How IAG is mitigating
Physical		
Resilience to acute weather events	Days of lost revenue due to additional flight disruption and associated mitigation and passenger compensation costs	Existing operational resilience processes can minimise extra disruption (for example from more turbulence from US-UK flights)
Resilience of routes and assets to chronic climate changes	Changed revenue from a different route network or a different frequency of flights to climate-affected destinations, changes in operational maintenance costs	Scale of route network means impacts above plan are not material so no immediate action needed. Aircraft are mobile assets which can be moved to different locations to account for e.g. more hurricanes in the Caribbean
Market		
Customer spend due to perceptions of ESG progress in IAG or the aviation sector	Customers change frequency of flying, duration of trips, or spend less relative to other carriers or other travel modes	Delivering emissions reductions, developing emissions dashboards for customers, expanding customer communications, support for global instruments like CORSIA, working via trade associations to advance solutions
Perceived quality of offset and removal projects	Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in costs by 2050 due to available volume of removals to deliver net zero	Strategy to avoid price spikes, governance to ensure offset quality, a removals roadmap based on external evidence, advocacy for policy support and monitoring regimes
Supply chain readiness	Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to IAG or associated supplier management costs, margin erosion	Supply chain sustainability programme which includes ESG scorecards and supplier risk screening
SAF delivery against committed offtake agreements	SAF delivery from agreed commitments fail to materialise from weak market supply or failed project development, exposing IAG to market priced SAF, buyout penalties or carbon costs	Securing SAF deals and taking equity in early-stage projects where relevant. Monitoring SAF project development and seeking volume above target levels
Policy		
Litigation against claimed carbon reductions from offsetting	Litigation for use of credits towards voluntary or compliance offsetting that do not deliver claimed emission reductions leads to legal cost	Due diligence conducted on carbon offsetting projects, internal guidance prepared for external communications
Demand impact of EU and UK climate policy	Pass-through of industry-wide costs affects ticket prices and, therefore, demand	Impacts of emerging policy assessed as part of longer-term financial planning and strategy
Resilience to changes in CORSIA/ETS pricing	Exposure to long-term price increases affects compliance costs	Strategy to reduce impact of price spikes; using carbon prices in fleet and financial planning
Policy asymmetry across regions	Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes	Advocacy for global solutions such as the ICAO Long-Term Aspirational Goal agreed in 2022
Extra regulation on activity rather than emissions	Industry-wide taxes or levies increase operating costs and have potential demand impacts; demand management measures equate to lost revenue. Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework	Advocacy in support of emissions-reducing measures like SAF and against economically inefficient measures like taxes
Lack of supporting SAF infrastructure or policy	Higher prices of SAF in core markets due to lack of investment in SAF production or cost of inputs	Advocacy for SAF policy, e.g. via UK Jet Zero Council, and a strategy to procure SAF in regions where supportive policy exists
Regulation on non-CO_2 effects	Potential multiplier on ETS costs, lost revenue due to route restrictions, or operational costs due to non-CO_2 management	External research suggests just 10% of flights could account for 80% of impacts. Advocacy via trade associations to support monitoring and targeted solutions such as route optimisation and SAF uptake
Technology		
Access to and readiness for lower-emission technologies	Higher ETS costs if technology access is restricted or technology development is slow	Hangar 51 Ventures team aligns research and work with the Flightpath Net Zero strategy
Access to SAF	Changing unit prices of SAF in core markets	Securing SAF deals and taking equity in early stage projects where relevant

Risks associated with SAF

SAF is a key solution in IAG's transition plan to net zero (Section A.1.2.), but remains a developing market, which in many regions is still awaiting policy definition to drive infrastructure investment. IATA projects SAF production will meet just 0.5% of global aviation fuel demand in 2024[1]. IAG separates SAF risks into market, policy and technological risks associated with scaling up the global SAF industry. IAG considers the respective impacts on fulfilling IAG's 2030 commitments and future regulatory obligations, by modelling the impact of regional differences in future SAF supply and costs, associated with different policies (policy risk), SAF feedstock technologies (technology risk) and market prices (market risk). IAG uses this modelling to influence SAF strategy and investments.

1 IATA Pressroom report: SAF Volumes Growing but Still Missing Opportunities, published 6 December 2023.

A.1.7. Stakeholder engagement

Relevant standards: GRI 102-13/43/44

Overview

The aviation industry will decarbonise faster with stakeholder and policy support.

The Group and its operating airlines regularly engage with key stakeholders: governments and regulators, shareholders, lenders and other financial stakeholders, trade associations, customers, suppliers, employees, communities, NGOs and academic institutions to advocate for support for emissions reductions and to share progress on Flightpath Net Zero.

Following our successful first IAG ESG day for investors in 2022, IAG delivered a sustainability update as part of its Capital Markets Day in November 2023.

Internal governance ensures that wider stakeholder engagement on climate change is consistent with material issues and environmental goals.

Key stances on climate change

IAG supports cost-effective approaches to deliver net zero emissions by 2050, advance low-carbon solutions, and support global efforts to align with 1.5°C.

Actions within associations focused on UK aviation, Spanish aviation and global aviation policy are listed in the table opposite. If the climate-related positions of trade associations are deemed to be substantially weaker or inconsistent with these internal stances, IAG representatives take roles on task forces and working groups and respond to consultations to communicate our position and constructively move to alignment.

IAG is proud to have consistent views on climate change with all the organisations of which it is a member (below). IAG has positively influenced this outcome by contributing expertise and time to drive net zero commitments, and create and support roadmaps to net zero emissions across SA, A4E, oneworld, JZC, and ATAG. IAG has also driven and encouraged higher SAF ambitions across the JZC, oneworld and WEF. IAG and key trade associations are listed on the EU Transparency Register.

Key principles of climate-related engagement

Aviation is a global industry and IAG remains committed to global policy approaches.

IAG supports carbon pricing as a key instrument to determine both the pace of emissions reductions for the aviation industry and the balance of in-sector and out-of-sector reductions. We advocate for the use of greenhouse gas emission removal technologies in carbon markets, by both natural and engineered means. By 2050 we are committed to using only GGRs to cover our residual carbon emissions.

IAG prioritises policy advocacy on SAF too, as this is a key emissions reduction driver in the next decade, and supports policies on operational efficiency, zero-emission aircraft and carbon offsets and removals.

The Group seeks to ensure that policies delivered are effective and fair across multiple airlines.

Luis Gallego participated in a sustainability panel at the Sustainability Skies World Summit 2023.

Member of organisation	IAG involvement in organisation and actions to ensure and move to consistent stances
UK focus	
Sustainable Aviation (SA)	One of 13 members of SA Council, which governs activities for 44 members Drove development of SA's net zero roadmap in 2023, which for the first time included the demand impact of a net zero transition. IAG was also an active participant in workstreams to advance low carbon solutions
Jet Zero Council (JZC)	Chairs SAF Delivery Group and supported creation of UK Jet Zero Strategy in 2022 to deliver net zero UK aviation by 2050. British Airways CEO a member
Royal Aeronautical Society (RAeS) – Greener by Design group (GbD)	Executive Committee of GbD, attended non-CO_2 conference in 2022 and 2023 to understand how best to mitigate these effects
Spain/Europe focus	
Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth)	Formed in 2023. Iberia is one of over 50 corporate members supporting green growth
Alianza para la Sostenibilidad del Transporte Aéreo en España (AST) (Spanish Alliance for Sustainable Air Transport)	The main stakeholders of the Spanish air transport sector formed the alliance with the objective of promoting the development of sustainable aviation. Three working groups have been defined to respond to the main challenges that the sector now faces: operational efficiency, SAF and policy
Airlines 4 Europe (A4E)	Founding member, drove development of net zero roadmap in 2021, supported ReFuelEU consultation responses and other work to advance low carbon solutions In 2023, IAG has supported the update of the A4E decarbonisation roadmap, and participated in working groups looking to develop solutions for non-CO_2 emissions
Global focus	
Coalition for Negative Emissions	Founding member in 2020, Steering Group member, active contributor to consultation responses to UK Government on how to scale up carbon removals
oneworld (represents 15 airlines)	Chaired the Environment Strategy Board (ESB), coordinated net zero roadmap and 10% SAF ambition across 2020-21, hosted two ESB meetings in London in 2023, continues to provide support for advancing low carbon solutions
Air Transport Action Group (ATAG)	Significant airline contributor to global aviation roadmap to net zero in 2020-21, which helps to inform industry priorities for continual advancement of low carbon solutions
World Economic Forum (WEF) – Clean Skies for Tomorrow Coalition	Regular contributor to reports on how to scale up SAF as a low-carbon solution, advocated for 10% SAF ambition by 2030
IATA (represents 300 airlines worldwide)	Chaired the IATA Sustainability and Environment Advisory Council (SEAC), representatives on IATA working groups to advance policies for low carbon solutions, supported advocacy for net zero commitment at ICAO and strengthening of CORSIA baseline. Moderated a panel at the inaugural IATA World Sustainability Symposium in Madrid in October 2023

IAG are an investor in Nova Pangea, an innovative company producing SAF feedstock. Jonathon Counsell, IAG Group Head of Sustainability and Jim Davies, IAG Programme Director – Sustainable Flight are pictured here with Anthony Brown MP, UK Aviation Minister and Sarah Ellerby, CEO Nova Pangea.

Key engagement forums in the UK, Spain and Ireland

UK – Jet Zero Council

The UK Government's Jet Zero Council (JZC) launched in 2021 as the first of its kind partnership between the aviation industry and Government. The JZC aims to provide advice on the Government's ambitions to deliver net zero aviation and zero-emission flights. It brings together ministers and CEO-level stakeholders, with regular meetings and subgroups to drive the ambitious delivery of new technologies and innovation to cut aviation emissions. Through the success of the JZC, several countries have followed its example, including in Spain and Ireland.

In 2023 IAG supported the JZC's focus on SAF. This included the UK Government's second consultation on SAF, participation in the SAF mandate sub group and the commercialisation sub group, and supporting a revenue certainty mechanism for SAF, which the UK Government has now committed to through the UK Energy Bill.

Spain – Alianza para la Sostenibilidad del Transporte Aéreo en España (Spanish Alliance for Sustainable Air Transport)

The Spanish Alliance for Sustainable Air Transport (AST) was launched in April 2023. The AST is a joint initiative comprising the air transport industry, academia, and NGOs to promote the development of sustainable aviation in Spain, favouring the implementation of new technologies and innovative processes that make the long-term sustainability of the sector possible, and boost pathways towards decarbonisation. Iberia played a key role in creating the AST, and both the Iberia and Vueling CEOs are members.

Ireland

In 2023, the Irish Government announced plans to establish a Government-Industry SAF forum to inform and guide its work on SAF.

IAG welcomed this announcement and Aer Lingus is continuing to engage at European level, and with the Irish Government on policy support to incentivise SAF production in Ireland.

The Ninth Jet Zero Council focused on greenhouse gas removal technology, and BA showcased its nature-based carbon removal projects

Left: Mark Harper, Secretary of State for Transport, UK Government
Right: Jonathon Counsell, Group Head of Sustainability, IAG

A.2. Planet – wider issues

A.2.1. Waste

Relevant standards: GRI 306-1/2/3 (2020).

Overview

IAG has one of the most comprehensive waste reduction plans in the airline industry. Our priorities include reducing food waste, and eliminating the use of single-use plastics, in addition to increasing recycling across our operations.

On-board services are the main source of waste. Key waste outputs include plastic packaging, leftover food waste, drinks cans and cabin items such as wrappers. Key inputs included on-board meals and amenity kits supplied to passengers.

In 2023, IAG operations generated:

- 52,699 tonnes overall (52,655 tonnes in 2022); comprised of
  - 51,749 tonnes non-hazardous waste; and
  - 950 tonnes hazardous waste.

We recovered or recycled 7,650 tonnes (19%).

Waste is typically offloaded and processed at airports by third-party caterers, with some materials recovered on-site and other materials incinerated or sent to landfill. The majority of cabin and catering waste is processed at IAG's hub airports – Barcelona, Dublin, London and Madrid – although the Group flies to over 200 airports worldwide.

Below is the Group's most comprehensive waste disclosure to date. Waste trends are stabilising with the return to normal operations following the COVID-19 pandemic and IAG remains committed towards delivering our 2025 goals.

Metric	Unit	2019 base	2025 target	**2023**	2022	2021	2020	vly
On-board waste per passenger	Kg/pax	0.33	0.26 (-20%)	0.32	0.41	0.47	0.75	(22%)
Office waste per full-time employee	Kg/FTE	95.7	47.8 (-50%)	81.8	83.0	103.1	124.5	(1%)
Maintenance waste per unit of activity	Kg/person-hr	0.63	0.47 (-25%)	0.11	0.12*	0.28*	0.38*	(8%)
Cargo waste per unit of cargo carried	Kg/tonne cargo	1.55	1.16 (-25%)	1.54	1.59	1.43	1.59	(3%)
On-board waste at hubs recycled/recovered	%	24%	40%	20%	24%	26%	31%	(4pts)
Office waste recycled/recovered	%	35%	60%	26%	26%	13%	16%	0pts
Maintenance waste recycled/recovered	%	50%	70%	72%	60%	45%	35%	12pts
Cargo waste recycled/recovered	%	63%	80%	77%	59%	61%	55%	18pts

Note: * means restated using the latest data and assumptions.

Commentary on key metrics

Key metrics	Description	Commentary
Overall waste	Includes waste from all streams – on-board, office, cargo and maintenance waste – and an extrapolation of waste processed at overseas airports, where waste destinations are not always reported by third parties.	Waste volumes have increased less than 1% in 2023. This is despite activity levels returning to pre-pandemic levels. Please refer to examples of waste reduction initiatives across the Group for more details.
Waste recycling and recovery	Includes re-use, downcycling, upcycling, composting and anaerobic digestion. Regulations, including International Catering Waste (ICW) regulations, limit the amount which can be recycled.	Overall recycling/recovery rates are 19%. Recycling of maintenance and cargo waste has increased significantly owing to initiatives implemented in this section of the report. Onboard recycling has fallen year-on-year as operations recover to pre-pandemic levels. Office waste has not increased year-on-year, but initiatives launched in 2023, such as new recycling bins at Waterside, are expected to deliver an increase in office waste recycling rates in 2024.
Single-use plastic (SUP)	Items made wholly or partly of plastic and are typically intended to be used just once or for a short period of time before they are thrown away. This aligns to the EU definition.	160 tonnes of SUP were reduced from initiatives such as using birchwood cutlery and replacing packaging on blankets. The IAG GBS Procurement team is evaluating alternatives to plastic as part of procurement processes.
Waste/pax at hubs	On-board catering waste generated per passenger, including volumes later recycled and recovered. Passenger numbers are based on those inbound and outbound passengers who have their waste processed at hub airports: Barcelona, Dublin, London Heathrow and Gatwick, and Madrid.	Waste generation ratios per passenger have improved to pre-pandemic levels, and we are committed to meet our 2025 target (a 20% reduction compared to 2019 levels).

Detailed descriptions of all waste metrics are available in the Consolidated Statement of non-Financial Information.

Reducing waste across our operations

IAG launched a '5 by 2025' plan in 2021 that covers five waste streams and five business units, using 2019 figures as the baseline for our targets. The plan includes waste generation and recycling targets across on-board, office, cargo and maintenance waste and a zero-based approach to single-use plastic (SUP). IAG is committed to reducing, reusing and recycling waste and dealing with any hazardous waste in line with relevant national and international regulations.

Our action on reducing waste is increasing

Year	2016	2021	2022	2023	2025
Targets		First Group-wide waste targets launched	New initiatives to recycle more on-board waste		Delivery of '5 by 2025' waste targets
Action	Iberia joins the EU LIFE Zero Cabin Waste project	EU SUP ban comes into force	Aer Lingus worked with the Irish Department of Climate, Action & Environment and Department of Agriculture to make it possible to recycle and segregate recycling on-board	• IAG launches working group dedicated towards advancing waste strategy; • Aer Lingus becomes the first airline to segregate and recycle on-board waste arriving on short-haul flights into Ireland; and • Vueling eliminates single-use plastics in on-board items and products	

Examples of waste reduction initiatives across the Group:

Operating company	2023 examples
Aer Lingus	Aer Lingus becomes the first airline to segregate and recycle on-board waste arriving on short-haul flights into Ireland.
British Airways	British Airways offers a pre-ordering service for products from the on-board SpeedBird Cafe, to give passengers the choice of buying fresh and ambient products before departure. These services remove food waste from unpurchased short-haul economy cabin meals while maintaining customer choice. British Airways has a target to halve food waste volumes between 2019 and 2025. British Airways becomes the first airline to be certified to recycle into New York as part of the IATA Transatlantic trial. Regulated garbage restrictions in the US dictate that anything that has touched food waste on an international flight has to be disposed.
IAG Cargo	Colleagues from IAG Cargo's graduate programme have helped develop and launch re-usable cups for any beverages purchased from our canteen at London Heathrow in September 2023. This has reduced single-use plastic cups across the hub by 41%. The graduate programme has also developed a prototype of a new luggage tag made from waste aluminium pallets, which will be made available for sale to customers. IAG Cargo is also exploring how this may be achieved using other materials that are difficult to recycle or re-use.
IAG GBS	The office at Waterside has launched new bins across all floorplates, divided into either five or seven sections to allow for multiple waste streams to be collected and disposed of easily. The trial aims to improve waste segregation and increase recycling levels.
Iberia	Iberia offers a Buy-Before-You-Fly service on short-haul flights and runs the Zero Cabin Waste project which aims to recycle on-board generated waste. Iberia segregated glass on-board for the first time in 2023.
Vueling	Vueling replaced all on-board cabin trolleys in 2022 with lighter trolleys that allow the segregation of waste on-board. This helps ensure waste can be processed more easily, resulting in a higher share of waste recycled and a lower environmental impact. The lower weight of the trolleys also helps reduce CO_2 emissions from aircraft operations, by up to 400 tCO_2e annually.

A.2.2. Noise and air quality

Relevant standards: GRI 305-7.

IAG has delivered a 14% reduction in noise per take-off and landing cycle (LTO) versus 2019, driven by fleet renewal. Noise per take-off has improved by 3% from 2022 levels owing to the use of newer, quieter aircraft and changes in the mix of short-haul and long-haul operations following the COVID-19 pandemic. IAG remains committed to reducing the impact of aircraft noise and air pollution on local communities near airports and supports innovation as a means of delivering this. Noise and air quality performance are monitored using national databases and global aircraft noise standards.

Group airlines continue operational practices to minimise noise impacts, such as the use of continuous descents. They engage with stakeholders such as community groups, regulators and industry partners to understand their concerns and participate in research and operational trials to identify and refine solutions.

Noise reduction targets

IAG is updating noise reduction targets as flying levels return to pre-pandemic levels. Iberia is continuously improving the KPIs related to noise levels, as the new fleet we are introducing has better noise certification levels than the previous aircraft.

Detailed descriptions on all noise metrics are available in the IAG statement of non-financial information.

Metric	Unit[1]	vly	v2019	**2023**	2022	2021	2020	2019
Noise per cycle	QC per LTO	(2%)	(14%)	**0.86**	0.88	0.88	0.96	1.00
NOx per cycle	kg per LTO	<1%	(4%)	**8.89**	8.83	9.22	9.84	9.23
ICAO Chapter 14	% at standard	3pts	9pts	**62%**	59%	56%	58%	53%
CAEP Chapter 8	% at standard	6pts	12pts	**47%**	41%	39%	40%	35%

1 % at standard is based on the fleet position at the end of 2023, including parked aircraft and excluding leased aircraft. Metrics per LTO are based on aircraft operational during the year. Details of Chapter 6-compliant aircraft are available in the IAG statement of non-financial information.

Related risk: Operational noise restriction and charges

Risk and/or opportunity description and potential impact	Mitigating actions
Airport operators and regulators apply operational noise restrictions and charging regimes which may introduce additional costs or restrict airlines' ability to operate, e.g. restrictions on night flights.	• Investing in new, quieter aircraft as part of fleet modernisation • Continually improving operational practices including continuous descents, slightly steeper approaches, low-power/low-drag approaches and optimised departures • Internal governance and training and external advocacy in Ireland, Spain and the UK to manage noise challenges

A.2.3. Environmental management

Relevant standards: GRI 103-2

Overview

IAG is committed to improving our environmental performance and complying with recognised standards in our sector for environmental management on material issues identified in this report. Key priorities include working towards the IATA Environmental Assessment (IEnvA), meeting ISO 14001 requirements and improving the EcoVadis score of Group airlines participating in the questionnaire (British Airways and Iberia).

Additionally, IAG GBS partnered with EcoVadis in 2022 to assess suppliers using EcoVadis scorecards, which consist of a holistic view of environmental, social and governance (ESG) issues. This gives IAG and its suppliers a baseline for improvements across ESG issues, and suppliers can share this with customers and other stakeholders to support sustainability across the industry.

Group airlines 2023 progress

In 2023, all Group airlines were fully certified under the IEnvA standard which is equivalent to ISO 14001 in all our flight operations and corporate buildings, complying with the core scope defined by IATA.

Additionally, British Airways and Iberia have extended the certification to their maintenance activities at hub airports and, in the case of Iberia, also to its handling services in Madrid Airport. Iberia Airport Services holds an ISO 14001 in all the airports at which it operates, with the aim of guaranteeing that an environmentally responsible service is provided to its customers.

In line with our commitment to supporting a more responsible supply chain, British Airways and Iberia respond annually to the EcoVadis questionnaire. EcoVadis is a market-leading provider of business ESG ratings. The response to this questionnaire is supported by the Group's policies and practices, such as supplier engagement policies administered by IAG GBS, which also allows us to identify points of improvement to annually improve the score of all Group airlines.

As part of our supply chain management objectives and our partnership with EcoVadis, IAG GBS has screened 90% of IAG's spend using EcoVadis scorecards, which means screening more than 550 suppliers.

Airline	EcoVadis 2023 score
British Airways	Bronze
Iberia	Silver

IAG third-party ESG assessments and awards

The Group also continues to provide evidence to support third-party ESG disclosures and rating assessment frameworks.

In 2023, IAG has been awarded an A- grade by the Carbon Disclosure Project (CDP) for its climate change disclosure, which assessed more than 21,000 companies globally on climate action. This is the fourth year IAG has achieved a 'leadership' rating of A- or higher, the longest consecutive leadership rating of any airline, and places the Group in the top 25% of respondents worldwide.

IAG was also the highest ranked aviation group in the global Transition Pathway Initiative (TPI) in 2022, which assesses 600 companies across 47 countries on their readiness for the low-carbon transition. IAG is in the top 10% of airlines assessed by Sustainalytics, which gives ESG risk ratings to around 15,000 companies worldwide based on public disclosures.

IAG was also awarded 2024 Eco-Airline of the year by Air Transport World for industry leadership and a best-in-class SAF programme, while Aer Lingus received the Aviation Sustainability and Environment award at the Irish Aviation 2023 Awards.

Reporting requirement	Current rating	Comments
TPI	Highest-ranked airline in 2022 TPI climate ratings (Score: 17/18)	TPI assess around 600 companies on their readiness for a low carbon transition
CDP	A- rating in 2023 (top 25%)	Leadership rating achieved for fourth consecutive year, longest running of any airline
Sustainalytics	Top 10% of airlines in 2022	Sustainalytics provide ESG ratings to around 15,000 companies

For IAG's engagement with the Transition Pathway Initiative, please refer to section A.1.2. of this report. For more information on our engagement with carbon disclosure providers, please refer to the 'Principles of sustainability governance' section.

Working with pathway initiatives

IAG supports the 1.5°C ambition of the Paris Agreement and continues to review evidence on aviation pathways which support this.

Where possible, IAG will work with relevant stakeholders, including the Science-Based Targets initiative (SBTi) and Transition Pathway Initiative (TPI), to build an understanding of aviation industry pathways to net zero, how these contribute to national and global goals, and how companies and policymakers can drive investment into a low carbon transition. IAG is supporting work led by the Mission Possible Partnership (MPP) and the SBTI to update the 1.5ºC guidance for the aviation sector.

Left: Aer Lingus received the Aviation Sustainability and Environment award at the Irish Aviation 2023 Awards. The award was received by Rebecca Hill, Head of Sustainability, Aer Lingus.

Right: In 2023, Group airlines were fully certified under the IEnvA standard in all our flight operations and corporate buildings

B. People

B.1. Overview

IAG's structure is unique. Together we work towards our common purpose of connecting people, businesses and countries. The IAG model empowers each operating company and platform business to deliver for its customers and people – with each being responsible for managing recruitment, pay and conditions for their colleagues, as well as careers and development – while centrally we look at opportunities for synergies across the Group.

Each operating company and platform business has its own culture and values which support its unique brand, business, customer and employee propositions. At IAG, we hold commitment, pragmatism, execution, ambition, resilience, challenge and innovation, responsibility, people focus and team players as key values that enable us to fulfil our purpose. These are woven throughout our ways of working, people processes and our people strategies.

Colleagues have consistently demonstrated these values in responding to the various challenges and opportunities they have faced across the year. We've made substantial headway in rebuilding capacity, enhancing resilience and flexibility, and making transformative changes in our business, whilst navigating operational challenges, particularly in British Airways and Aer Lingus.

Across the Group, our focus on culture and values is essential to our transformation and the execution of our strategy. Our operating companies are working to constantly evolve their cultures to enable their businesses to be more competitive and achieve our transformation agenda and to provide a great working environment in which all colleagues can thrive. We measure progress on our culture through a six-monthly Organisational Health Index (OHI) survey sent to all employees and through other employee listening channels (see the Stakeholder Engagement section for details). Insights from these channels feed into our operating companies' priorities for improving and progressing our people policies, ways of working and shaping our people strategies.

In 2022, our primary focus was to build back capacity to support our business and operations. In 2023, we have been able to focus on a broader range of people initiatives including:

- investing in the skills of our workforce and commitment to professional development and careers – including our award-winning apprentice programmes and our pilot and leadership programmes;
- building the culture within each of our operating companies creates a positive colleague experience and drives customer-centricity and operational performance. Twice-yearly organisational health surveys enable tracking of progress and help focus people plans;
- continuing to make progress towards our ambition of 40% senior leadership roles held by women by 2025. At year end 2023 we have 36% of senior roles held by women, a two-point increase in 2023 versus 2022 and an overall increase of six points since 2020;
- building on initiatives already carried out in some of the operating companies, in 2023, we launched a voluntary, anonymous and confidential online survey to our senior leaders across the Group to gain a deeper understanding of the composition and diversity of IAG's senior leadership, going beyond gender to include a broad range of factors regarding identity. The survey results will be shared with senior leaders to inform IAG's people strategies and provide a baseline of the diversity of IAG's senior leaders, enabling us to track progress over time and support discussions around equity, diversity and inclusion. An output of the survey feeds into the UK Parker Review, which focuses on ethnic diversity of Boards and senior leadership teams. 6% of our UK senior leaders self-disclosed as ethnically diverse and our senior leaders globally represent over 20 nationalities. To ensure continued focus on increasing ethnic representation, we have introduced an ethnic diversity ambition of 10% for the Group's UK senior leadership population by the end of 2027;
- continued focus on creating an inclusive and diverse culture and organisation, encompassing the promotion of equity, diversity and inclusion, and upholding Group-wide policies designed to eradicate discrimination;
- supporting the wellbeing of our colleagues through the provision of a range of health, financial, and lifestyle benefits. Each operating company is committed to creating a positive work environment and to actively contributing to and supporting the overall wellbeing of every colleague;
- supporting colleagues through the broader transformation of the business including digitalisation, artificial intelligence, modernisation of our fleet, investments in customer and products; and
- operating companies have actively engaged with trade unions to secure balanced agreements, ensuring fair and competitive remuneration. These negotiated agreements provide a critical foundation to support investment and foster growth.

B.2. Key metrics and progress

Relevant standards: GRI 2-8, 401-1, 405-1

Headcount

71,794

+9% vly
at 31 December 2023

New hires

13,561

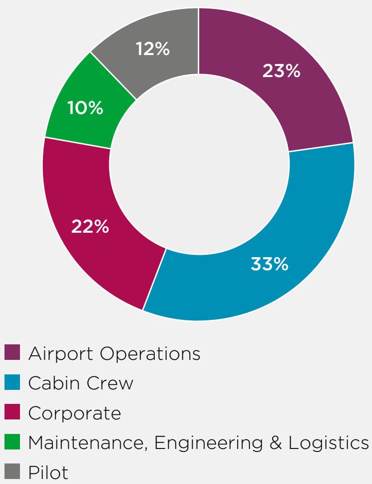
-22% vly
at 31 December 2023

Overall attrition

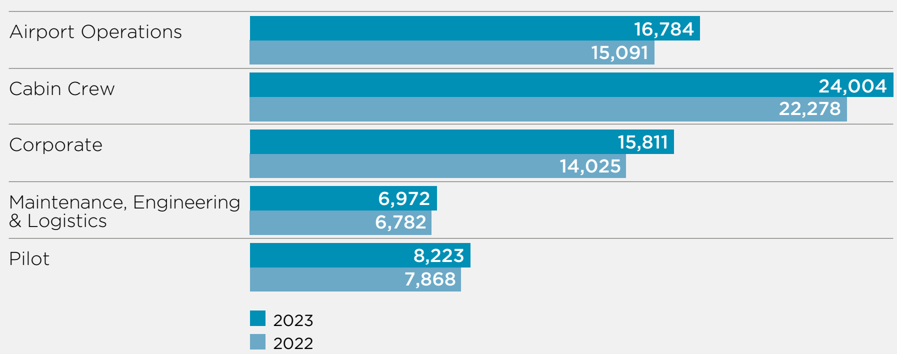
9.50%

of which 7.40% were voluntary leavers
Full year 2023

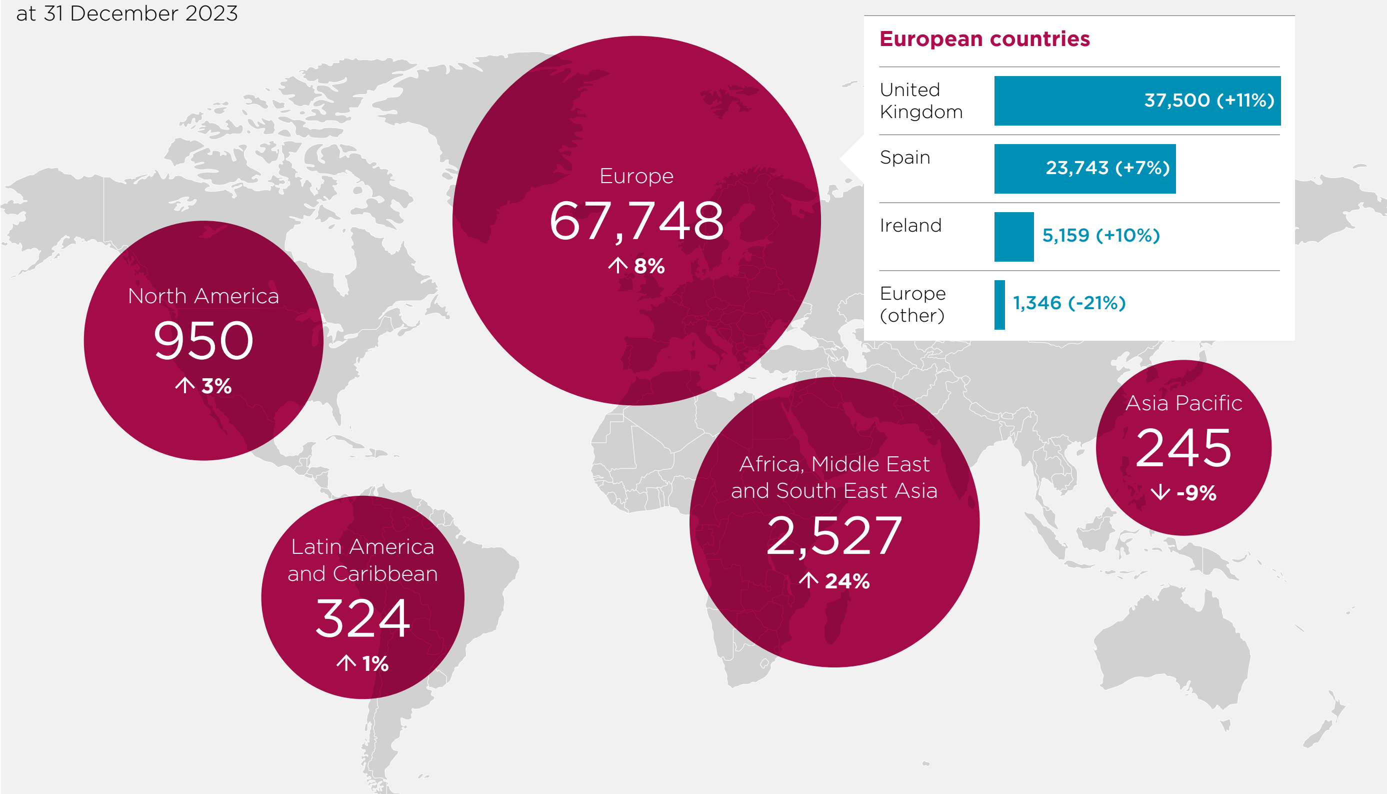
Workforce composition



Workforce composition
Headcount by professional category at 31 December 2023 vly



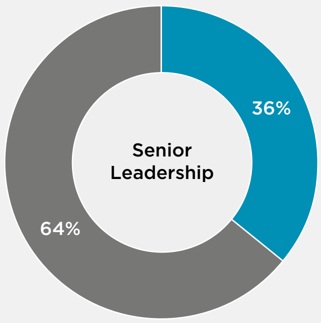
Headcount by geographical location
at 31 December 2023



Gender diversity of senior leadership
at 31 December 2023

36%
6 points increase since 2020

We are on track to achieve our ambition of 40% of senior leadership roles held by women by 2025.



Females **82**
Males **143**

B.3. Equity, Diversity and Inclusion

Relevant standards: GRI 405-1

At IAG we are proud of the diversity of the workforce across our Group companies and the richness of backgrounds, experiences, cultures and ideas that makes our businesses thrive. Our aim is that all colleagues feel their unique difference is recognised and valued. IAG continues to bring positive change and progress towards our equity, diversity, and inclusion (EDI) ambition to create a diverse and inclusive culture representative of the communities we live and work in and the customers we serve. We also believe that a diverse workforce performs better and is more resilient, innovative and productive.

Progress on gender diversity

With regards to gender, our Board comprises 45% women, the IAG Management Committee 25% women and we have over 44% of women across our workforce. In 2022, we set a Group-wide ambition to have 40% of senior leadership roles held by women by 2025. We have seen a significant increase in gender diversity in senior leadership to 36% in 2023, a two-point increase since 2022 and six points since 2020 and are on track to achieve our 40% ambition.

Going beyond gender

Our Group-wide plans go beyond gender, and we are implementing a range of initiatives to support our diversity and inclusion ambition, whilst recognising the cultural sensitivities and legal contexts we operate in globally, and the need to comply with evolving reporting requirements.

In 2023, we partnered with an independent UK-based talent and diversity consultancy, Green Park, to gain a deeper understanding of the composition and diversity of our senior leaders, going beyond gender to include a broad range of factors regarding identity. A voluntary, anonymous and confidential online survey was sent to senior leaders across the Group.

We are delighted that 88% of our senior leaders globally responded to the survey (193 out of 219[1] leaders invited) with a 96% response rate in the UK (91 out of 95 leaders invited). While some of the operating companies were already capturing broader demographic data shared by colleagues, this is the first time we have surveyed our senior leaders across the Group with questions tailored to local legal and cultural contexts.

The survey provides a baseline to better understand the diversity of our senior leadership population, enables us to track progress over time and to continue and broaden our dialogue with our senior leaders around equity, diversity and inclusion.

1 Number of senior leaders at the time of sending out the survey

Focusing on ethnicity and nationality

One of the areas we focused on in the 2023 survey was ethnicity. 6% of our senior leaders based in the UK self-disclosed as ethnically diverse. Two leaders responded Prefer not to Say and four did not consent to their data being processed.

We recognise that we have progress to make and are introducing an ambition for 10% of the Group's UK senior leadership population to identify as ethnically diverse by the end of 2027. This has the support of both the Board and Management Committee. We have decided to focus our ethnicity ambition on the UK as ethnicity and race are well-defined characteristics aligned with census data. We support the recommendations of the Parker Review in the UK both in terms of reporting the ethnic diversity of our Board and senior leaders, and in setting an ambition for 2027.

Given IAG's global focus we see great value in having diverse ethnic, national and cultural backgrounds represented in the workforce: across our 71,794 colleagues, we have over 150 nationalities. The survey highlighted that our senior leaders globally represent over 20 nationalities. In the UK, 34% of senior leaders self-disclosed as a nationality other than British.

The survey results are being shared with our senior leaders and used to inform our people strategies. We remain committed to creating a diverse and inclusive culture. We will continue to uphold Group-wide policies designed to eradicate discrimination and to focus on open and transparent people processes, mindful choices of search partners, diverse recruitment shortlists and more rigorous definitions of critical role requirements, focusing on capabilities rather than experience.

Ethnicity reporting methodology

Our data relies on senior leaders self-disclosing their diversity status. Individuals who have chosen not to report their ethnicity are not included in the calculation as minority ethnic leaders.

We use the following methodology to calculate:

% of ethnically diverse senior leadership in UK

=

$$\frac{\text{(Total number of UK leaders who self-identify as minority ethnic)}}{\text{(Total number of senior leaders in UK)}}$$

Aligned with the UK Parker Review guidance:

- a leader is identified as 'minority ethnic' if they self-disclose as one of the following groups: Asian, Black, Mixed/Multiple, Other (with the option to describe the ethnicity) or Prefer to Self-define (where the ethnicity maps to an ethnic minority category); and
- a leader is not included as 'minority ethnic' if they identify as White, Prefer not to Say, Do not Consent to data being processed, Prefer to Self-define (where the ethnicity does not map to an ethnic minority category) or did not reply to the survey.

Three different surveys were designed for the UK, Ireland and Spain – aligned to each country's legal and cultural context – using local census questions and classifications. In some countries we did not include the ethnicity question due to the legal and cultural context. Where collected, the ethnicity results provided to IAG have been aggregated and mapped to the UK ONS classification categories.

Data is held by Green Park and only shared with IAG and its companies for reporting at an aggregate level with minimum thresholds to safeguard anonymity.

We define senior leaders as IAG grades 0, 1 and 2 or equivalent across the Group, including Senior Executives (direct reports to IAG's CEO).

Right: British Airways' celebration of Black History Month

Left: British Airways' Diwali celebrations

Collaborating on EDI across the Group and supporting progress across our industry

The IAG Diversity Panel, created in 2021, sees representatives across all operating companies sharing best practice and leading on the co-design and implementation of new EDI initiatives that guide us towards our ambition.

We continue to partner with Women in Hospitality, Travel and Leisure (WiHTL). This year several operating companies participated in WiHTL's EDI maturity assessment and benchmarking exercise, in partnership with the Centre for Diversity Policy Research and Practice at Oxford Brookes Business School. Both at Group and operating company level we continue to collaborate with industry peers and were recently awarded the WiHTL 'Most Engaged Member' at its 2023 Inclusion Summit.

We actively partner with International Air Transport Association (IATA) and are committed to advancing gender diversity as part of IATA's 25 by 2025 strategy (a global initiative to enhance EDI and gender balance in the aviation sector).

Each airline is looking at increasing the diversity of its pilot populations through talent attraction and recruitment practices and through school engagement and outreach programmes. British Airways, Aer Lingus and Iberia have launched fully or semi-funded pilot cadet programmes.

Equity, Diversity and Inclusion examples

Aer Lingus has made strides in gender diversity within the Future Pilot Programme, with the first successful cohort comprising approximately 27% women. Aer Lingus currently has 11% of pilot roles filled by women, the third-highest gender representation of pilots of all airlines globally (Source: International Society of Women Airline Pilots 2021).

British Airways launched the Speedbird Pilot Academy, funding 70 spaces aimed at removing financial barriers to entry for pilot roles, while also introducing the 'Be an Original' inclusion and diversity learning programme for all colleagues. British Airways also launched a reverse mentoring programme pairing 80 senior managers with colleagues from under-represented ethnicities to promote awareness and improve inclusion. Additionally, British Airways focused on increasing representation through internships, apprenticeship programmes and work experience placements – opening up different entry routes to a higher proportion of ethnic minority colleagues and those from lower socio-economic backgrounds. As it participates in Europe's largest event for black entrepreneurs, British Airways actively encourages and engages in cultural activities that are important to colleagues across the business.

British Airways' newly established Colleague Accessibility Network Group

IAG Cargo introduced a new training hub with a flexible bank holiday policy to promote inclusivity. Additionally, it has revamped its prayer room and nursing room to be fully accessible. IAG Cargo took second place in The Equity Index 2022/23 produced by Lead 5050, a UK cross-industry accreditation body, that ranks firms using official data on average salaries, bonuses, and pay at every level. The business also supported the 'everywoman in Transport and Logistics Awards' that promotes and inspires women within the industry.

IAG GBS is actively fostering an inclusive workplace through the initiatives of its Inclusion Network/Community Groups, including the LGBTQ+ Network and Working Parents and Carers Network. A strategic partnership with MyGWork, the largest professional speciality platform for the LGBTQ+ community, offers a range of collaborative efforts such as job postings, speaker events, Pride celebrations and access to a substantial talent community.

IAG Loyalty engaged a representative group of colleagues focused on driving an inclusion and belonging agenda. The group designed and led a calendar of EDI events and experiences based on colleague listening and survey data. There have been high levels of engagement across all topics including Pride, International Women's Day, Menopause Day, Baby Loss Awareness, Ramadan and other events designed by colleagues, for colleagues.

IAG Tech proudly supports women in the tech sector, sponsoring the 'Outstanding Women of the Year' award at the Women in Tech event and maintaining job postings on platforms such as the Diversity in Tech website.

Vueling and Iberia have refreshed their equality plans this year. Noteworthy progress at Vueling includes an increased percentage of women in management positions. Iberia's strategic focus through a supported network of over 200 colleague diversity ambassadors who help raise awareness, identify organisational barriers and who are consulted on company processes. This is supplemented with mandatory training for the entire company.

Co-parenting responsibilities
Relevant standards: GRI 401-3

The Group's operating companies prioritise work-life balance, especially in the context of co-parenting responsibilities. They have a range of policies covering job-sharing, maternity, adoption, paternity and shared parental leave to support employees managing co-parenting commitments. Online platforms facilitate a collaborative community for working parents and carers, enabling the exchange of ideas and mutual support, while also providing access to digital resources offering valuable information for maintaining a healthy work-life balance.

IAG Loyalty, as one of its focus areas, looked at parental leave with an equity lens, emphasising support for both parents rather than just the primary carer or birthing parent. This initiative applies in both the UK and Spain.

Universal accessibility for people with disabilities
Relevant standards: GRI 405-1

The Group adheres to all pertinent legislation, guaranteeing universal access for both employees and customers with disabilities across our operating companies. Our operating companies strictly adhere to relevant accessibility laws in our facilities and overall operations.

Each of our operating airlines is committed to providing a seamless customer experience, especially for those with disabilities. Collaborating with external organisations, including the Business Disability Forum in the UK, our airlines seek guidance and support to enhance their efforts and strategies.

Business Disability Forum

British Airways has developed a comprehensive guide to provide support for customers with disabilities, ensuring their needs are addressed with clarity and thoughtfulness. Furthermore, a proactive approach to inclusivity is evident in the neurodiversity training offered to managers at all levels.

A new Colleague Accessibility Network Group at British Airways has been established, with a senior-level sponsor to steer its initiatives.

B.4. Health, safety and wellbeing

Overview
Relevant standards: GRI 403-4, 403-6

At IAG, we are committed to the health, safety and wellbeing of employees, customers, and stakeholders, whether in the sky or on the ground. Our focus encompasses preventing accidents and diseases, controlling existing risks, and championing continual improvement in health and safety conditions. The IAG SECR Committee plays a pivotal role in overseeing operational safety and corporate responsibility.

We operate in compliance with laws, regulations, company policies and industry standards, and maintain a robust suite of health and safety management systems across our operating companies. Driving this commitment are governance processes led by committees within each operating company.

Operating companies have made substantial investments in initiatives that address various aspects of employee wellbeing, taking a holistic approach that integrates physical, social, and financial elements, alongside mental wellbeing.

Accident and severity rates are lower compared to 2019, with a Lost Time Injury (LTI) frequency rate of 3.7 instances per 200,000 hours worked.

Key initiatives

Aer Lingus ran a Health and Wellbeing Week across three locations in Ireland, featuring 21 different events. The week included initiatives such as flu vaccination vouchers for all staff, comprehensive health checks, reflexology treatment clinics, in-chair massage clinics, defibrillator training and webinars for family carers with guest speakers. Additionally, Aer Lingus provided an opportunity for colleagues to try the ''smoothie bike'', a unique and engaging way to have fun, keep fit and promote sustainable energy and healthy living. The airline actively promotes a comprehensive wellbeing portal accessible to all staff. This resource encompasses content on various wellbeing topics, including mental and physical health, monthly themed informational webinars, a digital gym offering online classes, an exercise library and nutrition resources. Regarding safety, Aer Lingus has a safety engagement programme which empowers managers and supervisors to reduce risk of injuries by discussing safe and unsafe actions.

Aer Lingus and British Airways have revised their Health and Safety e-learning induction training for new staff, in addition to holding regular communication through Health and Safety action groups, promoting safe behaviours, handling and training.

British Airways provides a leading peer support programme for pilots, tied to professional psychology support. The airline is committed to ISO 45001 standards, enhancing operating processes to prevent work-related injury and illness. In addition, a dedicated in-house occupational health service has been established, providing CAA regulatory medical examinations tailored for pilots and cabin crew. This service extends for all colleagues in specific trades, all in strict accordance with UK health and safety legislation. British Airways has a network of 150 dedicated wellbeing champions collaborating closely with health services to support new and existing initiatives. British Airways provides all colleagues globally with complimentary access to 'Unmind' – an online wellness platform developed by experts in neuroscience, cognitive behavioural therapy, mindfulness and positive psychology. Additionally, British Airways has signed the 'working with cancer' pledge as well as collaborating with Endometriosis UK, creating a supportive workplace for colleagues living or impacted by these conditions.

Iberia's commitment to employee wellbeing is an integral part of the 'Elige cuidarte' ('Choose to take care of yourself') programme within Occupational Prevention Management. In 2023, Iberia's efforts encompassed a range of initiatives, including physiotherapy services, heightened awareness of prostate cancer, annual flu vaccinations and the promotion of physical fitness through the 'Use the Stairs' campaign. Iberia has well-established health and safety committees in each of its relevant work centres.

IAG Cargo and British Airways introduced new menopause guidelines supported by a combination of online webinars and roundtable discussions.

IAG Cargo established a cohort of circa 100 Mental Health First Aiders throughout the organisation and has implemented fitness classes and a comprehensive wellbeing guide to promote a holistic approach to health.

IAG GBS employees access valuable tips on managing their wellbeing through medical health webinars, resilience training, yoga, pilates and online courses. Additionally, the introduction of the Headspace app for all employees and their friends and family has seen a remarkable 90% participation rate.

IAG Loyalty ensures colleagues have easy access to wellbeing resources, a central hub page allowing seamless navigation to content at any time. In addition, it orchestrated engaging events and curated unique content during Blue Monday and Mental Health Awareness week, prioritising mental, physical and financial wellbeing, finding every opportunity to combine fitness with community activities.

IAG Tech has implemented Mental Health employee first aiders who play a crucial role in offering support to colleagues during challenging times.

Industry-leading standards are being recognised across the Group and, in 2023, Vueling received the *Premio Empresa Xcellens* award which recognises all the work Vueling has done to promote a genuinely preventive culture and improving employees' quality of life. Vueling also holds quarterly meetings with its health and safety committee, composed of Vueling management and trade union appointed safety representatives.

B.5. Human rights and modern slavery

IAG had no known cases of human rights violations across the Group during 2023, the same as in 2022. IAG is taking steps to prevent incidents of modern slavery within the Group and across its supply chains.

The IAG Group Slavery and Human Trafficking Statement outlines these actions and is available on the IAG website. This statement is made under section 54, part 5 of the 2015 UK Modern Slavery Act (MSA). In terms of policies associated with human rights, IAG asks suppliers to comply with the Supplier Code of Conduct, which expressly prohibits the use of child labour and any form of slave, bonded, forced or involuntary prison labour, human trafficking or exploitation. Modern slavery clauses feature in all new supplier contracts as well as contract renewals, which require full compliance with all applicable anti-slavery and human trafficking laws, statutes, regulations and codes.

IAG remains committed to taking swift and robust action if any evidence relating to slavery or human trafficking in our business supply chain is identified.

IAG is taking steps to prevent human trafficking. Human trafficking is of particular concern to IAG and to the wider aviation industry, as the Group transports millions of passengers every year and has tens of thousands of suppliers across the world. Operating airlines work closely with governments and the airports in which they operate to ensure that any suspected trafficking on our flights is identified, reported and dealt with appropriately. IAG also supports the 2018 IATA resolution denouncing human trafficking and reaffirming a commitment to tackle this issue and the ICAO Guidelines for Reporting Trafficking in Persons by Flight and Cabin Crew – in addition to actively contributing to the ICAO Ad Hoc Working Group on Combating Trafficking in Supply Chain (AHWG-TSP), an international, joint industry-regulatory group providing advice to ICAO assisting in the development of guidance material on combating trafficking in persons in an air operator's supply chain.

Operating airlines also train staff to recognise and respond to the signs of potential human trafficking situations and provide procedures for reporting where any cases are suspected.

Related risk: Human rights

Risk description and potential impact	Mitigating actions
Not preventing potential incidents of human trafficking via IAG routes, damaging efforts to protect human rights and associated legal, social and reputational impacts. Potential human rights or modern slavery violations in the supply chain leading to fines, compliance issues, social impact, business interruption or reputational damage.	• Updated Group Slavery and Human Trafficking Statement • Training for staff to recognise signs of potential human trafficking and guidance and processes in place to report this • See C.4. Supply chain governance

IAG is working towards the creation of a formal Human Rights policy, alongside the existing Code of Conduct and Supplier Code of Conduct to consolidate its activities in this area.

B.6. Community engagement and charitable support

Relevant standards: GRI 102-13, 201-1

In 2023, IAG raised over €7.4 million for charitable causes across the Group. Of this, 36 per cent came from customer contributions, 39 per cent from Company donations, 17 per cent from employee contributions, and 8 per cent from in-kind donations.

Metric	GRI Standard	Unit	vly	**2023**	2022	2021	2020	2019
Total raised		€ million	14%	**7.4**	6.5	2.7	4.6	5.7

Group operating companies have partnerships with a range of organisations including:

Disasters Emergency Committee (UK), Flying Start (UK), Save the Children (Spain), Lovaas Foundation (Spain), Dublin Pride (Ireland), Special Olympics (Ireland), Business vs Smog (Poland), Noble Gift (Poland), UNICEF (global)

C. Principles of sustainability governance

C.1. Sustainability strategy

IAG's vision is to be a world-leading airline group on sustainability.

That means using its scale, influence and track record to not only transform the business but drive the system-wide changes required to create a truly sustainable aviation industry. IAG is committed to delivering best practices in sustainability programmes, processes and impacts, while executing Group strategy.

IAG aligns its environmental strategy with the three overall strategic priorities of the business described in the Strategy section.

Material issues

IAG focuses its sustainability strategy on addressing material issues: those which are most important to key stakeholders and which have the biggest external impacts.

To identify these issues over a three-year timeframe and to 2030, IAG repeated a materiality assessment in 2021 which was facilitated by an independent third party. External stakeholders included investors, corporate customers, policy makers, trade associations, fuel suppliers, airports, and NGOs. Internal stakeholders included IAG Board members, all IAG Management Committee members, and operating company sustainability representatives. The results inform ongoing disclosures and strategy.

In our 2021 materiality assessment, tackling climate change was identified as the most material issue in the long-term. In the short-term, as the business recovers from the COVID-19 pandemic, profitability and customer and employee engagement and wellbeing remain high priorities.

IAG does not have specific risk provisions, targets or guarantees related to non-material issues such as water consumption, biodiversity, raw materials consumption, or light pollution. More information on water and biodiversity is available in the Additional Disclosures section of the IAG statement of non-financial information.

IAG will seek a double materiality assessment when it next repeats this analysis in 2024.

Leading net zero by 2050 roadmaps and commitments

10 Oct 2019	**IAG commitment** (first airline group worldwide)
8 Nov 2019	**IAG roadmap launched at Capital Markets Day**
4 Feb 2020	**Sustainable Aviation roadmap and commitment**
11 Sept 2020	**one**world **commitment**
11 Feb 2021	**A4E roadmap and commitment**
31 Aug 2021	**one**world **roadmap**
4 Oct 2021	**IATA commitment**
3 Oct 2022	**ICAO commitment**

Leading 10% SAF by 2030 commitments

22 Apr 2021	**IAG** (first European airline group to commit)
22 Sept 2021	**World Economic Forum** (Cleaner Skies for Tomorrow Coalition)
4 Oct 2021	**one**world **alliance**
9 Oct 2021	**UK Government**
2023	**30+ airlines globally**

Airline industry firsts

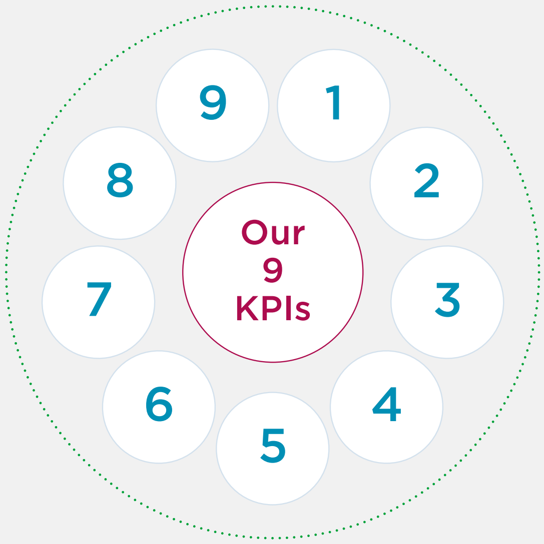
1992	**British Airways publishes carbon footprint**
2005	**British Airways' carbon offset programme for customers**
2009	**British Airways proposes CORSIA as part of Aviation Global Deal**
2021	**British Airways and Iberia Sustainability Linked Loans (SLL)**
2021	**IAG makes net-zero Scope 3 commitment**

Advanced innovation

Dec 2017	IAG awarded CDP A-List company for the first time.
Sept 2019	Sustainability category added to Group accelerator programme.
Oct 2020	Founding member of Coalition for Negative Emissions, supporting carbon removals.
Jan 2021	Secures first aviation sustainability-linked loan linked to ESG targets, via British Airways
2021	Invests in hydrogen aircraft (ZeroAvia)
Nov 2022	Offers carbon removals to customers (British Airways)
Dec 2023	British Airways in new carbon removal financing model

Drove/leading role Supported IAG-specific

Sustainability leadership KPIs



IAG drives progress based on nine strategic KPIs agreed by the Board in 2021.

1 Clear and ambitious targets relating to IAG's most material issues

2023 action

2025, 2030 and 2050 carbon targets and published transition plan. British Airways and Iberia have sustainability-linked loans related to 2025 carbon efficiency.

2 Low-carbon transition pathway embedded in business strategy

2023 action

Sustainability aspects included in one-year, three-year and 2030 business planning for operating companies.

3 Management incentives aligned to delivering a low-carbon transition plan

2023 action

Over 7,500 senior executives and managers have 10% of their annual incentive linked to annual carbon intensity targets.

4 Leadership in carbon disclosures

2023 action

A- score received in CDP climate ratings in 2023, fourth consecutive year of climate leadership status.

5 Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals

2023 action

Sustainability remains a focus area within the IAG accelerator programme Hangar 51.

6 Accelerating innovation in low-carbon technology as above

2023 action

British Airways, LanzaJet and Nova Pangaea Technologies signed an agreement that will accelerate Project Speedbird, an initiative created by the companies in 2021 to develop cost-effective SAF for commercial use in the UK.

7 Industry leadership in the innovation and deployment of SAF including power-to-liquids

2023 action

As of 31 December 2023, our total investment in SAF is $1 billion, of which 86% is future commitments.

Based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

8 Stepping up our social commitments including on diversity, employee engagement and sustainability as a core value

2023 action

36% of senior leadership roles held by women, a 2 percentage point increase on 2022.

9 Industry leadership in stakeholder engagement and advocacy

2023 action

Leadership roles across multiple trade associations. See A.1.7.

C.2. Governance frameworks

Relevant standards: GRI 102-46/-48

Overview

IAG has robust governance in place to ensure joined-up and progressive decisions on sustainability.

This also helps to ensure that wider stakeholder engagement is consistent with material issues and environmental priorities and goals. An annual meeting planner for the Board ensures sustainability governance processes fit within the reporting and disclosure framework of the Group.

The Group's unique structure means that each individual operating company has a distinct sustainability programme. These are regularly reviewed to ensure alignment with the Group sustainability strategy and principles, which covers material issues, KPIs and engagement plans.

Relevant forums and levels of responsibility are indicated below. Information flows between groups is covered in section C.6., Risk Management and Principal Risk factors section, and in the Corporate Governance section.

Board/management committee	Frequency of meetings	Responsibility in relation to sustainability
Board	At least quarterly	Approval for strategy, major investments, risk management and controls and review of progress against environment and people plans including climate-related goals and targets
Board Safety, Environment and Corporate Responsibility (SECR) Committee	At least quarterly	Dedicated oversight of Group sustainability programme and alignment with strategic priorities, review of progress against environment and people plans. Provides a link between operating company management committees and the IAG Board
IAG Audit and Compliance Committee	At least quarterly	Ensures compliance with relevant regulation and reviews Annual Report and Accounts and Non-Financial Information Statement
IAG Management Committee	At least quarterly	Reviews and challenges Group programmes, the alignment of operating company-specific programmes with Group priorities and strategy, and progress against plans
Operating company management committee	At least quarterly	Reviews and challenges operating company-specific environment and people programmes

Sustainability Governance

Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG Sustainability Steering Group (SSG)	At least quarterly	Comprised of senior representatives from across the Group who provide oversight of environmental and social initiatives and reporting
IAG Sustainability network	Monthly	Sharing sustainability updates and ideas across all business units and over 30 sustainability representatives. In 2023, the ISN Sustainability network met 12 times, including 4 workshops hosted in the UK, Spain, Ireland and Poland. Reports into the IAG Sustainability Steering Group (SSG)
Hangar 51 Governance Committee	At least bi-annually	Reviews new potential investments to consider emerging climate technologies and partnerships with sustainability start-ups. Members include the Chief Commercial Strategy Officer, Chief Financial Officer, Chief Information, Procurement, Services and Innovation Officer

Sustainability Working Groups (launched in 2023)

Forum	Frequency of meetings	Responsibility in relation to sustainability
Reporting and Disclosures Working Group	Monthly	A cross-Group working group designed to monitor IAG sustainability disclosures against our regulatory requirements. Assessment framework responses also discussed.
Waste Working Group	Monthly	A cross-Group meeting focusing on waste strategy, projects and progress.
Sustainability Key Performance Indicator (KPI) Working Group	Monthly	A cross-Group forum for sharing best practice and improving KPI reporting

SAF Governance

Forum	Frequency of meetings	Responsibility in relation to sustainability
IAG SAF Steering Group	At least quarterly	Comprised of senior representatives from across the Group who provide oversight of SAF strategic direction and approval for new purchases and investments
IAG SAF Management Group	Monthly	A cross-Group meeting focusing on SAF strategy, projects, and progress. Reports into IAG SAF Steering Group.

Governance responsibilities

Individual	Frequency of reporting	Responsibility in relation to sustainability
IAG CEO	At least quarterly	Chairs the IAG Management Committee, updates the Board, and ensures Board-level decisions are directed into action across the Group
IAG Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	At least quarterly	Reports to the IAG CEO. A member of IAG Management Committee. Chairs the SSG and provides approval and direction of Group programmes
IAG Group Head of Sustainability	Regularly as relevant	Reports to the IAG CPCASO. Chairs the Sustainability network
IAG Group Head of People	Regularly as relevant	Reports to the IAG CPCASO

Wider governance

Wider governance processes integrate sustainability aspects. As part of the Group-wide ERM process, sustainable aviation and people, culture and employee relations risks are presented bi-annually to the Audit and Compliance Committee and annually to the Board. One-year financial plans and three-year business plans are coordinated by Group Finance and include sustainability aspects.

C.3. Workforce governance

Relevant standards: GRI 2-30, 404-1, 404-2.

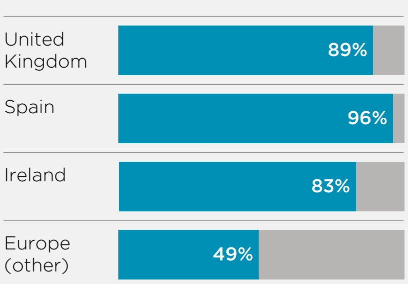
Each operating company within IAG is committed to creating a work environment in which safety and wellbeing are paramount, in which employees are treated fairly and rewarded appropriately, and feel motivated and can thrive. We believe our employees are central to the continued success of the Group.

Working policies and rights at work

At IAG our core principles include fair and equal treatment, non-discrimination, fairness and respect for human rights. These are central to our IAG Code of Conduct which applies to all employees and directors across the Group. Employees have been equipped with comprehensive training and development opportunities, ensuring they are well-versed in essential topics such as the Code of Conduct and Compliance with Competition Laws.

Operating companies are responsible for their own supplementary employee policies and procedures, including appropriate reward frameworks aligned to local markets and roles, so they remain competitive in attracting the best talent. We have seen a wide selection of employee benefits and recognition schemes introduced in the operating companies. For senior leader remuneration across our operating companies, we have deliberately focused on variable pay and long-term incentives, aligning leadership compensation with performance and long-term strategic goals to drive performance. We have taken a restrained approach to executive pay, remaining committed to fairness and competitiveness.

Collective bargaining arrangements
at 31 December 2023



Collective bargaining arrangements are in place for 87% of the workforce.

Our operating companies have focused on securing collective bargaining agreements with unions to ensure fair, competitive and sustainable pay – providing stability for our business and colleagues in challenging times.

IAG complies with International Labour Organization (ILO) conventions. These conventions cover fundamental principles and rights at work: freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect of employment and occupation.

IAG operating companies have effective dialogue through employee forums and through trade unions where they are recognised. In addition, the IAG European Works Council (EWC) facilitates communication and consultation between employees and management on transnational European matters. The EWC includes representatives from the different European Economic Area (EEA) countries. It meets regularly throughout the year to inform and, where appropriate, consult on transnational matters which impact employees in two or more EEA countries.

Each operating company continues to focus on engagement, listening and acting on colleague feedback. In addition to specific initiatives to measure employee satisfaction, IAG runs a twice-yearly Organisational Health Index (OHI) survey to track our transformation and culture development, and to benchmark management practices and leaders against a global external framework. Alongside leadership support, each operating company has established teams to identify themes and incorporate these into broader people plans.

Finally, Board members carry out workforce engagement visits with colleagues across our operating companies – meeting a variety of employees and leaders in their work context to better understand the challenges and opportunities of the different businesses, employee issues and levels of engagement. This is shared with the Board to provide a balanced perspective of stakeholder views and to support broader decision-making.

Training and development

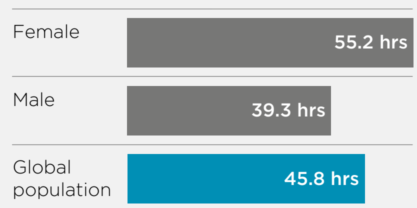
Each operating company is responsible for the learning, development and talent management within its business and ensuring its workforce has the necessary skills to support its strategy.

While training policies and programmes are implemented at the operating company level, all companies are required to run mandatory corporate training courses on topics such as the Code of Conduct, Compliance with Competition Laws, Anti-bribery and Corruption Compliance, and Data Privacy, Security, and Protection.

74,282
Employees trained[1]

3,219,091
Training hours

Average Training Hours
Average training hours per employee



C.4. Supply chain governance

Relevant standards: GRI 308-2, GRI 414-2.

Overview

IAG Global Business Services (IAG GBS) continues to engage with, support and monitor suppliers to ensure all products and services provided to IAG are on a path to net zero by 2050.

The IAG GBS Group Procurement team leads the Supply Chain Sustainability Programme by delivering in four key areas:

- The Supplier Code of Conduct (SCoC);
- Independent risk screening and sustainability assessments;
- Corporate Social Responsibility (CSR) Audits; and
- Embedding sustainability as standard in the procurement process.

1 Average training hours is based on the total training hours performed per average headcount, pro-rated to Full Time Equivalent (FTE)

Activities in 2023

The SCoC continues to be shared with new suppliers as part of the onboarding process. New suppliers are requested to acknowledge their commitment to achieving net zero emissions by 2050, and the need for a roadmap, supported by deliverable plans, to achieve this target.

IAG GBS is also partnering with EcoVadis, a market-leading provider of business sustainability ratings, to assess supplier scorecards with a comprehensive methodology covering environment, labour and human rights, ethics and sustainable procurement.

This gives IAG and its suppliers a baseline for improvements, and suppliers can share them with customers and other stakeholders, which benefits wider industry sustainability. Once a scorecard is shared with IAG GBS, results are reviewed to ensure the suppliers sustainability performance is aligned with IAG's vision and strategy. If a supplier's performance score is assessed as less than 45 (out of 100), a Corrective Action Plan (CAP) is requested for improvement.

IAG became a SEDEX member in 2023. SEDEX provides data insights to help companies improve ESG performance. As part of the SCoC adherence and legislation requirements under the UK Modern Slavery Act, suppliers are subject to third-party audit under a labour and human rights protocol such as the SEDEX Members Ethical Trade Audit (SMETA) methodology. In 2023, 38 of these audits were completed. By joining SEDEX, IAG aims to understand information about the ethical practices of their suppliers, including audits.

All suppliers also undergo annual compliance screening for any legal and financial risks. The Group Procurement and Compliance teams assess any suppliers identified as having potentially higher levels of risk and implement mitigation plans where necessary. Any issues are flagged to the risk owners within the Group to jointly take appropriate action.

IAG GBS has embedded sustainability aspects into the day-to-day operation of the organisation and included sustainability targets in the performance objectives of all IAG GBS employees.

IAG GBS has verified the existing, active supplier base and IAG's airlines' interline relationships in Russia and Belarus in order to determine the potential implications of, and actions to be taken, due to the trade sanctions issued as a response to the war in Ukraine. IAG has provided operating companies with support on mitigation actions to be taken (e.g. payment stop/blockage). This has been performed in coordination with Compliance Teams.

Building a sustainable future in 2024

In 2024, IAG GBS will work to have EcoVadis scorecards in place covering 90% of IAG's total spend. “High-risk” suppliers based on SEDEX's risk assessment will also be required to perform an independent SMETA audit.

Timeline of supply chain engagement activities

- 2019: Issued Supplier Code of Conduct
- 2020: All suppliers screened for sustainability risks
- 2021: Net Zero Scope 3 commitment
- 2022: EcoVadis partnership and supplier sustainability clause
- 2023: Embedding sustainability into category planning

Tracking metrics and progress

	GRI Standard	vly	**2023**	2022	2021	2020	2019
Total number of suppliers		14%	**15,998**	14,045	13,272	22,947	27,033
Suppliers screened		14%	**15,998**	14,045	13,272	22,947	18,369
Suppliers with additional compliance assessments	308-2, 414-2	(28%)	**400**	557	1,510	1,818	2,912
Critical suppliers under regular risk monitoring		(41%)	**19**	32	34	35	n/a
Independent CRS audits		19%	**38**	32	30	25	28
Total number of EcoVadis' scorecards		12%	**568**	561	228	120	nr

Related risk: Supply chain sustainability compliance

Risk and/or opportunity description and potential financial impact	Mitigating actions
Potential breach of compliance on sustainability, human rights or anti-bribery by an IAG supplier resulting in financial penalties, legal, environmental, social and/or reputational impacts.	• IAG GBS procedures above as well as integrity, sanctions and IAG Know Your Counterparty due diligence for higher-risk third parties • Internal governance on supplier management to identify challenges and mitigation • Supplier screening using external business intelligence databases which actively monitor supplier status and flag risks including sustainability

C.5. Ethics and integrity governance

Relevant standards: GRI 102-16/-17, 205-1/-2/-3

Overview

All directors and employees are expected to act with integrity and in accordance with the laws of the countries in which they operate.

IAG's Code of Conduct, last revised in 2019 and approved by the Board, sets out the general guidelines that govern the conduct of all directors and employees of the Group when performing their duties in their business and professional relationships. IAG does not use Company funds or resources to support any political party or candidate. Mandatory Code of Conduct training and communications activities are carried out for directors, employees and third parties on a regular basis to maintain awareness and understanding of the principles that govern the conduct of the Group. This document is available on the IAG website.

In 2023, a new Group Head of Ethics and Compliance was appointed, with the overall responsibility for developing, maintaining and overseeing the implementation of the enterprise-wide IAG compliance programme, which includes the harmonisation of the programme across the different operating companies and supporting an overarching ethics and compliance culture.

IAG has in place a Group-wide Whistleblowing Policy and a consolidated whistleblowing channel provided by an independent third-party provider, Navex, where concerns can be raised on an anonymous and confidential basis. This channel is available to members of staff as well as suppliers, with information on how to access it published in IAG's Code of Conduct and Supplier Code of Conduct. If any employee has a concern about unethical behaviour or organisational integrity, they are encouraged to first speak with their manager or a member of the Legal, Compliance or Human Resource teams. Similarly, suppliers are encouraged to contact their primary contact within the business. Regardless, the whistleblowing channel is available for everyone who wishes to report a concern.

IAG will not tolerate any retaliation against individuals using the whistleblowing channel or contributing to investigations arising from reports to the whistleblowing channel. Whistleblowing reports received for each operating company are triaged by the Compliance teams to direct to the most appropriate area for investigation, maintaining independence in this investigation process.

The IAG Audit and Compliance Committee reviews the effectiveness of the external whistleblowing channel and internal relevant reporting channels on an annual basis. This annual review considers the volume of reports by category; timeliness of follow-up; process and responsibility for follow-up; emerging themes and lessons; and any issues raised of significance to the financial statements or reputation of the Group or other areas of compliance.

In 2023, whistleblowing reports concerned issues relating to employment matters (61%), dishonest behaviour/reputation (34%), health and safety (3%) and regulatory matters (2%). All reports were followed up and investigated where appropriate and measures were implemented where concerns were identified.

Anti-corruption and anti-money laundering

IAG and its operating companies do not tolerate any form of bribery or corruption. This is made clear in the Group Code of Conduct and supporting policies which are available to all directors and employees. An anti-bribery policy statement is also set out in the Supplier Code of Conduct.

IAG has in place a Group-wide anti-bribery and corruption policy. This document sets out the minimum standards that are expected by the Group, its directors and employees, including definitions and guidance for bribery, gifts and hospitality guidance, political and charitable donations, public officials, facilitation payments amongst others.

Each Group operating company has a Compliance Department, responsible for managing the anti-bribery programme in its business. The compliance teams from across the Group meet regularly through Working Groups and Steering Groups, under the coordination of IAG's Group Head of Ethics and Compliance. They conduct an annual review of bribery risks at operating company and Group level.

The main compliance risks identified for 2023 were unchanged from the previous year and relate to the use of third parties, operational and commercial decisions involving government agencies, and the inappropriate use of gifts and hospitality. No material compliance breaches were identified in 2023, as in 2022. Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies and Group functions. Individual training requirements are set by each operating company and function and are determined by factors such as the level and responsibilities of an employee. A Group-wide anti-bribery e-learning module was rolled out in 2019 and is required to be completed every three years.

To identify, manage and mitigate potential bribery and corruption risks, IAG uses risk-based third-party due diligence which includes screenings, external reports, interviews and site visits depending on the level of risk that a third party presents. Any risks identified during the due diligence process are analysed and a mitigation plan put in place as necessary. Certain risks could result in termination of the proposed or existing relationship with the counterparty. The IAG Audit and Compliance Committee receives an annual update on the anti-bribery compliance programme.

There were no legal cases regarding corruption brought against the Group and its operating companies in 2023, as in 2022, and management is not aware of any impending cases or underlying issues.

IAG has processes and procedures in place across the Group, such as supplier vetting and management, Know Your Counterparty procedures and financial policies and controls, which help to combat money laundering and other compliance risks across the business.

	vly	**2023**	2022	2021	2020	2019
Employees completing anti-bribery e-learning	76%	**8,574**	4,880	1,404	1,984	7,933
Speak Up (whistleblower) reports	29%	**324**	252	164	193	nr

C.6. ESG risk management

Relevant standards: GRI 102-11/-15.

Overview

Sustainable aviation risks and People, culture and employee relations risks are reported as principal risks to IAG.

These risks are considered and assessed under the Group Enterprise Risk Management (ERM) framework which is presented bi-annually to the Audit and Compliance Committee and annually to the SECR Committee and Board. More details on this framework, risk identification and assessment, and risk management can be found in the Risk management and principal risk factors section.

All principal risks are linked to the Group strategic priorities which include sustainability.

Sustainability risks and opportunities, including climate-related risks and opportunities, are also identified and assessed by the Group Sustainability team, in conjunction with the Group ERM team, and presented to the IAG CPCASO, IAG Management Committee and SECR Committee. Plans to mitigate risks are developed by relevant risk owners in specific areas of the business, with agreed initiatives included in relevant operating company business plans. Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed by stakeholders.

People, culture and employee relations risks are managed by the Group's operating companies with guidance from the Group as appropriate.

Impact on operations and strategy

Sustainability risk assessments have informed specific decisions related to business operations and strategy, and IAG allocates significant resources to environmental risk management.

Examples include:

- In 2019, IAG designed and adopted the industry leading Flightpath Net Zero strategy in response to the need for more ambitious action on climate change. The Group maintains its commitment to net zero emissions by 2050, and continues to invest to meet that strategy;
- In 2021, IAG set a new net zero target by 2050 for Scope 3 emissions and IAG GBS appointed EcoVadis to help to track supplier sustainability performance and mitigate supply chain-related sustainability risks;
- In 2022, IAG expanded its commitment to invest in SAF development, production and supply, to manage climate policy risks and take advantage of energy-related opportunities; and
- As of 31 December 2023, IAG investment in SAF production and supply increased further to $1 billion, of which 86% is future commitments, as we continue to scale up the use of SAF in our operations. This price is based on an assumed jet fuel price of $800 per metric tonne and contracted margins for SAF production.

IAG is committed to mitigating the impacts of hazards which, if they occur, have uncertain but potentially negative outcomes on the environment or people.

IAG adopts precautionary measures to mitigate these hazards, an approach known as the precautionary principle. For example, the precautionary principle is applied to the planning of operations and the development and launch of new services IAG integrates climate considerations into three-year business plans and one-year financial forecasts and aligning activities with the Flightpath Net Zero strategy.

IAG also manages risks via the use of ISO-14001-aligned environmental management systems. IEnvA is the airline industry version of ISO 14001, the international standard for environmental management systems. IEnvA is tailored specifically for airlines and is fully compatible with the International Organization for Standardization (ISO).

The Group's airlines completed the certification process for the IEnvA standard in 2023, except for Vueling which achieved Stage 2 certification in 2022. Following this exercise, both British Airways and Aer Lingus were awarded Stage 2 certification in 2023. Iberia was awarded Stage 2 certification in January 2024. Please refer to section A.2.3. 'Environmental Management' for more details.

In terms of the amount of provisions and warranties for environmental risks, IAG and its operating companies does not currently take out any specific insurance to cover environmental risks.

Related risk: Environmental regulation compliance

Risk description and potential financial impacts	Mitigating actions
An inadvertent breach of compliance requirements related to ESG reporting, emissions or waste management, or other environmental issues, leading to fines and potential reputational damage.	• Strengthening sustainability governance including reviews of annual disclosures via the Audit and Compliance Committee • Internal governance, training and assigning ownership for environmental compliance obligations • Maintaining IEnvA accreditation to improve internal compliance processes

C.7.1. Reporting and data governance

The full contents of this sustainability report are included in the IAG Non-Financial and Sustainability Information Statement (NFIS), which is third-party independently verified to limited assurance standards in line with ISAE3000 (Revised)[1] standards. IAG is working towards reasonable assurance by 2026. Compliance with specific frameworks and standards is listed under relevant section headings.

IAG complies with current and emerging standards on sustainability reporting.

These include obligations under EU Directive 2014/95/EU on non-financial reporting and its transposition in the UK and Spain, the 2018 UK Streamlined Energy and Carbon Reporting regulation, the Task Force on Climate-related Financial Disclosures (TCFD), and the EU Taxonomy Regulation (2020/852).

IAG aligns with selected GRI standards based on compliance with Spanish Law 11/2018. In cases where GRI alignment was not possible, other standards aligned to airline industry guidance or internal frameworks were used and described.

Emissions data from intra-European flights is also independently verified within six months of the year end, for compliance with the UK and EU ETS, and for all flights for the UN CORSIA scheme. Any material changes to key metrics are highlighted in future Annual Reports.

IAG also goes beyond compliance requirements and voluntarily aligns sustainability reporting with the Sustainability Accounting Standards Board (SASB), the IATA Airlines Reporting Handbook, GRI Standards for material issues, and relevant criteria from external ESG rating agencies. IAG supported IATA and the GRI to develop the IATA handbook.

The scope of environment performance data in this report includes all IAG airlines, subsidiaries and cargo operations over which IAG has operational control. This is also the scope of the net zero targets. Some exceptions for non-material business units have been applied for specific metrics, and these are clearly stated with rationale provided.

The scope of workforce and ethics and integrity data includes all IAG operating companies and support functions. Some exceptions have been applied and these are clearly stated with rationale provided.

The scope of human rights and modern slavery reporting is as above and includes data from all suppliers in the IAG supply chain.

For any specific cases where full-year data was not available for selected metrics, estimates have been applied based on business forecasts and data from prior months. Internal governance is in place to ensure that any estimations made are robust. Any prior-year restatements are indicated next to relevant metrics with reasons provided.

C.7.2. Alignment with GRI and SASB standards

Sustainability section	Sustainability subsection	GRI	SASB
A.1. Planet – climate change	A.1.3. Metrics and progress	305-1/2/3/4/5, 301-1, 302-1	TR-AL-110a.1.
	A.1.4. Emissions reduction initiatives	305-5	TR-AL-110a.2.
	A.1.7. Stakeholder engagement	102-13/-43/-44	
A.2. Planet – wider issues	A.2.1. Waste	306-1/-2/-3 (2020)	
	A.2.2. Noise and air quality	305-7	
B. People and prosperity	B.2. Workforce metrics	102-7/8, 401-1, 405-1, 102-41, 404-1, 403-9	TR-AL-310a.1.
	B.6. Community engagement and charitable support	102-13, 201-1	
C. Principles of sustainability governance	C.2. Governance frameworks	102-46/-48	
	C.3. Workforce governance	403-4, 408-1, 409-1	
	C.4. Supply chain governance	308-2, 414-2	
	C.5. Ethics and integrity	102-16, 102-17, 205-1/-2/-3	
	C.6. ESG risk management	102-11, 102-15	

1 ISAE3000 is the assurance standard for compliance, sustainability and outsourcing audits, issued by the International Federation of Accountants (IFAC).

Agile risk management helping to protect the Group as it delivers its strategic plan

Enterprise risk policy and framework

The Group has an enterprise risk management (ERM) framework underpinned by an ERM policy, which has been updated in accordance with Spanish corporate law and governance and UK corporate governance requirements and has been re-approved by the Board in 2023. This sets out a comprehensive risk management process and methodology to ensure a robust identification and assessment of the risks facing the Group, including emerging risks. The risk management framework is embedded across all of the Group's businesses. Enterprise risks are defined as any risk that could impact the three-year strategic business plan ("the plan"). They are assessed and if the impact is above a threshold, plotted on an enterprise risk heat map, based on probability and impact. Consideration is given to changes in the speed of potential impact and how principal risks influence other principal risks to help assess where key mitigations can have a greater effect on reducing overall risk to the business. Risks are also considered in combining events where a number of risks could occur together. This process is led across the Group by the IAG Management Committee supported by the ERM function.

Although the Group considers enterprise risks that could impact the plan (defined as the short term), it also considers potential risks that could impact over the medium term of up to five years and in the longer term, beyond five years.

Risk outcomes are quantified as the potential cash impact to the plan over three years. Non-cash outcomes that could impact our customers, employees, reputation, sustainability targets or our regulatory obligations are considered for every risk.

Key controls and mitigations are documented, including appropriate response plans. Where risk treatments require time to implement, short-term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed.

Every principal risk has clear Management Committee oversight at the Group level and in each business.

Risk appetite

IAG has a risk appetite framework which includes statements informing the business, either qualitatively or quantitatively, of the Board's appetite for certain risks. Each risk appetite statement applies either on a Group-wide basis or for specific programmes, initiatives or activity within the Group.

In the second half of 2022, the Board assessed its appetite across a number of critical strategic priorities to set tolerances for the Group for 2023. This approach allows tolerances to be set more dynamically across the plan period and aligns to the Group strategy as approved by the Board, which set the level of ambition and investment across the plan period. The exercise allowed the Board to discuss and consider the trade-offs within the plan and ensure that it was satisfied that management had set the appropriate prioritisation of initiatives to seek opportunities and manage risk within its defined appetite tolerances. This framework and tolerances have been in place throughout the year, with the Board assessing its appetite across all of the framework statements at year end against the Group's performance and its anticipated delivery of the Board-approved strategic business plan priorities and initiatives.

The Board is satisfied that the Group continued to perform and deliver initiatives throughout 2023 as planned to mitigate risk as set out in its framework statements and where further action has been required, the Board has considered potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite.

In the second half of 2023, following the Board strategy review, the Board re-assessed its appetite for key risk areas, taking account of changes in the risk landscape since the prior year exercise, for the upcoming plan period.

Regular re-assessment and confirmation of the risk appetite of the Board ensures its relevance and ongoing alignment to the Group strategic priorities and allows the Group to take appropriate risks to deliver the plan.

Emerging risks

Where emerging risks and longer-term threats that the Group or the industry could face are identified, they are managed within the overall risk framework as "on watch" until they are re-assessed to be no longer a potential threat to the business or where an assessment of the risk impact over the plan period can be made, and appropriate mitigations can be put in place or the risk becomes a principal risk. Other high-impact, low-likelihood risks are also considered.

Agility in risk management

The Group's ERM framework continues to adapt and evolve to the needs of the business and our stakeholders. This allows the Group and its businesses to both respond to changes in the external risk environment and support the pace and scale of business transformation, recognising the Board's appetite for risk.

During the year, management across the Group have reviewed the macroeconomic and geopolitical landscape to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational resilience, our sustainability ambitions or the Group's transformation, innovation and change agenda. By continuing to develop the Group's assessment of the interdependencies of risks, using scenarios to quantify risk impact under different combinations and assumptions, and considering the risks within the Group's risk environment that have increased or changed in their nature, either as a result of external factors or decisions within the Group's businesses, its Board and management are better informed and can react more quickly.

New guidance from regulators and investors is reviewed on an ongoing basis and best practice sought from other risk management sources.

Viability assessment

The Board's assessment of the viability of the Group is directly informed by the outputs of the ERM framework. Full details of our approach, scenarios modelled and the viability assessment are shown at the end of this report.

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework.

Risk management roles and responsibilities

Risk owners and management

Across the Group, risk owners are responsible for identifying potential risks and appropriately managing decisions within their area of responsibility that could impact business operations and delivery of the plan.

As the Group undertakes transformation activities within its operating companies, the pace and agility of the changes required create risks and opportunities. For transformational risks, business owners are assigned, and the business will agree appropriate mitigations and timelines for implementation, following discussions with all relevant stakeholders.

Emerging risks are assessed and risk owners consider and identify any potential impact to plans. Longer-term 'on watch' risks are subject to review as part of the framework.

Management is responsible for the effective operation of the internal controls and execution of the agreed risk mitigation plans.

Operating companies' management committees

Risk heat maps for each operating company and central functions are reviewed semi-annually by their operating company's management committee or function leadership team.

Where the Group's operating companies have a reliance on other parts of the Group for services delivery, risks are reflected appropriately across risk heat maps to ensure accountability is clear.

They escalate risks that have a Group impact or require Group consideration in line with the Group ERM framework.

They confirm to their operating company board and audit committees, where they exist, as to the identification, quantification and management of risks within their operating company at least annually.

Local risk heat maps are in place for subsidiary businesses, together with Group support platforms including Group Procurement and Services and IAG Tech.

IAG Management Committee

The IAG Management Committee reviews risks during the year, including the Group risk heat map semi-annually in advance of reviews by the Audit and Compliance Committee, in accordance with the 2018 UK Corporate Governance Code and the Spanish Good Governance Code for Listed Companies.

At the year end, the IAG Management Committee reviews the performance of the Group during the full year against the risk appetite framework and reports any near tolerance or out of tolerance assessments to the Audit and Compliance Committee.

The IAG Management Committee recommends severe but plausible scenarios for stressing the strategic business plan as part of the annual Group viability assessment.

IAG Board and Audit and Compliance Committee

The IAG Board has overall responsibility for ensuring that the Group has an appropriate, robust and effective risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives.

The IAG Audit and Compliance Committee discusses risk and considers the risk environment regularly throughout the year, as does the IAG Board as part of wider Board discussions, in addition to the IAG Audit and Compliance Committee's bi-annual risk heat map review, including a review of the assessment of the Group's performance against its risk appetite for the financial year, scenarios for assessment of viability and the outputs from the viability modelling. The Audit and Compliance Committee has early sight of management consideration of viability scenarios to enable it to challenge subjectivities and confirm rationale. It then reviews the outputs at year end and makes recommendations on the viability assessment and statement to the Board.

The IAG Board reviews the Group's risk heatmap annually and it has completed a robust assessment of the Group's emerging and principal risks in the year.

The IAG Board sets risk appetite for the plan period.

Enterprise Risk Management function

The Enterprise Risk Management function provides support across the Group to ensure risk management processes are appropriately embedded and applied consistently, as well as working with management to identify risk, challenge assessments and strengthen the risk culture across the Group. The function provides risk management guidance and shares best practice across the Group and its operating companies, keeping them informed of any risk-related regulatory developments. The function is responsible for ensuring that the ERM framework remains agile and responsive to meet the needs of the business and its stakeholders.

The ERM function works with other compliance and Group functions, such as Group Finance, Government Affairs, Investor Relations, Legal, Ethics and Compliance, and Sustainability, leveraging their frameworks and assessments where appropriate. Risk assessments form an important input into the Internal Audit planning and delivery process.

Year in review

The highly regulated and commercially competitive environment, together with the businesses' operational complexity, expose the Group to risks, where its influence and ability to directly manage the risks may be limited.

Examples include aircraft and component availability, and engine performance and reliability; the wider ongoing fundamental weaknesses in the resilience of the aviation sector's supply chain; air traffic control (ATC) resilience and industrial unrest in third parties impacting operations; and policy measures taken by governments to address the economic environment or policy proposals that could impact the Group's airlines' ability to set capacity and/or pricing.

Other external threats which remain heightened include: the impact of inflation and interest rates on demand and customer confidence; higher costs in the supply chain; and the impact of escalating and ongoing geopolitical tensions and conflict in various regions impacting our customers and flight operations as well as creating further airspace restrictions.

In assessing its principal risks, the Group has considered its operational resilience across its businesses, the status of the financial markets, customer mix changes, political risk and government changes, including upcoming elections, pace of transformation, artificial intelligence (AI) adoption, the Group's industrial relations landscape and people engagement and securing talent and expertise to support operations and deliver cultural change.

No new principal risks were identified through the risk discussions in the year. One risk has been reconsidered as part of the reviews and has been reframed as 'Transformation, innovation and AI' from 'Transformation and change' to recognise how the Group's change agenda is underpinned by investment which will leverage innovation and AI tools to accelerate the delivery of customer-centric, efficient processes and tools to run our businesses.

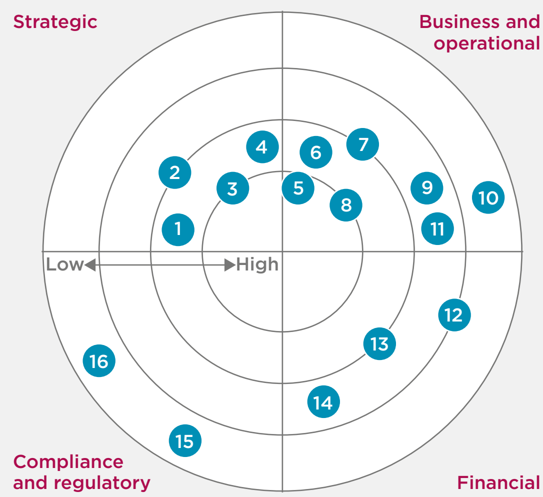
The risk around 'Critical third parties in the supply chain' is now assessed under Business and Operational risk given the nature of the potential impacts facing the Group (having previously been categorised as a Strategic risk).

Principal risks influence

The relative level of influence each principal risk has on the other principal risks

Principal risk radar

The assessed likelihood of risk materialisation for each principal risk



Key for principal risk factors table

Principal risk number

1

Strategic imperatives

- Strengthening our core
- Driving earnings growth through asset-light businesses
- Operating under a strengthened financial and sustainability framework

Stakeholder impact

- Customers
- Employees
- Suppliers
- Shareholder, lenders and other financial stakeholders
- Governments and regulators

Risk trend

- Increase
- Stable
- Decrease

Principal risk factor table

	Principal risk	Strategic imperatives	Stakeholder impact	Risk trend 2023	Risk trend 2022	Viability scenario
Strategic						
1	**Brand and customer trust** Chief Commercial Strategy Officer/Operating company CEOs			↑	=	2 3 4
2	**Competitive landscape** Chief Commercial Strategy Officer			=	=	1
3	**Economic, political and regulatory environment** Chief Commercial Strategy Officer			↑	=	1
4	**Sustainable aviation** Chief People, Corporate Affairs and Sustainability Officer			↑	↑	1 2 4
Business and operational						
5	**Critical third parties in the supply chain** Chief Information, Procurement, Services and Innovation Officer			↑	↑	2
6	**Cyberattack and data security** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			↑	=	3
7	**IT systems and IT infrastructure** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			=	=	3
8	**Operational resilience** Chief Information, Procurement, Services and Innovation Officer/Operating company CEOs			↑	↑	1 2 3
9	**People, culture and employee relations** Chief People, Corporate Affairs and Sustainability Officer/Operating company CEOs			=	=	2
10	**Safety or security incident** Operating company CEOs			=	=	
11	**Transformation, innovation and AI** Chief Information, Procurement, Services and Innovation Officer/Chief Transformation and Corporate Development Officer			=	=	4
Financial risk including tax						
12	**Debt funding** Chief Financial Officer			↓	=	1
13	**Financial and treasury-related risk** Chief Financial Officer			=	=	1
14	**Tax** Chief Financial Officer			↑	=	
Compliance and regulatory						
15	**Group governance structure** General Counsel			=	=	
16	**Non-compliance with key regulation and laws** General Counsel			=	=	

Principal risk register

Guidance is provided below on the key risks that may threaten the Group's business model, future performance, solvency and liquidity.

Risks are grouped into four categories: strategic risk, business and operational risk, financial risk including tax, and compliance and regulatory risks.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described below. Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the Board and IAG Management Committee believe to be the most likely to have a potential material impact on the Group during the plan period.

Strategic

1 Brand and customer trust

Chief Commercial Strategy Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	=	2 3 4

Strategic relevance

- The Group's brands are positioned in their respective markets to meet their customer propositions and deliver commercial value. Any change in engagement or travel preferences could impact the financial performance of the Group.
- IAG will continue to focus on its customer propositions to ensure competitiveness in its chosen priority customer demand spaces and to ensure that it adapts to meet changing customer expectations.
- The Group is clear on the key levers to improve brand perception and satisfaction for each of its operating company brands.

Status

The Group's ability to attract and secure bookings and generate revenue depends on customers' perception and affinity with the Group airlines' brands and their associated reputation for customer service and value. The Group airlines' brands are, and will continue to be, vulnerable to adverse publicity regarding events impacting service and operations. Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance (OTP), service and product delivery, are key elements of brand value and of each customer's experience. Investment in cabin and service propositions helps ensure that our customers choose to fly with the Group's airlines.

The Group continues to improve its disruption management capabilities given the extent of the external disruption due to ATC and third-party resilience issues, particularly over engine reliability. IAG remains focused on strengthening its customer-centricity and all of the Group's airlines continue to support their customers through any disruption including schedule adaptions where required. The Group continues to ensure that its operating companies continue to adapt and focus their business models, products and customer propositions to meet changing customer expectations and needs (including those with additional needs). Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. The resilience and engagement of our people as customer service ambassadors to deliver excellent customer service is critical to retaining brand and customer trust.

Risk description

- Erosion of the brand and customer trust through poor customer service or lack of reliability in operations, may adversely impact the Group's leadership position with customers and ultimately affect future revenue and profitability.
- If the Group is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then the Group may face brand erosion and loss of market share.
- Failure to meet customer expectations on sustainability and the Group's impact on stakeholders and society could impact the Group and its brands.

Mitigations

- All IAG airlines are considered within the brand portfolio review.
- Brand initiatives for each operating company have been identified and are aligned to the Group's business plan.
- Product investment to enhance the customer experience supports the brand propositions and is provided for in the plan.
- All airlines track and report to IAG on their OTP and Net Promoter Score (NPS) to measure customer satisfaction.
- Reviews of resilience, resourcing levels and schedule operability.
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences.
- Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim.
- The Group's global loyalty strategy builds customer loyalty within IAG airlines.
- The Group's focus on sustainability and sustainable aviation including the IAG climate change strategy to meet the target of net zero carbon emissions by 2050.
- Robust portfolio process to determine the right investments across the Group.
- Additional focus on customer feedback and proactive customer care.

Strategic

2 Competitive landscape

Chief Commercial Strategy Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	1

Strategic relevance	Status
• The markets in which the Group operates are highly competitive. The Group faces direct competition on its routes, as well as from indirect flights, charter services and other modes of transport. Some competitors have other competitive advantages such as government support or benefits from insolvency protection. • Regulation of the airline industry covers many of the Group's activities including route flying rights, airport landing rights, departure taxes, security and environmental controls. The Group's ability to comply with and influence changes to regulations is key to maintaining operational and financial performance.	The demand environment in the year has seen the restoration of capacity into the market, with some markets exceeding pre-pandemic capacity levels. The distortionary effects of government policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape, continue to be assessed. The Group is investing in new fleet and products to maintain its competitive position in the markets in which its airlines operate. IAG supports the use of the Worldwide Airport Slots Guidelines system, formulated by the International Air Transport Association (IATA), that encourages competition but also supports reliable, established networks. The Group responded to relevant consultations to inform regulators and to propose balanced regulation and avoid introducing additional rules that hamper the competitiveness of the industry. In February 2023, IAG agreed the acquisition of the remaining 80% of Air Europa, subject to relevant regulatory approvals. The Group continues to consult and keep different stakeholders informed over the impacts of government policies on aviation or policy asymmetry, such as increases in Air Passenger Duty (APD) or distortionary policies on carbon offsets.

Risk description	Mitigations
• Competitor capacity growth in excess of demand growth could materially impact margins. • Any failure of a joint business or a joint business partner could adversely impact the Group's airline business operations and financial performance. • Some of the markets in which the Group operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins. • Regulatory or policy changes may create competitive distortion, impacting the Group's airlines and their competitiveness or business model.	• The IAG Management Committee meets weekly and undertakes regular operating company-specific reviews. • The Board discusses strategy throughout the year and dedicates two days per year to undertake a detailed review of the Group's strategic plans. • The Group strategy function supports the IAG Management Committee by identifying where resources can be devoted to exploit opportunities and accelerate change. • The airlines' revenue management departments and systems optimise market share and yield through pricing and inventory management activity. • The Group maintains rigorous cost control and targeted investment to remain competitive. • The Group Procurement function reviews all critical contracts. • The Group's airlines are focused on customer-centricity and operational resilience. • The portfolio of brands provides flexibility as capacity can be deployed at short notice as needed. • The IAG Management Committee regularly reviews market share and the commercial performance of joint business agreements. • The Group's airlines review their relationships with business partners, supported where appropriate by the Group strategy function. • The Group's Government Affairs function monitors government initiatives, represents the Group's interest and forecasts likely changes to relevant laws and regulations and responds to consultations on regulatory change or policy that could impact the aviation industry or create competitive distortion.

See Financial review section

Strategic

3 Economic, political and regulatory environment

Chief Commercial Strategy Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	=	1

Strategic relevance

- IAG remains sensitive to political and economic conditions in the markets globally, particularly in our hub markets. All of the following can be influenced by political and economic change:
  - Business and leisure demand for travel;
  - Inflation impacts on the cost base;
  - Access to markets for new or existing routes;
  - Increasing levels and costs of regulation;
  - Supply of products;
  - Availability of services and/or resource;
  - Ability to fly scheduled operations; and
  - Pricing and pricing over ancillaries.

Status

The economic impact of geopolitical events coming after the energy crisis last winter, increases in commodity and wage costs from inflation and higher interest rates drive continued significant uncertainty over the economic outlook. The Group is closely reviewing the impacts of wage and supplier inflation on margins and customer demand.

The re-opening of China at the beginning 2023 and removal of remaining restrictions in countries, post the pandemic, has simplified operations and the customer experience at airports. However ongoing conflicts, wars and heightened tensions across the Middle East further increase airspace restrictions and congestion for flows to Asia.

Wider macroeconomic trends are being monitored such as a potential economic recession and tone of dialogue between the US, Russia, China and the EU and UK which can influence markets and result in imposition of misaligned policies or tariffs. The trend of increased nationalism and the potential impact to the Group is also kept under review. Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered across the Group. The Group also considers changes in government in key markets and the implications for trade, respective economic health and how governments view the aviation industry, with elections expected in the UK, Ireland and the US over the next year.

Developments in relevant international relationships, where they affect air services agreements to which the EU or UK are party, are monitored throughout the year and the Group's positions advocated with the relevant national governments. Recent government proposals to set floor or ceiling caps on pricing, including the scope of ancillaries that airlines may be allowed to charge their customers for, may impact the ability to freely set pricing, sell ancillaries to meet customer needs and/or set capacity.

IAG has worked through trade associations, IATA, as well as national governments to put its case on issues of the importance of aviation to international trade and customer connectivity and the value that it brings.

Any further macroeconomic trends or potential requirements arising from Brexit are monitored by the IAG Government Affairs function.

Risk description

- Economic deterioration or structural change in either a domestic market, key customer segment or the global economy may have a material impact on the Group's financial position, while foreign exchange, fuel price and interest rate movements create volatility.
- Failure to adequately plan for and be able to respond to uncertainty driven by geopolitical or market events or health-related concerns impacts the operations, costs and customers of the Group.
- Changes in government may result in a change in sentiment to aviation and access to markets.
- Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to our passengers.

Mitigations

- The IAG Board and the IAG Management Committee review the financial outlook and business performance of the Group through the monthly trading results, financial planning process and the quarterly reforecasting process.
- Reviews to assess and drive the Group's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity.
- External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the IAG Board and IAG Management Committee as part of business performance monitoring.
- The Group's Government Affairs function monitors government initiatives, represents the Group's interest and gives the Group and its operating companies early sight of likely changes to laws and regulations.
- The Group engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of the Group and aviation to society and economies.
- The Group's airlines have increased their focus on enhanced disruption management tools within airlines to increase operational resilience to restrictions e.g. capacity constraints at airports or health-related measures.

See the Regulatory environment section

4 Sustainable aviation

Chief People, Corporate Affairs and Sustainability Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	↑	1 2 4

Strategic relevance

- IAG is playing a leading role and working with industry to accelerate aviation decarbonisation. This means that environmental considerations are integrated into the business strategy at every level and the Group uses its influence to drive progress across the industry.
- Our stakeholders and potential investors seek confirmation over our sustainability agenda and may link their purchasing, investment or lending decisions to our commitments and progress against them.
- Our customers look to ensure that our airlines allow them to minimise their carbon footprint.

Status

IAG is committed to a target of net zero carbon emissions across its operations and supply chain by 2050, along with 2030 targets. The Procurement function will have a key role to play in ensuring its delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals. IAG has also committed to 10% Sustainable Aviation Fuel (SAF) usage on average across its fleet by 2030.

Plans implemented by the EU, UK and US governments to decarbonise aviation have resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which the Group airlines operate. SAF infrastructure and availability lags demand, impacting the ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact the Group's airlines versus their competitors. All of the Group's airlines have agreed new deals for the production of SAF to meet the Group's target on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations.

The Group continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption, with mitigation plans embedded into strategic and financial planning.

IAG was an early adopter of the Task Force on Climate-related Financial Disclosures (TCFD) guidelines for climate-related scenario analysis and climate-specific risk assessments. The Group continues with its assessment of climate-related risks, by testing and revising the assumptions on updated forecasts for future business growth and the regulatory context and future carbon pricing. The Group has also embedded forecasting of its climate impacts into its strategic, business and financial planning processes and has assessed that it is resilient to material climate-related impacts.

Risk description

- Increasing global concern about climate change and the impact of carbon affects Group airlines' performance as customers seek alternative methods of transport or reduce their levels of travel.
- New taxes, the potential removal of aviation jet fuel exemptions and increasing price of carbon allowances impact on price and demand. Customers may choose to reduce the amount they fly.
- The airline industry is subject to increased regulatory requirements and policy asymmetry driving costs, distortion and operational complexity, as well as the potential for sub-optimal outcomes for the planet.
- Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets the Group airlines serve.
- SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs.
- Increasing severity of weather events results in operational and customer disruption.

Mitigations

- IAG climate change strategy to meet target of net zero carbon emissions by 2050.
- Annual incentive plans link manager bonuses to annual carbon intensity targets.
- All of the Group's airlines have platforms for customers to contribute towards mitigating their flight emissions over time, including contributing towards SAF or projects which remove carbon from the atmosphere.
- Embedded climate impacts into the financial statements, balance sheet, financial forecasting and other relevant disclosures.
- IAG investment in SAF with operating companies continuing to secure mid- and long-term supply agreements.
- IAG actively monitors the delivery of SAF procured.
- Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.
- Reporting on sustainability performance in the IAG supply chain to better mitigate supply chain-related sustainability risks.
- Partnering with ZeroAvia to explore hydrogen-powered aircraft technology.
- Participating in CORSIA, the ICAO global aviation carbon offsetting scheme and the EU-ETS and UK-ETS emission trading schemes.
- Horizon scanning for potential partners and technology.
- Engagement across UK, EU and global trade associations to shape effective climate policy and drive support for low-carbon solutions.

See the Sustainability risks and opportunities section

Business and operational

5 Critical third parties in the supply chain

Chief Information, Procurement, Services and Innovation Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↑	↑	2

Strategic relevance

- Any sub-optimal service delivery or asset supplied by a critical supplier can impact on the Group airlines' operational and financial performance as well as disrupting our customers and impacting our brand and reputation.
- Infrastructure decisions or changes in policy by governments, regulators or other entities could impact operations but are outside the Group's control.
- London Heathrow has no spare runway capacity.
- An uncontrolled increase in the planned cost of expansion of a hub airport, particularly London Heathrow, could result in increased landing charges making the airport uncompetitive versus other European hubs.
- Airport charges represent a significant operating cost to the airlines and have an impact on operations.
- Inflationary cost pressures within the supply chain may increase the cost of travel.

Status

The aviation sector continues to be affected by global supply chain disruption which has impacted aircraft deliveries, engine and component availability and reliability, resource availability and/or threat of employee industrial action in critical third parties and airport services, the level of resilience of airports, particularly London Heathrow, and ATC capability and restrictions. In August, a failure of UK national ATC services impacted flight operations across the UK.

The Group proactively assesses its schedules for operability and continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or services. Delays in new aircraft and spare engines, and technical performance issues requiring additional maintenance continue to impact operations and turnaround times for aircraft. This has led to increased costs to secure such services. Focus has been placed on key suppliers given the inflationary environment impacting wages and costs of goods, to understand any business or operational continuity impacts, and where possible identify other suitable suppliers. The Group has been impacted by reliability and performance of GTF engines, which is mitigated with replacement aircraft and remedy support from the engine manufacturer.

Many elements of the supply chain remain outside of the Group's ability to directly manage, including aircraft deliveries and availability of components, airport performance and ATC resilience.

The Group continues to consult stakeholders and raise awareness of the negative impacts of ATC airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly with the capacity recovery and continued closure of airspace driven by geopolitical events. The Group relies on the provision of airport infrastructure and is dependent on the timely delivery of appropriate facilities. The Group continues to challenge unreasonable levels of increases in airport charges, especially at London Heathrow.

Risk description

- IAG is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency and resilience and meet the commitments of the Group sustainability programme.
- IAG is dependent on the timely, on-budget delivery of infrastructure changes, particularly at key airports.
- IAG is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.
- IAG is dependent on the performance and costs of critical third-party suppliers that provide services to our customers and the Group such as airport operators, border control and caterers. Increases in costs or where suppliers face ongoing financial stress or restructuring where they exit the market for supply of services may impact the Group's operations.
- IAG is dependent on the availability and production of alternative fuels to meet its carbon commitments. This may require investments in infrastructure in the markets in which the Group operates.

Mitigations

- The Group mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements and aircraft lessors.
- The Group engages in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports.
- The Group is active at an EU policy level and in consultations with airports covered by the EU Airport Charges Directive.
- The Group proactively works with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary and inflation minimised.
- The Group Procurement function has oversight of all critical contracts across the Group's businesses.
- Alternative suppliers are identified where feasible.
- Transformation initiatives to offset inflation.

Business and operational

6 Cyberattack and data security	Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
Chief Information, Procurement, Services and Innovation Officer Operating company CEOs			↑	=	3

Strategic relevance

- The cyber threat environment remains challenging for all organisations, including the airline industry. Cyber threat actors, criminals, foreign governments and hacktivists have the capacity and motivation to attack the airline industry for financial gain and other political or social reasons.
- The fast-moving nature of this risk means that the Group will always retain a level of vulnerability.

Status

The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences particularly through social engineering and human behaviours. The threat of ransomware attacks on critical infrastructure and services remains high and increased in the year with heightened geopolitical tensions, with the Group exposed to threat actors targeting IAG, its operating companies and its suppliers. The Group continues to improve its cybersecurity posture either through major IT transformational change or additional monitoring through tools.

In the first half of the year, some of the Group's businesses were impacted by an attack on a third-party services provider holding employee data. The Group is focused on improving its cybersecurity posture and better understanding the risk presented by its suppliers.

The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. The Group airlines are subject to the requirements of privacy legislation such as GDPR and the National Information Security Directive (NISD).

The emergence and usage of AI to bypass cybersecurity controls, produce phishing emails and malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering attacks.

Investment in cybersecurity systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence within IAG Tech. All planned investment is linked to a Group-wide maturity assessment based on the National Institute of Standards and Technology (NIST) cybersecurity framework, a leading industry standard benchmark. Data centre migration activity to the cloud across the Group's airlines will further help to improve the security controls environment. As the Group improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect them.

Risk description

- The Group could face financial loss, disruption or damage to brand reputation arising from an attack on the Group's systems by criminals, foreign governments or hacktivists.
- If the Group does not adequately protect customer and employee data, it could breach regulations and face penalties and loss of customer trust.
- Changes in working practices and environments for the Group's employees and third-party suppliers could result in new weaknesses in the cyber and data security control environment.

Mitigations

- The Group has a Board-approved cyber strategy that drives investment and operational planning.
- A cyber risk management framework ensures the risk is reviewed across all operating companies.
- The IAG Cyber Governance board assesses the portfolio of projects quarterly and each operating company reviews its own portfolio at least quarterly.
- The IAG Chief Information, Procurement, Services and Innovation Officer (CIPSIO) provides assurance and expertise around strategy, policy, training and security operations for the Group.
- Detection tools and monitoring are in place. The Group-wide security engineering and operations teams proactively seek to identify and respond to threats and vulnerabilities, including ongoing testing of the Group's defences.
- External attack surface monitoring and threat intelligence is used to analyse cyber risks to the Group.
- External benchmarking on cyber posture with independent assessment in the year by a specialist third party.
- Regular cyber awareness training run by the operating companies, including annual mandatory training on cyber risk and data protection for all staff.
- Oversight of critical systems and suppliers to ensure that the Group understands the data it holds, that it is secure, and regulations are adhered to.
- Data Protection Officers are in place in all operating companies, coordinated through a Group-wide Privacy Steering Group.
- Working practices reviewed to ensure integrity of cyber and data security.
- All suppliers must adhere to IAG security requirements. A Group-wide third-party risk management process integrates cybersecurity due diligence into contracting processes to monitor supplier security performance.
- Security architecture team embedded into Datacentre migrations programmes.
- Desktop and simulated exercises to test business response plans.

Business and operational

7 IT systems and IT infrastructure

Chief Information, Procurement, Services and Innovation Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	3

Strategic relevance

- IAG is dependent on IT systems for most key business processes. Increasingly, the integration within IAG's supply chain means that the Group is also dependent on the performance of suppliers' IT infrastructure, e.g. airport baggage operators.
- Competitors and new entrants to the travel market may use digital tools, innovate or use AI and technology more effectively and disrupt the Group's business model.

Status

The Group recognises the importance of technology to business transformation and growth. The CIPSIO works with the Group's operating companies to ensure appropriate prioritisation and investment in the Group's digital and IT transformation. Both are members of the IAG Management Committee.

The Group continues to review its IT operating model as it progresses with digitalisation, migration to the cloud from on-premises data centres, remediation and transformation of its networks and addressing obsolescence. It has moved more resources into product teams more closely aligned to business needs. The Group is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. The Group continues with major programmes and upgrades to modernise, including new commercial capabilities and customer-centric enhancements using agile-based models, as well as replacing core IT infrastructure and improving network connectivity and redundancy. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes. This has strengthened the Group's operating companies' focus on addressing their legacy estates to deliver digital customer experiences. The CIPSIO works with the operating companies to ensure that their IT investment and requirements are appropriately prioritised and delivered, value to the Group from IT investment is maximised and central services can support the Group's businesses appropriately.

Risk description

- The dependency on IT systems and networks for key business and customer processes is increasing and the failure of a critical system may cause significant disruption to the operation and lost revenue.
- The level of transformational change at pace required by the Group's airlines may result in disruption to operations as the legacy environment is addressed.
- Obsolescence within the IAG Tech estate could result in service outages and/or operational disruption or delays in implementation of the Group's transformation.
- Technology disruptors may use tools to position themselves between our brands and our customers.

Mitigations

- IAG Tech works with the Group operating companies to deliver digital and IT change initiatives to enhance security and stability.
- Operating companies' IT governance boards are in place to review delivery timelines.
- Reversion plans are developed for migrations on critical IT infrastructure.
- System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.
- Robust portfolio process to determine the right investments across the Group.
- IAG Tech CIPSIO and operating company management committee members have strategic relationships with all critical IT suppliers and oversight of all critical IT contracts across the Group's businesses.
- The Group continues to develop platforms such as the New Distribution Capability, changing distribution arrangements and moving from indirect to direct channels.
- IAG Tech continues to create early engagement and leverages new opportunities with start-ups and technology disruptors.

Business and operational

8 Operational resilience	Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
Chief Information, Procurement, Services and Innovation Officer Operating company CEOs			↑	↑	1 2 3

Strategic relevance

- The Group's airlines may be disrupted by a number of different events.
- A single prolonged event, or a series of events in close succession, impact on the Group airlines' operational capability, financial status and brand strength.
- The Group needs to adhere to local governments' restrictions and regulations, especially related to safety and public health, and is therefore sensitive to any consequential impact on demand.

Status

The Group is reliant on critical third parties for services and goods, many of which have been impacted by resourcing challenges, inflation and supply chain disruption. Ongoing labour shortages, particularly for technical licensed staff, industrial unrest and strike action in the aviation sector combined with goods availability shortages in the supply chain, especially engines, and airspace and ATC restrictions can all impact the operational environment and the customer experience of the Group's airlines and increase the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which the Group relies.

The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

The Group continues to consider and build its resilience to withstand severe unexpected stresses. Potential high-impact, low-likelihood events have been considered that could have the potential to disrupt IAG and/or the aviation sector. Many of these events remain outside the Group's control such as adverse weather, another pandemic, civil unrest or a terrorist event seen in cities served by the Group's airlines.

Risk description

- An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs to the Group.
- Public health concerns impacting populations at scale could see an adverse effect on the Group where governments choose to impose restrictions, as would any future pandemic outbreak, or other material event impacting operations or customers' ability to travel.
- The Group's airlines may not be able to resource their operations sufficiently resulting in impacts to customers and brands.
- The Group's airlines are reliant on critical third parties to deliver goods and services to maintain operations and meet customer expectations and any failure of the level of service or reliability and delivery of goods may impact operational resilience and our customers.

Mitigations

- Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery.
- The Group's airlines have standby aircraft and crew in place to improve resilience.
- Resilience to minimise the impact of ATC airspace restrictions and strike action on the Group's customers and operations is in place.
- All of the Group's airlines are focused on developing customer disruption management tools to help our customers in times of disruption.

Business and operational

9 People, culture and employee relations

Chief People, Corporate Affairs and Sustainability Officer

Operating company CEOs

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	2

Strategic relevance

- The Group has a large unionised workforce with around 87% of colleagues represented by one of a number of different trade unions under collective bargaining agreements (CBA). IAG relies on the successful agreement of collective bargaining arrangements across its operating companies to operate its airlines.
- The right skillsets and culture are needed to transform our businesses at pace.
- The Group's airlines require specialist skillsets to continue to operate.

Status

Our people, their engagement, cultural appetite and mindset for change are critical to the Group's current performance and future success. Our leadership recognises the efforts of our staff and their commitment through the continued operational challenges facing our airlines. Resource shortages in crew have been addressed and our businesses are building the knowledge and experience of their new starters and managing the cultural impacts of onboarding at scale to ensure they have the right capabilities to operate. Shortages in technical licensed staff across the aviation sector and in the Group airlines may impact maintenance delivery timelines unless resource levels can be secured.

Across the Group, collective bargaining is in place with various unions. Where agreements are open, our operating companies continue to engage in discussions with unions to secure sustainable agreements and address concerns arising within the negotiations. In September, AENA announced the result of its competitive tender for ground handling licences at airports across Spain, which resulted in the loss of key airports to another provider, with unions for Iberia ground handling services taking strike action in January 2024. Iberia plans to create a new handling company, which will provide handling services and all airport staff affected by the AENA decision will be moved to the new company, with a new sector CBA and conditions for existing Iberia employees.

The Group is focused on staff wellbeing and people morale and motivation, including supporting agile and hybrid working models. Welfare support schemes are in place to support the Group's staff, and initiatives to build trust and engagement continue across the Group's businesses. The Group has identified the skills and capabilities that are required to manage its transformation, which include enhancing its leadership capability and delivering on the Group's diversity and inclusion plans. All operating companies recognise the critical role that their employees will play in the transformation and future success of the Group and they are focusing on improving organisational health and employee engagement.

Risk description

- Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance and customer perceptions of the airlines.
- Our people are not engaged, or they do not display the required leadership or cultural behaviours.
- The Group businesses fail to attract, motivate, retain or develop our people to deliver service and brand experience.
- Critical skillsets are not in place to execute on the required transformation plan or to exploit innovation and AI opportunities and drive the business forward.
- Technical licensed staff, including pilots and engineers, may be impacted by Brexit recruitment restrictions.

Mitigations

- Ongoing information sharing, consultation and collective bargaining with unions across the Group take place on a regular basis led by operating companies' human resources specialists, who have a strong skillset in industrial relations.
- Ensuring that remuneration is aligned to local markets in terms of productivity and pay.
- Operating companies' people strategies are in place in our businesses.
- Succession planning within and across operating companies has been reviewed by the IAG Management Committee and Board and a consistent process is being implemented across the Group.
- Focus on recruiting and developing skills to run and transform our business.
- The Group is investing in apprentice programmes and retention initiatives to help secure and retain engineers.
- Operating companies' engagement and organisational health surveys have been conducted with subsequent action plans developed to create a positive and inclusive culture.
- Access to support individuals' wellbeing.
- IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all of our staff.

Business and operational

10 Safety or security incident Operating company CEOs	Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
			=	=

Strategic relevance

- The safety and security of our customers and employees are fundamental values for the Group.
- High profile external events impacting the aviation sector and aircraft may change customer sentiment towards air travel.

Status

The IAG Safety, Environment and Corporate Responsibility (SECR) Committee of the Board and the board of each operating company continue to monitor the safety performance of IAG's airlines. Safety and security responsibility lies with each Group airline in accordance with its applicable standards. Further detail is provided in the SECR Committee report.

Risk description

- A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact the Group's brands, operations and financial performance.

Mitigations

- The corresponding safety committees of each of the airlines of the Group satisfy themselves that they have the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements.
- The Group's airlines have comprehensive training and maintenance programmes in place, supported by a just culture environment, where everyone is accountable for their actions and their performance is reflective of the knowledge, behaviours and skills they have.
- There is ongoing security engagement with airports, regulators and public authorities across the airlines' networks.
- Incident centres respond in a structured way in the event of a safety or security incident or intelligence.

See SECR report

Business and operational

11 Transformation, innovation and AI

Chief Information, Procurement, Services and Innovation Officer

Chief Transformation and Corporate Development Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	4

Strategic relevance

- The transformation, innovation and AI agenda is critical to the Group's ability to deliver strong returns and to compete in the new competitive marketplace, where distortionary effects of aviation support schemes may have allowed competitors to accelerate their change agendas and invest to improve capabilities and customer propositions.

Status

The Group has an established Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives across the Group focused on improving customer service, revenue and cost efficiency and the transformation mindset is becoming part of our culture. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals of the IAG Board. In the year, the Group established an AI governance committee and guidance for data usage in respect to AI tools and technology.

Risk description

- Failure to transform the business to effectively deliver cost efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across the Group and realise the benefits of the change initiatives to deliver Group digital platforms and customer propositions.
- The pace of change may expose the Group to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and customers.
- The impact on our people of the wide-ranging change agenda if poorly managed or uncoordinated could lead to logistical and engagement challenges with the potential to negatively impact NPS, revenue and efficiency benefits.
- Further standardisation, simplification and efficiencies of the Group platforms are not delivered.
- Competitors, or new entrants, may invest and innovate deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of the Group.
- The levels of data capture, data storage and security and availability of data, are not sufficient and ready to exploit AI use cases.

Mitigations

- The Chief Transformation and Corporate Development Officer has clear oversight of all programmes across the Group's businesses.
- Mirrored structures in the operating companies.
- Consistent core metrics and dashboard reporting used to assess performance against plan.
- The IAG Management Committee has regular operating company-specific meetings to assess their transformation agenda and the risks to delivery.
- The Group transformation agenda is subject to Board approval and progress is regularly monitored by the Board.
- Group AI governance committee to assess AI initiatives to allow the Group businesses to exploit AI capabilities.
- There is operating company-led communications to our employees on change initiatives and changes that may affect them.
- Consideration is given to the Group's sustainability commitments and agenda for all programmes.
- Any potential changes that could impact the brands are reviewed to mitigate against reputational and brand damage.

Financial risk including tax

12 Debt funding

Chief Financial Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		↓	=	1

Strategic relevance

- The Group's ability to finance ongoing operations, committed aircraft orders, future fleet growth plans or acquisitions is vulnerable to various factors including financial market conditions, financial institutions' appetite for secured aircraft financing and the financial market's perceptions of the future resilience and cash flows of the Group.

Status

Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting funding options and interest rates available to the Group for new aircraft financing or where it chooses to re-finance debt. Interest rate increases implemented by central banks in 2023 to address inflation increase the cost for the Group of existing floating rate debt, as well as for new financing. As at 31 December 2023 approximately 13% of the Group's debt, including hedges, was floating rate as the Group has paid down a substantial part of its floating debt in 2023. The Group successfully raised financing for all aircraft deliveries it sought to finance during 2023, using traditional long-term aircraft financing arrangements. The Group's credit rating with Standard & Poors was upgraded to investment grade (BBB-) during the year, whilst its rating with Moody's was increased by one notch to Ba1. In December, Fitch upgraded British Airways to BB- investment grade.

Risk description

- Failure to finance ongoing operations, committed aircraft orders, future fleet growth plans, business acquisitions and third-party financial guarantees.
- New financial arrangements, in addition to the repayment of existing arrangements, may impact plans to transform the Group and will influence the timing for IAG to resume paying dividends to its shareholders.
- Higher interest rates in the market, or more restrictive terms, for new finance arrangements or re-financing may impact the Group's cost base.

Mitigations

- The IAG Board and Management Committee review the Group's financial position and financing strategy regularly.
- The Group has maintained its clear focus on managing liquidity and ensuring that critical investment in the Group is maintained.
- During 2023, the Group extended the availability for $1,655 million of its $1,755 million revolving credit facility by one year to March 2026.
- Maintain strong relationship with banks, lenders and lessors.
- Scenario planning for different financial environments.
- Continuous review of capital structure to minimise interest rate exposure and lower cost of capital.

See Financial review section

Financial risk including tax

13 Financial and treasury-related risk

Chief Financial Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022	Viability scenarios
		=	=	1

Strategic relevance

- The volatility in the price of oil and petroleum products can have a material impact on the Group's operating results.
- The volatility in currencies other than the airlines' local currencies can have a material impact on the Group's operating results, particularly the US dollar.
- Higher interest rates can have a material impact on the Group's operating results.
- The Group is exposed to non-performance of financial contracts that may result in financial losses.

Status

Fuel cost volatility driven by geo-political events has been partly mitigated by the Group's fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Group's profits. The Group continues to assess the strength of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results. All airlines hedge currency risk in line with the Group hedging policy.

The approach to fuel risk management, financial risk management, interest rate risk management, proportions of fixed and floating debt management and financial counterparty credit risk management and the Group's exposure by geography continue to be assessed to ensure the Group responds to the rapidly changing financial environment appropriately. Details are set out in the Group financial statements.

Risk description

- Failure to manage the volatility in the price of oil and petroleum products.
- Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than the airlines' local currencies of euro and sterling.
- Failure to manage the impact of interest rate changes on floating finance debt and floating operating leases.
- Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading.

Mitigations

- The IAG Audit and Compliance Committee and IAG Management Committee regularly review the Group's fuel and currency positions and other financial contracts.
- All airlines hedge in line with the Group's hedging policy under the Group Treasury oversight.
- Fuel price risk is partially hedged through the purchase of oil and oil distillates derivatives in accordance with the Group risk appetite.
- Currency risk is hedged through matching inflows and outflows and managing the surplus or shortfall through foreign exchange derivatives.
- All airlines review routes to countries with exchange controls to monitor delays in the repatriation of cash and/or with the risk of material local currency devaluation.
- The impact of interest rate changes on floating debt positions is mitigated through interest rate derivatives as well as structuring selected new debt and lease deals at fixed rates throughout their term.
- The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis.
- The IAG Management Committee and the IAG Audit and Compliance Committee regularly review the financial risks and the hedged amounts. Any material position outside policy limits has to be approved by the IAG Audit and Compliance Committee.

Financial risk including tax

14 Tax
Chief Financial Officer

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		↑	=

Strategic relevance	Status
• Payment of tax is a legal obligation. Changes in the tax regulatory environment, including changes in tax rates, may result in additional tax costs for the Group and in additional complexity in complying with such changes. • The Group's tax strategy aims to balance the needs of our key stakeholders, recognising that tax is one of the Group's positive contributions to the economies and wider societies of the countries in which IAG operates.	Tax is managed in accordance with the tax strategy, found in the Corporate Policies section of the IAG website. The Group has a number of scheduled tax audits, by local tax authorities, in progress across its businesses. In the UK, there are ongoing discussions with HMRC on certain treatments of VAT. Further information about taxes paid and collected by IAG is set out in note 10 of the Group financial statements.

Risk description	Mitigations
• The Group is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation. • Businesses and consumers may be subject to higher levels of taxation as governments seek to increase environmental taxes, redesign the global tax framework and rebuild public finance. • The Group's stakeholders' expectations of the tax behaviours of large corporates may lead to reputational risk from the Group's management of tax.	• The Group adheres to the tax policy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities. • Tax risk is managed by the operating companies in conjunction with the IAG Tax function. • Tax risk is overseen by the Board through the Audit and Compliance Committee. • The Group seeks to understand its stakeholders' expectations on tax matters, e.g. cooperative working with tax authorities and its interaction with non-governmental organisations. • The IAG Board annually reviews and approves the Tax Strategy. • The Group takes expert advice on tax matters as required.

Compliance and regulatory

15 Group governance structure

General Counsel

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		=	=

Strategic relevance

- Airlines are subject to a significant degree of regulatory control. In order for air carriers to hold EU operating licences, an EU airline must be majority-owned and effectively controlled by EU nationals. British Airways is a UK carrier and not subject to the same requirement.

Status

The aviation industry continues to operate under a range of nationality and other restrictions, some of which are relevant to market access under applicable bi-lateral and multi-lateral air service agreements, while some are relevant to eligibility for applicable operating licences. The Group will continue to encourage stakeholders to normalise ownership of airlines in line with other business sectors.

Risk description

- IAG could face a challenge to its ownership and control structure.

Mitigations

- The Group has governance structures in place that include nationality structures to protect Aer Lingus', British Airways' and Iberia's operating licences and/or route rights. These have been approved by the relevant national regulators.
- IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU.

See Corporate Governance section

16 Non-compliance with key regulation and laws

General Counsel

Stakeholder impact	Strategic imperatives	Risk trend 2023	Risk trend 2022
		=	=

Strategic relevance

- Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectations of the Group's customers and stakeholders.

Status

The Group has maintained its focus on compliance with key regulations and mandatory training programmes have continued throughout the year. For safety- and security-related regulatory risks, please refer to the 'Safety or security incident' risk.

Risk description

- The Group is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses to the Group.
- Failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our customers, employees, or third parties, or impact our operations, and lead to reputational damage, fines or losses to the Group.

Mitigations

- The Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance, monitored by the IAG Audit and Compliance Committee.
- There are mandatory training programmes in place to educate employees as required for their roles in these matters.
- Compliance, human resources and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to the Group businesses support and advise the Group's businesses.
- IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas.
- Compliance Officers and Data Protection Officers are in place in all operating companies.
- Speak up and whistleblowing channels are available across the Group's businesses.

Viability assessment

Longer-term trends and risk considerations

The directors have assessed industry, Group-specific and non sector-specific longer-term trends over a timeframe beyond the plan period, such as climate change regulation, infrastructure proposals at hubs, availability and timing of technologies in fleet, move to and exploitation of the cloud, AI and disruptive innovation tools. These trends may require the business to consider strategic responses, business model adaptions and new skillsets ahead of any potential impact to the Group plan.

Other considerations include:

- economic trends and shifts in the relative strengths of global economies including rise of emerging markets and hubs, market shifts and interconnectivity including partnerships and alliances, the competitive landscape and changes in customer mix or sentiment to travel;
- supply chains and proximity and reliability of supply, inflationary, resource and availability pressures on key suppliers;
- costs of compliance to environmental and climate change regulations and/or lack of availability of infrastructure within countries to meet commitments or government mandates;
- increasing regulatory burdens, asymmetry in policy and/or government intervention impacting aviation and the Group's business model;
- areas of risk or opportunity for the Group, such as workforce availability, migration, war for talent, impact of AI on business and skillsets, outcomes of mis- and dis-information, diversity and inclusion ambitions, hybrid ways of working and different career expectations from new joiners into workforces and the aviation industry;
- structural changes in how customers travel;
- the potential macroeconomic consequences of interest rates and inflation especially where there are labour shortages in key markets or a shortage of technical specialists;
- the potential longer-term impacts of Brexit and the UK's divergence from EU policy and laws;
- the Group's resilience to future events impacting aviation or global markets, financial markets, interest rates and exchange rates, particularly the US dollar; and
- stakeholder expectations over commitment to acting with integrity to protect our planet, particularly climate change and carbon impacts.

Risk assessment across the timeline of the plan

The directors have assessed key threats and trends faced by the industry, emerging risks and opportunities, as well as other industry and Group-specific risks that could impact the Group's business plan:

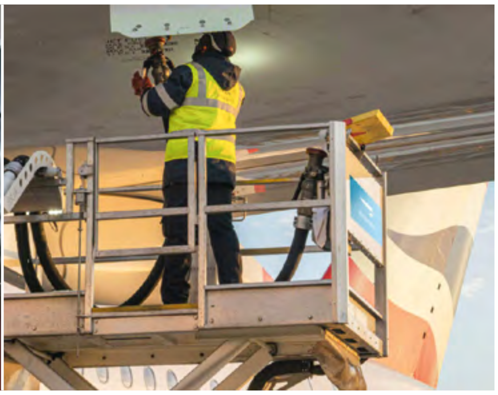
- these are considered in light of their impact on our business model and relevance, operations, customers and financial status and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, regional market opportunities, technology trends, environmental implications and infrastructure developments that could impact our operations, as well as more existential threats to aviation;
- when developing the Group's three-year business plan, longer-term considerations have been assessed by the IAG Management Committee and the Board in conjunction with the priorities of and risks faced by the business; and
- the Board has also conducted its annual strategy session in addition to regular performance and strategy delivery progress reviews during the year. Following this process, short-, medium- and longer-term priorities, challenges and opportunities have been identified and actions agreed.

Viability scenario process

When considering the viability of the Group, for the purposes of this report, the directors have evaluated the risk landscape facing the Group and recommended plausible but severe downside scenarios that could impact the Group's three-year plan to determine the Group's resilience to such impacts.

The results of these scenarios on the plan have been presented both pre and post an assessment of the likely effectiveness of the mitigations that management reasonably believes would be available over this period (and not already reflected in the plan).

The directors have assessed key threats and trends, and emerging risks and opportunities, to determine plausible but severe downside scenarios that could impact the Group's three-year business plan.



Scenarios modelled

The scenarios have been defined by management and designed to consider principal risks (or combinations of risks) that could materialise over the viability period and weaken the Group's liquidity position, and therefore its financial sustainability. Each scenario is regarded as severe but also plausible and has considered the impact on liquidity, solvency and the ability to raise financing in an uncertain and volatile environment.

Management has also assessed mitigations that are available to the business beyond operating cost reductions including further financing, capital expenditure plans and potential disposals. Options are presented, as appropriate, for the Board to assess. In reviewing and approving the scenarios, the Board considered, amongst other matters, the availability and sufficiency of potential mitigations, the expected speed of implementation in response to the uncertainty and the future flexibility required for the Group to adapt further as needed.

Sensitivities in the scenarios' assumptions have been highlighted by management and challenged by the Board. In addition, the Board reviewed the results of revenue and margin reverse stress tests, which demonstrated the level of sustained passenger revenue decline, and, separately, margin decline before mitigations, that would result in the Group using all available liquidity (including cash and currently available undrawn credit facilities) and compared this to the outputs from the scenarios.

No.	Title	Link to principal risks
1	**Downside case**	
	This scenario configures a blend of commercial and operational adverse impacts which would result in capacity reductions, in addition to an increase in fuel prices, over and above the Group's business plan assumptions. Economic considerations include a combination of events reducing capacity up to a maximum of 25%, increasing fuel prices up to 20%, reducing passenger unit revenue and increased operational costs. The Downside case assumes that British Airways would be required to draw down, in full, its portion of the available US dollar Revolving Credit Facility. The Downside case also builds in a downside impact in Air Europa Holdings, which the Group plans to acquire in the plan period, subject to regulatory approval. The period to June 2025 of this Downside case has also been applied as the Downside case in the going concern analysis (see note 2 of the Group financial statements).	**2, 3, 4, 8, 12, 13**
2	**Operational resilience challenges**	
	Lost revenue within some IAG airlines from pre-emptive flight cancellations in response to resourcing challenges with resultant reputational impact. Ongoing challenges in the global supply chain, particularly engine availability, reliability and performance leads to an increase in grounded aircraft awaiting maintenance with further capacity reductions also impacting revenues. Revenues from the Group's maintenance business also impacted by the lack of available spare parts. Further revenue impact considered from reduced capacity as a result of airport capacity and air traffic control airspace restrictions. Revenue impact from schedule disruption due to extreme weather events also considered within the scenario.	**1, 4, 5, 8, 9**
3	**Cybersecurity and IT infrastructure**	
	A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period of five days resulting from the attack before full connectivity is restored, impacting customers and operations of the affected airline. It also assumes lost revenue due to disruption of operations at the affected airline with knock-on impacts to other IAG airlines due to the need to isolate and switch off connectivity of Group shared credentials platforms. There are also further lost revenues due to reputational impact and increased EU 261 and other customer goodwill costs. Associated costs of recovery from the incident include the disruption through the investigation period including increased IT costs as well as brand impacts, and the potential for regulatory scrutiny and fines. In addition, the scenario considers an unplanned outage owing to data centre migration activity resulting in short notice flight cancellations causing further lost revenue and increased EU 261 and other customer goodwill costs.	**1, 6, 7, 8**
4	**Sustainability and business transformation**	
	An increasing revenue stress on short-haul operations across the Group to reflect changes in customer behaviours towards short-haul travel where other travel options exist. Increased carbon costs and sustainable fuel costs to meet mandates and where supply cannot be secured. Revenues in key markets below plan expectations also modelled to reflect a potential long-term change in mix and travel behaviours. Potential for lost revenue impact arising from delays in delivering and realising the benefits of business transformation initiatives and increased costs of securing required resourcing levels. Longer-term consideration of the impacts of climate change and carbon and regulatory initiatives to address this within the aviation sector, such as the implementation of new regulatory policy, carbon costs and the cost and availability of Sustainable Aviation Fuel are also subject to assessment and modelling by the Group in addition to the viability scenario assessments.	**1, 4, 11**

Viability scenario includes sustainability-related stress

Viability statement

The directors have assessed the viability of the Group over three years to December 2026. They have considered the global macroeconomic environment and geopolitical uncertainty, the health of the aviation industry and its supply chain, the assumptions of the plan, the strategy of the Group and the Board's risk appetite. Although the prospects of the Group are considered over a longer period, the directors have determined that a three-year period is an appropriate timeframe for assessment as it is aligned with the Group's strategic planning period (as reflected in the plan), and as the external uncertainties facing the aviation sector continue to be significant and many are beyond the Group's ability to influence directly.

The Board recognises the pace of change required within the Group to further adapt, build appropriate resilience and respond to this environment, in addition to the rapidly changing competitive landscape and wider global macroeconomic conditions.

The Group has reviewed the modelling of the impact of mitigating actions to offset further deterioration in demand and capacity, including reductions in operating expenditure and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

Further details on debt financing can be found in the going concern disclosures in note 2 of the Group financial statements.

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and raise financing as required over the period to December 2026. However, this is subject to a number of significant factors that are outside the control of the Group. In reaching this assessment the directors have made assumptions when considering both the plan and the Downside case (the most severe and plausible of the viability scenarios considered):

- the Group will continue to have access to funding options and that the capital markets retain a level of stability and appetite for funding within the aviation sector;
- the Group can implement any further structural changes required in agreement with any union consultation processes and regulatory approvals;
- any future pandemic or other public health-related restrictions do not result in further prolonged and substantial capacity reductions and groundings as governments do not have the appetite for the economic impact and stress that it would place on their respective economies and populations;
- any new virus strain or threat to public health that emerges during the viability period can be managed within existing health and testing regimes without recourse to government regulations that significantly affect our airlines' operations; and
- geopolitical events do not result in significant war zones impacting financial markets, airspace operations and connectivity flows across our flight schedules.

Engagement for the benefit of our industry

Engagement context

The strong recovery in demand for travel during 2023 was accompanied by the usual close scrutiny by regulators and policy-makers with additional challenges created by the geopolitical background. Political dynamics in Spain and forthcoming elections in the UK and for the European Parliament mean that policymakers have tended to focus on shorter-term priorities which is a challenge for an industry with long investment cycles.

With this overall context, IAG continued to engage with policymakers in the institutions of the European Union and in the countries in which its operating airlines are based or serve, to promote the economic and social benefits of aviation and explain the impacts of policy proposals on our business. We continue to encourage aviation regulators to adopt measured policies that recognise the competitive nature of international aviation (including proposals to amend airport slot allocation rules in the EU or the UK) and to promote a greater balance of the risk and reward in the regulation of monopoly airports and Air Navigation Service Providers (ANSPs), given the significant cost to airlines of their services.

In addition to direct engagement with policymakers, IAG worked through trade associations, notably Airlines 4 Europe (A4E) and the International Air Transport Association (IATA), as well as national industry and business associations, to put its case to governments and institutions such as the International Civil Aviation Organisation (ICAO) on issues of importance to the Group and its customers, especially in sustainability.

Geopolitical instability

The far-reaching impacts of the Russian invasion of Ukraine in 2022 on the world also had immediate practical effects on airlines by preventing European and UK airlines from operating through Russian airspace, a situation which, along with the war, endured throughout 2023. IAG's operating companies adapted by routing aircraft to and from Asia away from Russian airspace with the resultant increase in flying time driving more complex planning and a need for additional crew.

At various times in 2023, military coups and other conflicts in West Africa and the Sahel region resulted in further temporary restrictions to airspace. Although the risks to smooth operations from such events can usually be managed and are isolated in their geographical impact, they also exacerbate industry-wide challenges.

A further impact of the war in Ukraine was seen in 2023 with the extension of sanctions on Russia by the EU and the UK to prohibit, from the end of September, the import of Russian iron and steel products processed in a third country. The additional requirements to scrutinise the origins of steel and the location of manufacture have slowed procurement of aircraft parts adding to pressure on the global supply chain.

"IAG continues to play a leading role in developing industry plans for reaching net zero carbon emissions."

The conflict in Israel from 7 October and the subsequent escalation of military action in Israel and Gaza meant that IAG's airlines ceased operations to Israel. There are immediate commercial impacts of being unable to operate to the country and further signs of impact on markets in the immediate conflict area. We continue to monitor the wider economic impacts on the world economy of this and other conflicts.

The global supply chain has not yet returned to normal from the disruption caused by the COVID-19 pandemic, having the practical effect of putting pressure on maintenance and engineering resources affecting fleet availability. Both Airbus and Boeing have seen delivery schedules for new aircraft slip behind their original plan and the distribution of replacement parts continues to take longer than it did in 2019, increasing maintenance times for many airlines. The problems that emerged during the year for airlines operating Airbus aircraft with the Pratt & Whitney PW1100G 'GTF' engines meant significant additional numbers of aircraft in the global airline fleet required additional maintenance at the end of 2023. While the impacts for IAG's own aircraft are limited and manageable, the pressure on maintenance facilities increased during 2023 since other airlines took up capacity to solve this issue and will continue to do so in the coming years. IAG engaged with regulators to explain the potential difficulties for customers that this pressure could cause.

Sustainability

Much of IAG's advocacy and engagement in 2023 was concerned with the issue of sustainability. IAG continues to play a leading role in developing industry plans for reaching net zero carbon emissions and the Group's strategic approach and practical actions to reaching our targets are explained in detail in the Sustainability section.

In our ongoing activities to explain our position, the Group and its operating airlines continued to engage with representatives of the institutions of the EU and the governments of Spain, Ireland and the UK. We have long advocated the development of Sustainable Aviation Fuels (SAF) which reduces lifecycle CO_2 emissions by 80% as the solution, not just to the near-term need to drive down industry emissions, complementing the deployment of more efficient aircraft, but also to enable sustainable long-haul aviation alongside the development of carbon capture technology and future generation e-fuels.

In Europe, high-level engagement continued on the most relevant of the EU's Fit for 55 policies including the aviation SAF blending mandate (ReFuel EU aviation) and the revision of the Emissions Trading System (ETS) Directive for Aviation. IAG welcomed the EU's commitment of 20 million free SAF allowances to encourage SAF uptake between 2024 and 2030 and the increase to the ETS innovation fund budget to help deploy net zero and innovative technologies. In 2023, aviation was also included in the EU Taxonomy as one of the sectors that has the potential to contribute significantly to climate change mitigation.

While the Group continues to support the principles and approach of the EU's Green Deal we maintained our opposition, aligned with other airlines, to the proposed removal of the jet fuel tax exemption since it will reduce the sector's ability to invest in more effective measures and to enable a competitive European aviation sector. IAG's technical experts and senior executives engaged with relevant officials at the European Commission, the Representations of Member States in Brussels as well as Members of the European Parliament, and with complementary contacts with the relevant authorities in the respective EU hubs, in Madrid, Dublin and Barcelona.

In the UK, IAG engaged with cabinet ministers and officials at all levels to encourage support for a UK SAF industry that can provide thousands of new jobs and see plants built in the regions of the UK. IAG advocates the use of free allowances from future revenues that airlines will pay into the UK ETS (mirroring the EU approach), to support the purchase of advanced SAF and encourage SAF production as seen in the US and Europe. We look forward to providing input to the UK's consultation on a price support mechanism for SAF production which is an essential requirement to securing investment.

Aviation policy issues

Potential changes considered by the EU and the UK to the global system used to allocate takeoff and landing slots at congested airports were an important focus of government engagement throughout 2023.

IAG supports the use of the Worldwide Airport Slots Guidelines (WASG) system, formulated by IATA, since it provides a stable, internationally accepted system (reflected in the relevant EU Slot Regulation and UK laws) that encourages competition but also supports reliable, established networks.

In 2023, the EU considered but halted changes to this system and the UK announced that it would consult on potential new approaches during 2024. We note that no system of allocation can solve the problem of a lack of capacity, and these should not be conflated. We therefore continue to impress on policymakers the benefits of a global system that supports new market entrants and allows network airlines to plan their complex schedules in advance so that they can offer customers a wide range of destinations and connections while also managing operational disruption effectively.

Some alleviations from the elements of slot rules that require airlines to operate any one slot 80% of the time to retain it in the following year have remained in place around the world during 2023. IAG welcomed such alleviations as they recognise the continuing uncertainty that global supply chain issues and short-term uncertainty in demand in individual markets have caused. As we have seen in the Middle East, in the last quarter of 2023 there are continued pressures on airlines which are often prevented from operating individual flights. We continue to advocate a pragmatic approach by airport slot coordinators to recognise the reality of factors outside airlines' control and that justify retaining slots for the longer-term benefit of airlines and their customers.

Since around one third of flights in Europe operate through French airspace, the very frequent strikes by air traffic controllers in France put further pressure on operations. IAG continues to make representations with other airlines and A4E, to encourage EU and French government action to allow free movement of traffic flying over France during industrial action, a policy already adopted by several other EU Member States.

"IAG maintained close engagement with regulators in key markets around the world to ensure positive relations and to ensure the benefits of its operations are understood."

Aviation regulators' concern for the consumer interest is understandable following the disruption of 2022 and in the light of external factors, and there were related developments in different jurisdictions for IAG's operating airlines. In the EU, national authorities responded to the industry recovery and high consumer demand in different ways, ranging from proposals to cap airfares in one EU Member State, to proposals to establish minimum fares in another. IAG engaged with policymakers to explain the benefits to consumers of the choice available to them in the competitive aviation market in the EU.

In the UK, IAG engaged with the Civil Aviation Authority (CAA) on plans to introduce an accessibility framework for airlines, to mirror its existing system that grades airports on the quality of their provision of wheelchairs. IAG's operating airlines encourage support for passengers with additional needs and believe that cross-industry engagement and communication to improve customer service will have better results for passengers affected than regulation. The UK also consulted on potential rules to restrict 'drip pricing' during online sales to ensure customers have all the relevant information at the appropriate point of purchase. Canada also introduced new requirements for airlines to set out their accessibility policies and consulted on proposals to increase passenger protection. Similarly, the US published notices of proposed rulemaking in several areas including to improve the provision of refunds to customers. At the end of 2023, the European Commission presented a proposal on multimodal passenger rights with a focus on passenger rights for access to tickets covering different transport modes.

IAG responded to relevant consultations and engaged directly and through our trade associations to inform regulators, propose balanced regulation and avoid introducing additional rules that hamper the competitiveness of the industry. The Spanish Presidency of the EU in 2023 gave an additional opportunity to engage in Madrid and Brussels.

Economic regulation of monopoly infrastructure

Aviation infrastructure and price regulation was another area of focus in 2023. In Ireland, the DAA appealed against the Irish Aviation Authority's December 2022 decision on the maximum level of airport charges at Dublin Airport for the period 2023-2026. This decision, which takes account of the impact that the COVID-19 pandemic had on the aviation industry, also provides for a capital investment allowance of approximately €3 billion. IAG was broadly supportive of the IAA's final determination of charges and has joined the appeal proceedings as a notice party.

In Spain, IATA and Spanish airline association ALA opposed AENA's proposal to increase charges for 2024 that would break the cap in the airport regulation document (DORA II) that sets AENA's airport charges scheme for 2022-2026. IAG broadly supports the associations' objections.

In October, the UK Competition and Markets Authority confirmed through its consideration of airline and airport appeals that it was essentially satisfied with the CAA's economic review of London Heathrow airport's charges. It is positive that charges in 2024 will be lower in nominal terms than in 2023 and then essentially flat for the remainder of the regulatory period to 2026. However, the very significant increase permitted in 2022 and 2023 (despite not allowing most of the London Heathrow airport to recoup revenues not earned due to the pandemic) means that London Heathrow airport's charges remain among the highest in the world and are not competitive. IAG seeks to work with the CAA and the Department for Transport to improve the regulatory framework for the future.

The importance of aviation infrastructure to airlines and their customers was highlighted by the failure of the UK's National Air Traffic Services (NATS) on 28 August due to a software failure. Although services recovered on the same day, an almost complete outage of service for several hours resulted in considerable cost to IAG's operating airlines, not only in managing the outage but also providing customers with the necessary duty of care, accommodation, communication and travel costs. IAG's airlines recognise the need to look after their customers in this way but encourage the reform of consumer regulation EU261 and the UK equivalent to recognise that ANSPs and airports should equally be responsible for the costs incurred where their actions are the cause of delays and cancellations.

This unfortunate NATS incident came during the regulator's consideration of its regulatory price review, the results of which see a 25% increase in average unit rate in nominal terms compared with 2022. This increase is driven by the fact that the regulatory system includes a traffic risk-sharing system that effectively allows NATS to recover the lost revenue from the pandemic. The decision does however include reductions in NATS En Route Limited's underlying cost base through to 2027 and provides a balance of efficiency and effective service provision.

Through A4E, IAG also engaged in discussions with the European Commission's Performance Review Body, aiming to encourage improved efficiency, better value for money and enhanced operational performance from ANSPs in Europe. IAG supports the implementation of the Single European Sky to deliver environmental and economic benefits over the longer term.

International relations

IAG maintained close engagement with regulators in key markets around the world to ensure positive relations and to ensure the benefits of its operations are understood. This includes monitoring developments in international air service agreements and contributing to government talks, where appropriate, between the states in which IAG's operating airlines are based and states representing important markets around the world.

For example, in November this included attending the special meeting of the EU-US Joint Committee on air transport that explored the US' complaint against the EU relating to the reduction in capacity imposed at Amsterdam Schiphol airport. Along with other airlines, IAG contends that any such questions of capacity should be resolved with reference to the ICAO Balanced Approach that considers the benefits and negative aspects of aviation activity fairly. We welcomed the Government of the Netherlands' decision in October to halt its plans and continue to advocate the continued use of all available capacity at Amsterdam Schiphol airport and to address environmental concerns through other measures.

Additional disclosures

Table of contents

A. Planet – Climate change

See Sections A.1. and A.2. for 2023 metrics and five-year trends.

A.1.3a. Scope 1 and 2 emissions

Relevant standards: GRI 301-1, 302-1, 303-3, 305-3/4/5

Commentary on key climate change metrics

Footprint metric	Description	Commentary on 2023 trends
Scope 1 emissions (gross)	Direct emissions associated with IAG's operations including use of jet fuel, diesel, petrol, natural gas and halon. Sources of emissions include aircraft engines, boilers, auxiliary power units and ground vehicle engines. Gross emissions includes reductions from Sustainable Aviation Fuel (SAF), in line with globally recognised accounting standards. SAF emission reductions are calculated using the volume of SAF uplifted, multiplied by the Life-Cycle Assessment (LCA) carbon saving of the fuel, relative to conventional jet kerosene, and subtracted from our jet fuel emissions.	2023 Scope 1 emissions increased to 25.7 million tonnes (MT), an increase of 22% y-o-y. This was driven by increased flying demand, which increased jet fuel consumption by 22% y-o-y. Emissions saved from SAF use increased to 157.1 KT CO_2 in 2023, an increase of 415% y-o-y and representing 0.6% of emission reductions.
Scope 2 emissions	Indirect emissions associated with electricity use in ground facilities like offices, lounges, data centres and hangars. Market-based emissions are based on the carbon intensity of electricity purchased from suppliers. Location-based emissions are based on the carbon intensity of national electricity grids. CO_2e is calculated using gCO_2e/kWh factors from national agencies in Ireland, Spain and the UK, and IEA national electricity emissions factors.	2023 market-based emissions increased to 12.4 KT due to increased business activity. Location-based emissions increased to 56.5 KT. 81% of our electricity use in 2023 was from renewable sources (see 'Renewable Electricity' below) Where electricity data from overseas offices was not available, kWh was calculated based on leased space in m^2, multiplied by relevant kWh/m^2 factors based on historical data.
Scope 3 emissions	Indirect emissions associated with products the Group buys and sells. 12 out of 15 Scope 3 categories, as defined by the GHG Protocol, are assessed to be relevant. IAG continues to review Scope 3 emissions calculations in line with the latest approaches and data. Please refer to the description of Scope 3 emission metrics in this section for more details.	Scope 3 emissions increased to 6.5 MT due to increased business activity. Scope 3 category 3 (Fuel and energy-related activities) account for the greatest share of Scope 3 emissions (83%), and increased from 4.4 MT to 5.4 MT in 2023. We have captured emissions under Scope 3 category 1 through two separate methodologies in 2023. Existing reporting practices report a decrease in emissions from 268 tonnes reported in 2022 to 204 tonnes in 2023. Following a trial by IAG GBS with Watershed, our 2023 scope 3 category 1 emissions are calculated as 2.77 MT. We continue to refine our approach across other Scope 3 categories. Please refer to Section A.1.3b. for more details.

Progress metric	Description	Commentary on 2023 trends
Flight-only carbon intensity	Grammes of CO_2 per passenger kilometre (gCO_2/pkm) is a standard industry measure of flight fuel efficiency. It is calculated by dividing total jet fuel use by total passenger-km, assuming one cargo-tonne-km is equivalent to 10 passenger-km – then multiplying this value by a conversion factor of 3.15. This calculation excludes the jet fuel used by franchises, cargo carried on other airlines and engine testing. It excludes no-show passengers, in line with industry guidance.	The improvement to 80.5 gCO_2/pkm, a 3.6% reduction y-o-y, is driven by a recovery in passenger load factors, operational efficiency initiatives and the use of SAF. This represents an improvement of more than 10% since 2019. The Group is on track to exceed its 2025 target of 80 gCO_2/pkm. The passenger-km value used in the 2023 calculation is 273,607 million and the cargo-tonne-km value is 4,386 million.
Scope 1 emissions (net)	Net emissions are calculated based on gross emissions less any carbon savings from EU, Swiss and UK Emissions Trading Schemes (ETS) compliance obligations, volumes of offsets purchased to meet Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) compliance obligations, and volumes of offsets voluntarily purchased by IAG. EU ETS allowances purchased from other sectors equate to a net reduction, aligned to European Commission guidance. IAG has been disclosing net emissions since 2017 using this methodology.	Scope 1 net emissions in 2023 were 22.8 MT. The Group is on track to deliver the 2030 target of 22 MT (a 20% reduction versus 2019), based on the roadmap in Section A.1.2. 2023 net emissions were reduced by 2.6 MT due to participation in ETS schemes, and 246 KT was offset by British Airways towards offsetting domestic flights plus the Group offsetting staff and duty travel. A further 3.3 KT was offset voluntarily under customer offsetting programmes offered by Group airlines. Net emissions reductions will be achieved via use of eligible CORSIA credits when global international emissions rise above the baseline agreed at the International Civil Aviation Organisation (ICAO) General Assembly. This is expected to be from 2024.

Progress metric	Description	Commentary on 2023 trends
Renewable electricity	The share of electricity generated by renewable sources such as solar power and wind, based on volumes procured from renewable electricity suppliers. In overseas offices where data on electricity sources was unavailable, the source of electricity is assumed to be the national grid.	This percentage includes electricity use from facilities partially outside IAG's operational control. Renewable electricity in 2023 remained at 81% due to the lack of new available renewable electricity supply at relevant airport facilities and leased overseas offices.

Description of and commentary on additional climate change metrics

Metric	Unit	Description	Commentary on 2023 trends
Carbon intensity (Scope 2)	gCO_2/pkm	Based on Scope 2 location-based emissions divided by business activity, as measured in revenue passenger-km, including cargo. Complements the flight-only emissions intensity metric.	2023 efficiency improved to 0.18 gCO_2/pkm, from 0.20 gCO_2/pkm in 2022, as passenger load factors returned to normal levels following the COVID-19 pandemic.
GHG reduction initiatives	'000 tonnes CO_2e	Reductions in CO_2e as a result of specific efficiency initiatives which started in the reporting year. This excludes reductions from externally driven changes applicable to all airlines, such as airspace changes.	The 5% annual increase to 86.7 KT is due to the Group delivering efficiency initiatives across the full flight phase including take-off, cruise, approach and landing and engine washes.
Electricity	kWh	Consumption of electricity across IAG ground facilities, in millions of kWh. This includes usage in main offices, overseas offices, hub airports and maintenance facilities. A detailed description of the Scope 2 emissions calculation is on the previous page.	Electricity consumption rose to 216,968,602 kWh in 2023, a rise of 1% y-o-y as normal levels of occupancy in ground facilities and offices return following the COVID-19 pandemic. 81% of the Group's electricity usage is derived from renewable sources, predominantly renewable electricity.
Energy	kWh	The sum of the above kWh and energy use from fuel. Fuel energy use is based on volumes of jet fuel, diesel, petrol, natural gas and gasoil, multiplied by the latest available UK Government conversion factors. UK factors are used across the Group as these are considered the most robust available.	Energy consumption rose to 85% of 2019 levels in 2023. This is an increase of 24% year on year due to increased flying activity. Jet fuel is over 98% of MWh as limited volumes of SAF are available.
Revenue per tonne CO_2e	€/tonne CO_2e	Calculated by dividing total Group revenue by the sum of Scope 1 emissions and Scope 2 location-based emissions.	The 2023 value improved to €1,145/tonne CO_2e, an increase of 5% year-on-year, and 38% above pre-pandemic levels.
CO_2 per Revenue tonne kilometre	gCO_2e/RTK	The total number of revenue generating tonnes of both passengers and freight multiplied by the distance flown. Grammes of CO_2 per revenue tonne kilometre (gCO_2e/RTK) is an activity statistics indicator commonly used by the aviation industry and third parties including the EU Commission and Transition Pathway Initiative (TPI). This metric represents the distance flown and weight transported associated with the revenue passengers of a flight. For the distance flown, the great circle distance is used and for the weight, the mass and balance documentation of the flight which according to the policy of each airline can use a default value of 100kg, which represents the weight of the passenger plus the hand luggage, or different value approved by the competent authorities.	The 2023 value was 805 gCO_2e/RTK, a reduction of 4% y-o-y. This is consistent with improvements observed in flight-only carbon intensity, driven by a recovery in passenger load factors, operational efficiency initiatives and the use of SAF.
Jet fuel use	tonnes	Jet fuel used within the aircraft fleet and for engine testing during the reporting year.	The 22% year-on-year increase in jet fuel use, to 8.1 MT, is due to the recovery in flying demand. Jet fuel is 16% below 2019 levels.
Fleet age	years	The average age of aircraft in the IAG fleet as of 31 December, 2023. The average age of operational aircraft increases each year. This is offset by the impact of new deliveries and retirements.	Average fleet age increased from 11.9 to 12.0 years.

A.1.3b. Scope 3 emissions

In 2021 IAG was the first airline group worldwide to target net zero Scope 3 emissions by 2050. This was complemented by a target of a 20 per cent reduction in net Scope 3 emissions by 2030, compared to a 2019 baseline.

These targets will be delivered in collaboration with suppliers and other stakeholders, by monitoring supplier sustainability performance, engaging with suppliers on their sustainability plans, embedding climate requirements into supplier contract clauses and product specifications, and accounting for delivery of existing supplier targets. IAG is on track to meet the 2030 target.

IAG has assessed all 15 categories of Scope 3 emissions, as defined by the global GHG Protocol, and identified 12 relevant categories. The Group has over 15,000 suppliers and the scope of emissions calculations within these categories is based on material categories of spend – the two most material categories being jet fuel and aircraft spend, reported under Category 3 and 2 respectively. Four categories represent over 90 per cent of IAG's assessed Scope 3 impact.

IAG continues to refine Scope 3 calculations based on the latest data and assumptions. In 2023, IAG GBS ran a trial with Watershed to improve reporting of Scope 3, category 1 emissions. In previous measurements, IAG has reported on Scope 3.1 emissions based on water usage only. The methodology with Watershed recalculated Scope 3.1 emissions using a spend-based approach and detailed analysis of emissions from IAG's supply chain. Data from this trial is presented in the table below, compared to emission values from our previous methodology.

Standardised conversion factors are used where data from suppliers is not available, and as more data from suppliers becomes available, some values may be restated. Any significant restatements will be provided in future reports with explanations provided.

Total Scope 3 emissions in 2023 are 6,526,467 tonnes CO_2e, versus 5,495,408 tonnes CO_2e in 2022.

Scope 3 category in tonnes CO_2e[1]	Method[2]	versus last year	versus 2019	**2023**	2022	2021	2020	2019
Category 3: Fuel and energy-related production	Fuel-based/ average data	23%	(15)%	**5,424,914**	4,399,985*	2,266,587	2,284,992	6,371,621
Category 2: Capital goods	Hybrid data	(45)%	(77)%	**128,000**	232,000	424,000	912,000	568,000
Category 14: Franchises	Franchise-specific	(5)%	(44)%	**449,848**	475,576	369,718	235,167	810,334
Category 9: Downstream transportation and distribution	Fuel-based	2%	(33)%	**167,666**	165,037	174,708	157,554	248,574
Category 11: Use of sold products	Other	108%	30%	**317,472**	152,268	65,391	59,081	244,459
Category 7: Employee commuting	Average data	33%	(45)%	**9,674**	7,294	5,514	5,720	17,515
Category 5: Waste generated in operations	Waste-type-specific	51%	12%	**4,209**	2,790	2,234	2,872	3,747
Category 1: Purchased goods and services	Average data	(24)%	(70)%	**204**	268	229	525	689
(Data following revised methodology trial with Watershed)				**(2,762,833)**	(2,028,326)	(1,172,771)	(1,398,858)	(2,731,217)
Other categories: 4, 6, 8	Varies	(6)%	2012%	**6,863**	7,330	2,567	1,807	325
Category 13: Downstream leased assets	Asset-specific	(67)%	n/a	**17,617**	52,860	14,042	0	0
TOTAL Scope 3 emissions		19%	(21)%	**6,526,467**	5,495,408*	3,324,992	3,659,717	8,265,262

* means restated using the latest data and assumptions.

1 Listed in order of highest to lowest climate impact in 2019. With the exception of Scope 3 category 1 emissions, categories less than 1,000 tonnes in 2019 are grouped together.

2 As described in the GHG Protocol "Technical Guidance for Calculating Scope 3 Emissions".

Scope 3 category	Description	Commentary on 2023 trends
Category 1: Purchased goods and services	Emissions from activities which represent material categories of spend and available data. Currently, this is based on water supply and consumption in offices and facilities, laundries, and potable water carried on-board. CO_2e values are calculated by multiplying m3 water use by UK government conversion factors.	Scope 3 category 1 emissions 204. This is a reduction of 24% from 2022, representing a fall in our water consumption y-o-y, based on our current methodology. IAG GBS completed a trial with Watershed in 2023 to revise the methodology for capturing Scope 3 category 1 emissions. The methodology involved a spend-based calculation applied to IAG's supply chain. Scope 3 category 1 emissions using the Watershed methodology were 2,762,833 in 2023.
Category 2: Capital goods	Emissions associated with aircraft manufacture and disposal. Calculated by multiplying the number of aircraft delivered and retired within the reporting year, by an effective tCO_2e per plane, based on disclosed operational emissions from aircraft and engine manufacturers in 2018 and 2019.	Scope 3 category 2 emissions 128,000. This is a fall of 45% from 2022, reflecting 2023 aircraft delivery and retirement data. 2020 is unusually high due to the number of accelerated fleet retirements related to COVID-19.
Category 3: Fuel and energy-related production	The well-to-tank emissions from jet fuel use, Scope 1 fuel use, and Scope 2 electricity kWh. CO_2e values are calculated by multiplying the weight or energy content of various fuels by the latest standardised UK Government GHG conversion factors.	Scope 3 category 3 emissions 5,424,914. This value is directly correlated to fuel use. The increase of 23% y-o-y is due to a recovery in flying demand.
Category 4: Upstream transportation and distribution	Emissions from subcontracted vehicles used in hub operations or cargo operations.	Scope 3 category 4 emissions 5,042. Based on 2020 data but not material.
Category 5: Waste generated in operations	Emissions associated with processing waste via recycling, recovery, incineration or landfill. These are calculated by multiplying total extrapolated global waste volumes by appropriate CO_2e/tonne conversion factors from the UK Government.	Scope 3 category 5 emissions 4,209. The 51% increase in 2023 is driven by higher volumes of onboard waste generated as a result of increased flying activity.
Category 6: Business travel	Emissions from jet fuel related to IAG staff travel on other airline carriers. Staff travel on IAG aircraft is captured in Scope 1 emissions. Emissions from crew hotels were included in 2023, where such data was available.	Scope 3 category 6 emissions 1,820. The 53% fall in 2023 emissions y-o-y reflects changes in business activities following the COVID-19 pandemic, and increased use of IT for internal communications in offices.
Category 7: Employee commuting	Emissions from staff travelling to and from workplaces. In the absence of detailed staff travel data, this is calculated by multiplying the number of FTE employees in the reporting period by the average commuting distance (km) and average weighted carbon intensity (CO_2e/km) of commuting based on the UK Government National Travel Survey.	Scope 3 category 7 emissions 9,674. A 33% increase y-o-y due to higher business activity, but lower than 2019 as some staff continue to work from home.
Category 8: Upstream leased assets	Jet fuel emissions from any aircraft leased from other carriers on a seasonal basis.	Not applicable in 2023 as no relevant activity was carried out, but may be relevant in future.
Category 9: Downstream transportation and distribution	Emissions from the fuel use of subcontracted air or ground freight.	Scope 3 category 9 emissions 167,666. The increase in 2023 is due to increased cargo operations.
Category 11: Use of sold products	Emissions related to products purchased by Avios members using Avios points. Purchases of IAG flights are reported under Scope 1 emissions. Product categories reported here are flights on non-IAG carriers, hotel stays and car hire, as these are the most material categories.	Scope 3 category 11 emissions 317,472. The increase in 2023 is due to Avios customer purchasing behaviour returning to near pre-pandemic levels as travel demand recovers.
Category 13: Downstream leased assets	Jet fuel emissions from any aircraft leased to other carriers on a seasonal basis.	Scope 3 category 13 emissions 17,617. In 2023, emissions reduced 67% y-o-y from leasing of aircraft to another airline.
Category 14: Franchises	Emissions from the jet fuel burn of aircraft franchises.	Scope 3 category 14 emissions 449,848. 2023 activity in franchises fell 5% y-o-y as business operations normalise as flying demand recovers.

A.2. Planet – Other

A.2.1a. Waste definitions

Relevant GRI standards: GRI 306-1/2/3 (2020)

See Section A.2.1 for 2023 waste metrics and a description of the '5 by 2025' waste targets.

Waste type	Waste metric	Description of metric
Single-use-plastic	Volume	Items made wholly or partly of plastic which are typically intended to be used just once or for a short period of time before they are thrown away. This aligns to the EU definition.
Onboard	kg/passenger	Numerator: Onboard waste is both cabin and catering waste. Cabin waste is defined as items collected from the cabin following flights, including newspapers, blanket and headphone wrapping, and packaging which passengers have brought onto the aircraft. Includes rubbish bins from toilets and excludes lost luggage. Catering waste is defined as food and packaging left over from onboard catering, including drinks cans, and IAG-owned waste from food preparation at catering facilities. Includes all categories of catering waste covering international and domestic flights.
		Denominator: The number of inbound passengers at hub airports, plus outbound passengers on short-haul flights whose waste was kept onboard the aircraft and offloaded at the hub when the plane returned.
Cargo	kg/tonne of cargo handled	Numerator: Total waste from handling and packaging cargo. This consists largely of recyclable materials such as plastic, wood and cardboard but is impacted heavily by ad hoc disposal of perishable or hazardous cargo.
		Denominator: Tonnes of cargo and mail handled in three main hubs: Dublin, Madrid and London Heathrow.
Maintenance	kg/person-hour	Numerator: Materials from specific maintenance/engineering facilities including paper, metal and hazardous waste. Excludes airport waste, aircraft disposal, construction waste and effluent.
		Denominator: Number of available person-hours at maintenance facilities, as compiled by maintenance teams.
Office	kg/employee	Numerator: Materials from printing, office stationery and onsite catering. Includes offices, training facilities, and Irish, Spanish and UK call centres. Includes technology waste, defined as primarily data centre equipment and IAG-owned IT equipment.
		Denominator: Total FTE employees at the end of the reporting period.

Waste disposal method	Description (as per GRI 306 standards)
Landfilled	Defined as "final depositing of solid waste at, below, or above ground level at engineered disposal sites". Includes: waste sent directly to disposal. Excludes: waste sent to third parties.
Incinerated	Defined as "controlled burning of waste at high temperatures". Includes: incineration with energy recovery.
Recovered	Defined as "any operation wherein products, components of products, or materials that have become waste are used or prepared to be used to fulfil a purpose in place of new products, components, or materials that would otherwise have been used for that purpose." Includes: incineration including energy from waste if the incinerator meets set standards. Excludes: reprocessing into materials that are to be used as fuels.
Recycled	Defined as "reprocessing of products or components of products that have become waste, to make new materials". Includes: downcycling, upcycling, composting and anaerobic digestion, uniforms re-used, and plastics turned into new plastic products. Excludes: reprocessing into materials that are to be used as fuels.

A.2.2a. Noise definitions

Description and commentary of noise metrics is in section A.2.2. IAG only reports on the most stringent ICAO and ICAO Committee on Aviation Environmental Protection (CAEP) standards for aircraft. The Group has been over 97 per cent compliant with ICAO Chapter 4 and CAEP Chapter 4 standards for several years.

Metric	Unit	Description	Commentary on 2023 trends
Noise per LTO	QC/LTO	Average noise per flight considering arrival and departure noise for each aircraft type. Based on the number of flights of all aircraft which operated during the year, including leased aircraft. Quota Count (QC) values from the UK Government are used to create a relative categorisation based on certified noise levels. For example, for a single flight, a Boeing 747 would have had a score of 6.0 while an Airbus A320NEO would have a score of 0.5 or lower.	This value has improved by 2% since 2022, and 14% since 2019, due to the use of newer quieter aircraft. Values can fluctuate year on year due to factors such as the mix of short-haul and long-haul flying.
NOx per LTO	kg/LTO	Average emissions of the air pollutants nitrogen oxides (NOx) as aircraft take off and land. This calculation considers the engine certifications and aircraft types of all aircraft which operated during the year, including leased aircraft, referencing information from the ICAO emissions database.	This value has increased by >1% since 2022, but improved by 4% since 2019. Increased flight operations account for slight y-o-y increases, but NOx reductions since 2019 are attributable to the introduction of newer aircraft.
ICAO Chapter 14	% of fleet at standard	ICAO Chapter standards compare aircraft noise against standardised limits that are a combination of lateral, approach and flyover noise levels. Higher standards are more stringent. Chapter 14 applies to new aircraft certified from January 1, 2017.	62% An increase of 3 percentage points from 2022 and 9 points from 2019. Compliance will continue to improve as newer aircraft are introduced to the fleet and following retirement of older aircraft.
CAEP Chapter 6	% of fleet at standard	ICAO CAEP standards are for NOx emissions from aircraft engines. Higher standards are more stringent. The CAEP 6 NOx standard applies to engines manufactured from January 1, 2008.	81% An increase of 1 percentage point from 2022, and 3 points from 2019. The improvement is driven by fleet modernisation.
CAEP Chapter 8	% of fleet at standard	The CAEP 8 standard applies to engines manufactured from January 1, 2014.	47% An increase of 6 percentage points from 2022, and 12 points from 2019. The improvement is driven by fleet modernisation.

A.2.3. Biodiversity

Biodiversity is not currently seen as a material issue for IAG, but the business is taking steps to manage and mitigate its impacts on biodiversity where relevant. A key method of mitigating biodiversity impacts is ensuring that SAF projects align with principles from the Roundtable on Sustainable Biomaterials (RSB) or International Sustainability & Carbon Certification (ISCC) standards. Other steps to manage biodiversity impacts include:

- IAG airlines are signatories to the Buckingham Palace Declaration on preventing global wildlife trafficking.
- The Group implements active governance around overseas offset projects to account for their impact on biodiversity.
- British Airways owns approximately 20 acres of 300 acres of parkland surrounding the London head office, which includes grassland, lakes and ponds and has rangers actively managing these habitats.

A.2.4. Water

Relevant GRI standards: GRI 303-3

Water consumption is not a material issue for IAG. However, water use is monitored across the Group and IAG consumed 539,791 m^3 of water in 2023 in offices, ground facilities and potable water onboard aircraft. The 2023 reduction increase is due to stabilising Group operations following the COVID-19 pandemic.

Metric	Unit	vly	**2023**	2022	2021	2020	2019
Water consumption	'000 m^3	(15)%	**540**	638	544	525	655

B. People

Sections B.1. to B.6. are on prior pages of this NFIS.

B.2a. Key headcount metrics

Headcount – Gender and Age

Relevant standards: GRI 2-7; GRI 405-1

Total number and distribution of employees by sex

	Headcount			Headcount (%)		
Metric	vly	**2023**	2022	vly	**2023**	2022
Female	9%	**31,807**	29,193	0pts	**44%**	44%
Male	9%	**39,987**	36,851	0pts	**56%**	56%
Group Total	9%	**71,794**	66,044	-	**100%**	100%

Total number and distribution of employees by age

	Headcount			Headcount (%)		
Metric	vly	**2023**	2022	vly	**2023**	2022
Over 50	9%	**22,493**	20,730	0pts	**31%**	31%
30–50	5%	**34,735**	33,090	(1pt)	**49%**	50%
Under 30	19%	**14,560**	12,224	1pt	**20%**	19%
Group Total	9%	**71,794***	66,044	-	**100%**	100%

* 6 employees are omitted due to missing date of birth information

Description

The share of headcount across the Group by Sex (Male/Female) or Age (Grouped – Over 50; 30–50; and Under 30) on 31 December 2023

Commentary

The gender distribution across the Group has remained constant in 2023, reflecting uniform growth rates for both males and females, factoring in attrition and new joiners.

The under-30 age group constitutes 20% (+1pt) of the Group year-end headcount, reflecting a lower attrition rate compared to 2022 for this population. The relative decrease in the 30–50 age group at 49% (-1pt) reflects a more normalised recruitment profile compared to 2022, which saw a significant number of experienced cabin crew members returning to the business, coupled with a slightly lower reduction in attrition rate compared to other age groups.

Headcount – Employment types

Relevant standards: GRI 2-7

Total number and distribution of employees by contract type

	Headcount			Headcount (%)		
Metric	vly	**2023**	2022	vly	**2023**	2022
Permanent	9%	**68,608**	63,023	1pt	**96%**	95%
Temporary	5%	**3,186**	3,021	(1pt)	**4%**	5%
Group Total	9%	**71,794**	66,044	-	**100%**	100%

Total number and distribution of employees by full-time/part-time

	Headcount			Headcount (%)		
Metric	vly	**2023**	2022	vly	**2023**	2022
Full-Time	3%	**54,669**	52,976	(4pts)	**76%**	80%
Part-time	31%	**17,125**	13,068	4pts	**24%**	20%
Group Total	9%	**71,794**	66,044	-	**100%**	100%

Description

Composition is a breakdown of headcount as at 31 December 2023. Full-time employees are defined as those working full contractual hours as at 31 December 2023. A temporary employment contract has a defined end date.

Commentary

The decline in temporary workforce (1pt) is driven by the change in seasonal (temporary) contracts in Spain from temporary employment arrangements to permanent fixed-discontinuous terms (a specific Spanish contractual term).

This change has an associated impact in our year-end part-time headcount which now accounts for 24% of headcount, as these previously seasonal workers are now included in the final year-end census.

Headcount – Professional Category

Relevant standards: GRI 2-7

Total number and distribution of employees by professional classification

	Headcount			Headcount (%)		
Metric	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	11%	**16,784**	15,091	0pts	**23%**	23%
Cabin Crew	8%	**24,004**	22,278	(1pts)	**33%**	34%
Corporate Functions	13%	**15,811**	14,025	1pt	**22%**	21%
Maintenance	3%	**6,972**	6,782	0pts	**10%**	10%
Pilots	5%	**8,223**	7,868	0pts	**12%**	12%
Group Total	9%	**71,794**	66,044	-	**100%**	100%

Description

The employee category breakdown shows the distribution of the major groups within IAG's workforce 'in the air' – pilots and cabin crew – and 'on the ground' – airport, corporate and maintenance.

Commentary

In 2023, the Group experienced increases in overall headcount across all functions, with a notable emphasis on sustained recruitment in our Airport Operations (11% increase), particularly in our Spanish business. Additionally, the Group has seen increases in certain Corporate functions (13% increase) with investment in customer and IT-related roles – in particular within our global customer contact centres and management roles in Heathrow.

Headcount – Country/Region

Relevant standards: GRI 2-7; GRI 2-30

Total number and distribution of employees by country/region (with percentage of employees covered by collective bargaining agreements)

	Headcount			Headcount (%)			Employees covered by CBA			% covered by CBA		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022*
Europe	8%	**67,748**	62,508	(1pt)	**94%**	95%	9%	**61,203**	56,418	0pts	**90%**	90%
United Kingdom	11%	**37,500**	33,835	1pt	**52%**	51%	11%	**33,418**	30,253	0pts	**89%**	89%
Spain	7%	**23,743**	22,293	(1pt)	**33%**	34%	8%	**22,837**	21,179	1pt	**96%**	95%
Ireland	10%	**5,159**	4,680	0pts	**7%**	7%	8%	**4,287**	3,954	(1pt)	**83%**	84%
Other Europe	(21%)	**1,346**	1,700	(1pt)	**2%**	3%	(36%)	**662**	1,032	(12pts)	**49%**	61%
Africa, Middle East and South Asia	24%	**2,527**	2,030	1pt	**4%**	3%	(13%)	**222**	255	(4pts)	**9%**	13%
North America	3%	**950**	920	0pts	**1%**	1%	3%	**678**	658	(1pt)	**71%**	72%
Latin America and Caribbean	2%	**324**	318	0pts	**0.6%**	0.6%	(5%)	**194**	205	(4pts)	**60%**	64%
Asia Pacific	(9%)	**245**	268	0pts	**0.4%**	0.4%	(9%)	**106**	117	(1pt)	**43%**	44%
Group total	9%	**71,794**	66,044	–	**100%**	100%	8%	**62,404**	57,652	0pts	**87%**	87%

* re-statement of %s for 2022 due to formula discrepancy which now correctly reflects c1000 non-CBA employees

Description

Collective bargaining can cover a wide array of issues pertaining to working conditions, such as remuneration, working time, perks and benefits, and occupational safety and health. This coverage rate refers to the proportion of employees who are covered by one or more collective agreements. It is calculated using headcounts at the end of the reporting period.

Commentary

The Group recorded headcount growth across our key markets in the UK, Spain, and Ireland, with a notable increase in airport operations in Spain. Concurrently, reductions in Other Europe (21%) are linked to the restructuring of one of our business units in Germany. Furthermore, the increase in headcount in Africa, the Middle East, and South Asia (24%) can be attributed to the expansion of customer contact centres in India.

Collective bargaining coverage rates have remained stable in core markets (UK, Spain and Ireland).

B.2.b. Employment and working organisation

Relevant standards: GRI 2-7

Total number of employment contracts and distribution by type
(annual average headcount of permanent, temporary and part-time contracts)

Gender distribution

	Permanent contracts			Temporary contracts		
Metric	vly	**2023**	2022	vly	**2023**	2022
Men	13%	**37,337**	33,003	(4%)	**1,530**	1,590
Women	18%	**29,320**	24,941	(5%)	**1,575**	1,658
Total	15%	**66,657**	57,944	(4%)	**3,105**	3,248

	Full-time contracts			Part-time contracts		
Metric	vly	**2023**	2022	vly	**2023**	2022
Men	8%	**31,952**	29,602	39%	**6,914**	4,991
Women	9%	**20,796**	19,059	34%	**10,099**	7,540
Total	8%	**52,748**	48,661	36%	**17,013**	12,531

Age distribution

	Permanent contracts			Temporary contracts		
Metric	vly	**2023**	2022	vly	**2023**	2022
Under 30	42%	**10,969**	7,753	15%	**1,957**	1,697
30–50	10%	**33,076**	29,936	(27%)	**1,052**	1,438
Over 50	12%	**22,608**	20,255	(11%)	**96**	108
Total	15%	**66,657***	57,944	(4%)	**3,105**	3,248

	Full-time contracts			Part-time contracts		
Metric	vly	**2023***	2022	vly	**2023***	2022
Under 30	30%	**10,822**	8,305	84%	**2,104**	1,142
30–50	3%	**25,737**	24,895	30%	**8,391**	6,484
Over 50	5%	**16,187**	15,461	33%	**6,516**	4,905
Total	8%	**52,748***	48,661	36%	**17,013***	12,531

Employee category distribution

	Permanent contracts			Temporary contracts		
Metric	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	20%	**15,531**	12,923	(25%)	**864**	1,155
Cabin Crew	18%	**22,177**	18,768	(12%)	**1,296**	1,478
Corporate Function	22%	**14,215**	11,648	49%	**780**	523
Maintenance	(4%)	**6,649**	6,894	79%	**165**	92
Pilots	5%	**8,085**	7,710		**0**	0
Total	15%	**66,657**	57,943	(4%)	**3,105**	3,248

	Full-time contracts			Part-time contracts		
Metric	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	0%	**10,565**	10,506	63%	**5,830**	3,572
Cabin Crew	5%	**15,564**	14,780	45%	**7,909**	5,465
Corporate Function	26%	**13,713**	10,928	3%	**1,282**	1,244
Maintenance	(3%)	**6,543**	6,765	22%	**271**	222
Pilot	12%	**6,363**	5,682	(15%)	**1,721**	2,028
Total	8%	**52,748**	48,661	36%	**17,013**	12,531

* 6 employees are omitted due to missing date of birth information

Description

Average numbers for each employment contract in which the employee's role was active during the reporting period (pro-rated for period employed – maximum value of 1).

Commentary

Average headcount has continued to increase as a reflection of the cumulation of our 2022 recruitment campaigns and is now at 69,762. There are demographic shifts with 84% increase of those under-30 in part-time roles which is a reflection of the changing of seasonal contracts in Spain. Alongside this there has been increases in Airport Operations and Corporate functions, notably in customer and IT roles.

Average hours of training

Relevant standards: GRI 404-1

Gender distribution

	Training hours completed			% of employees trained			Avg. training hours		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Men	14%	**1,616,617**	1,420,183	3pts	**94%**	91%	(9%)	**39.3**	43.3
Women	1%	**1,602,474**	1,591,903	6pts	**92%**	86%	(18%)	**55.2**	67.1
Total	7%	**3,219,091**	3,012,086	4pts	**93%**	89%	(14%)	**45.8**	53.3

Employee category distribution

	Training hours completed			% of employees trained			Avg. training hours		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	35%	**633,796**	470,019	1pt	**94%**	93%	4%	**39.9**	38.2
Cabin Crew	(7%)	**1,574,677**	1,695,211	7pts	**93%**	86%	(21%)	**73.2**	92.2
Corporate Function	6%	**427,455**	404,992	6pts	**90%**	84%	(27%)	**25.2**	34.5
Maintenance	31%	**284,176**	216,712	4pts	**96%**	92%	28%	**40.2**	31.5
Pilots	33%	**298,987**	225,151	2pt	**98%**	96%	8%	**33.9**	31.4
Total	7%	**3,219,091**	3,012,086	4pts	**93%**	89%	(14%)	**45.8**	53.3

Description

All mandatory and non-mandatory training is in scope and can cover a wide array of topics, including human rights, anti-corruption, flight simulator and e-learning courses. The '% of employees trained' rate refers to the proportion of employees who completed any training within the report period and 'Avg. training hours' is based on the total training hours performed per average headcount, pro-rated to Full Time Equivalent (FTE).

Commentary

In 2023, there has been an overall increase in training hours of 7% which is broadly in line with our 9% increase in headcount.

Reductions in average training hours across all our employees is a result of the notable recruitment campaigns in 2022, where over 17,000 individuals joined the business, predominantly in operational roles such as Airport Operations and Cabin Crew – with investment in training key to effective on-boarding and readiness to operate. Additionally, there was substantial retraining for existing operational employees to rebuild our network and capacity, e.g. pilots being re-skilled and re-certified on different aircraft types.

Average training hours for female employees remains higher than males due to their stronger representation in Cabin Crew roles, which have significantly higher training hours compared to other role-types.

In 2023, the data reflects the lasting effects of the substantial training investments made the previous year. Despite the decrease in overall training metrics, the percentage of employees trained has remained relatively stable, underscoring our ongoing commitment to careers and development.

Health and safety at work

Relevant standards: GRI 403-9; GRI 403-10

Lost Time Injuries

	Workplace Accidents			Lost Time Injury (LTI) severity rate			Lost Time Injury (LTI) frequency rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	41%	**805**	571	3%	**28.9**	28.0	16%	**6.7**	5.8
Cabin Crew	46%	**763**	523	(32%)	**12.0**	17.7	23%	**5.3**	4.3
Corporate Function	166%	**88**	33	(67%)	**13.5**	41.4	133%	**0.7**	0.3
Maintenance	22%	**125**	102	(28%)	**23.6**	32.8	21%	**2.3**	1.9
Pilots	46%	**73**	50	18%	**16.6**	14.1	30%	**1.3**	1.0
Total	45%	**1,854**	1,279	(15%)	**20.4**	24.0	23%	**3.7**	3.0

	Workplace Accidents			Lost Time Injury (LTI) severity rate			Lost Time Injury (LTI) frequency rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Men	45%	**1,035**	713	(11%)	**23.1**	26.1	21%	**3.5**	2.9
Women	45%	**819**	566	(20%)	**17.0**	21.2	60%	**4.0**	2.5
Total	45%	**1,854**	1,279	(15%)	**20.4**	24.0	23%	**3.7**	3.0

Absenteeism

	Number of instances			Hours absent			Absenteeism rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	5%	**12,639**	11,942	10%	**2,110,641**	1,921,075	(0.7pts)	**8.2%**	8.9%
Cabin Crew	6%	**16,654**	15,458	16%	**2,044,707**	1,756,203	(0.4pts)	**6.7%**	7.1%
Corporate Function	18%	**7,065**	6,181	11%	**696,983**	630,804	(0.3pts)	**2.7%**	3.0%
Maintenance	(10%)	**4,506**	5,047	(11%)	**528,581**	590,817	(0.7pts)	**4.5%**	5.2%
Pilots	3%	**5,283**	5,131	33%	**618,387**	466,356	0.7pts	**5.2%**	4.5%
Total	6%	**46,057**	43,759	12%	**5,999,299**	5,365,255	(0.3pts)	**5.7%**	6.0%

	Number of instances			Hours absent			Absenteeism rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Men	5%	**25,108**	24,326	11%	**3,182,945**	2,879,589	0.1pt	**5.1%**	5.0%
Women	10%	**20,949**	19,433	13%	**2,816,354**	2,485,666	0.4pt	**6.4%**	6.0%
Total	6%	**46,057**	43,759	12%	**5,999,299**	5,365,255	(0.3pt)	**5.7%**	6.0%

Occupational illness

	Number of instances		
Metric	vly	**2023**	2022
Men	(85%)	**4**	26
Women	75%	**7**	4
Total	(54%)	**11**	30

Workplace fatalities

	Number of instances		
Metric	vly	**2023**	2022
Cabin Crew	–	**0**	0
Pilots	–	**0**	0
Airport Operations	–	**0**	0
Corporate Function	–	**0**	0
Maintenance	–	**0**	0
Total	–	**0**	0

Description and methodology

Metric	Description	Formula for calculation
Lost Time Injury severity rate	This measures the impact of occupational accidents as reflected in time off work by the affected workers.	(Working days lost)/(Number of LTIs)
Lost Time Injury frequency rate	A lost time injury (LTI) is a non-fatal injury arising out of, or during, work, which leads to a loss of productive work time. The unit of measurement is LTI per 200,000 hours worked, using actual hours worked.	((Hours lost due to workplace injury)/(Hours worked)) x 200,000
Hours absent	For the purpose of this metric, only unplanned or unauthorised absences – which means employees missing partial or whole days of work – are included. Examples in scope are short-term and long-term sickness, time off due to injuries, and no-shows, absences without leave or permission.	Sum(Hours absent)
Absenteeism rate	The absenteeism rate is calculated as total employee absences divided by total scheduled hours in the reporting period, expressed as a percentage. In general, most of the Group record absence in hours. Where days are recorded (mostly in Pilots and Cabin Crew category), days are converted to hours at a rate of 7.5 hours per day (Group average full day).	(Number of hours absent)/(Number of hours scheduled)
Occupational illness:	An occupational illness is a medical condition or disease that develops gradually over time as a result of work performed and/or exposure to risk factors in the workplace. The illness must be confirmed by a medical diagnosis. Occupational illnesses in scope for the UK follow Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) standards and can be found on the Health and Safety Executive's (HSE) website. Occupational illnesses in scope for Spain are published in the Royal Decree 1299/2006.	Number of occupational illness medically diagnosed
Fatalities:	Work-related fatalities associated to an occupational illness or diseases. To align with GRI guidance, fatalities as a result of commuting accidents are only included in cases where the transport has been organised by the business, such as via a company or contracted bus or vehicle. The exception is employees in Spain, where inclusion of these types of fatalities is a legal requirement.	Number of work-related fatalities

Commentary

In the context of the business having recovered to 96% of our 2019 operational capacity, its notable that the recent workplace data for 2023 shows both improvements and challenges compared to both 2022 and 2019.

The increase in accident frequency rates to 3.7 days per injury, along with a 45% rise in accidents, reflects a return to more normalised operational levels. This shift is attributed to colleagues, who spent a significant period in training during 2022, now contributing additional operational hours to the Group

The Group's absenteeism rates have remained consistent at 5.7%, and a total of 6 million absence hours were recorded in 2023. Most employee groups experienced modest decreases in absenteeism rates.

Occupational illness in 2023 decreased to 11 incidents, with the majority of these being injuries/diseases which do not have a disabling effect on the individual.

There were no recorded fatalities associated with occupational injuries or illnesses in 2023.

B.2.c. Employee turnover

Relevant standards: GRI 401-1

Relevant CNMV title: Total number of dismissals and voluntary leavers (distribution by gender, age and job category)

Total number of leavers and turnover rate by gender

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Men	(3%)	**2,694**	2,771	(2pts)	**6.9%**	8.9%	41%	**804**	571	0.7pt	**2.1%**	1.4%
Women	2%	**2,450**	2,396	0.2pt	**7.9%**	7.7%	77%	**664**	375	0.6pt	**2.2%**	1.6%
Total	0%	**5,144**	5,167	(1pt)	**7.4%**	8.4%	55%	**1,468**	946	0.6pt	**2.1%**	1.5%

Total number of leavers and turnover rate by age

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Under 30	10%	**2,246**	2,048	(3.7pts)	**17.4%**	21.1%	34%	**395**	298	0pts	**3.1%**	3.1%
30–50	(7%)	**2,014**	2,174	(0.8pt)	**5.9%**	6.7%	93%	**618**	322	0.8pt	**1.8%**	1.0%
Over 50	(6%)	**884**	945	(0.6pt)	**3.9%**	4.5%	40%	**455**	326	0.5pt	**2.0%**	1.5%
Total	0%	**5,144**	5,167	(1pt)	**7.4%**	8.4%	55%	**1,468**	946	0.6pt	**2.1%**	1.5%

Total number of leavers and turnover rate by employee category

	Voluntary leavers			Voluntary attrition rate			Non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Airport Operations	(9%)	**1,168**	1,289	(2pts)	**7.1%**	9.1%	26%	**498**	394	0.3pt	**3.0%**	2.7%
Cabin Crew	11%	**1,523**	1,367	(0.3pt)	**6.5%**	6.7%	10%	**306**	278	0pt	**1.3%**	1.3%
Corporate Function	(4%)	**1,803**	1,869	(2.3pts)	**12.0%**	14.3%	251%	**534**	152	2.4pts	**3.6%**	1.2%
Maintenance	(12%)	**452**	512	(0.1pt)	**6.6%**	6.7%	5%	**44**	42	0.1pt	**0.7%**	0.6%
Pilots	52%	**198**	130	0.7pt	**2.5%**	1.7%	8%	**86**	80	0.1pt	**1.1%**	1.0%
Total	0%	**5,144**	5,167	(1pt)	**7.4%**	8.4%	55%	**1,468**	946	0.6pt	**2.1%**	1.5%

Description

Measured as the number of leavers as a percentage of the average number of Group employees in the year. The number of leavers excludes temporary contracts and death in service. Voluntary turnover occurs when employees choose to leave (e.g. resignation, retirement, voluntary redundancy) and non-voluntary turnover occurs when employees leave for reasons other than a personal decision (e.g. compulsory redundancy, dismissal).

Commentary

The overall annual turnover in 2023 was 9.5%, of which 7.4% were voluntary leavers and 2.1% were non-voluntary leavers.

The increase in non-voluntary leavers is attributed to the re-structuring of our central IT function and the closure of one of our customer contact centres in Germany. With the exception of this restructure, the non-voluntary ratios are consistent with 2022.

The voluntary attrition ratios reflect a stable picture with no change in overall voluntary leavers and a modest 1% reduction in our voluntary attrition rates. The decrease in Airport Operations attrition rates (2 pts), associated with the movement to permanent contracts for those in Airport Operations in Spain and the modest increases in Pilot voluntary attrition (0.7pt) is associated with leavers from Iberia Express and Vueling.

B.2.d. Other social and employee-related matters and metrics

Working hours

Relevant standards: GRI 103-2, 401-2

Time worked and holidays are different in each operating company as per the respective collective bargaining agreements. As a result, the Group does not have a group-wide working hours policy.

Employees with disabilities

Relevant standards: GRI 405-1

Metric	vly	**2023**	2022
Employees with disabilities[1]	26%	**914**	724
Overall share of headcount	0.2pts	**1.3%**	1.1%

[1]Aer Lingus data is out of scope.

Description

Employees with disabilities as a percentage of headcount at the end of the year.

Collecting disability information on employees is not a legal requirement in the UK or Ireland, unlike in Spain. Disabilities in scope are medically certified in Spain but self-declared in all other jurisdictions.

Commentary

The 2023 percentage has increased slightly in 2023 to 1.3% of Group headcount. The majority of this change is associated with increased voluntary disclosures in the UK (+99) and increases in those who have declared the medically diagnosed disability in Spain (+101).

B.8. Remuneration and salary gap

Relevant standards: GRI 405-2

B.8.1. Average remuneration by gender, age and job category – salary gap

Remuneration 2023 by seniority level (€) and by age band (€)

		Overall			Male			Female			Salary gap		
	Category	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022	vly	**2023**	2022
Seniority	Senior executives	5%	**314,186**	300,465	14%	**347,180**	305,829	6%	**299,596**	281,839	5.9pts	**13.7%**	7.8%
	Other management	2%	**234,686**	230,460	0%	**251,378**	251,249	(2%)	**121,048**	123,602	0.7pt	**51.9%**	51.2%
	All other employees	3%	**52,615**	51,259	0%	**52,651**	52,742	6%	**52,572**	49,667	(5.6pts)	**0.2%**	5.8%
	Total Workforce	2%	**55,855**	54,745	0%	**58,601**	58,374	6%	**53,678**	50,868	(4.5pts)	**8.4%**	12.9%
Age Group	<30	(4%)	**39,182**	40,754	(8%)	**37,478**	40,877	(1%)	**40,487**	40,700	(8.4pts)	**-8.0%**	0.4%
	30–50	2%	**56,687**	55,672	(1%)	**59,639**	59,309	3%	**53,937**	52,480	(1.9pts)	**9.6%**	11.5%
	>50	2%	**67,661**	66,636	(2%)	**70,482**	71,555	6%	**65,033**	61,502	(6.4pts)	**7.7%**	14.1%
	Total Workforce	2%	**55,855**	54,745	0%	**58,601**	58,374	6%	**53,678**	50,868	(4.5pts)	**8.4%**	12.9%

The difference between the Gender Pay Gap and Pay Equity

The Gender Pay Gap is a measure based essentially on pay averages across an organisation. It takes no account of the different roles that people occupy.

Pay Equity is the principle that people doing the same work should receive the same pay, allowing for legitimate differences such as tenure, performance and experience.

It is perfectly possible for an organisation that pays its people fairly and equitably within different roles to have a Gender Pay Gap. The existence of a Gender Pay Gap does not in itself mean that there is any problem with Pay Equity.

IAG has strong pay equity principles in place, ensuring that our male and female employees are paid equitably for the work they do, based on experience and performance (within other factors).

Description

Remuneration data is presented at the median for gender, age and seniority population groupings. The reported components of remuneration continue to include basic salary, shift pay, allowances and employer pension contributions, taxable benefits and annual incentives, so that a clear view to overall, total remuneration is provided.

The presentation of remuneration values and the population included continued on an unchanged basis, in that:

- All values are shown on an annualised basis;
- All values shown are on a full time equivalent basis;
- Values are only reported for time worked. Remuneration received for not working is excluded from reported values;
- To ensure consistency 2022 non-euro remuneration have been restated using 2023 exchange rates;
- The reported salary gap for each population continues to represent the difference between men and women's median remuneration, expressed as a percentage of men's remuneration; and
- Regarding seniority population groupings 'Senior executives' includes Group management committee members, operating company management committee members, directors and other senior/executive positions. 'Other management' includes all other management roles, including pilots at the captain seniority level. The 'All other employees' grouping includes all other roles across the group, including the majority of pilots and cabin crew.

Commentary

Within IAG's operating model, employee reward is owned and managed within each operating company to enable them to deliver the right customer and employee experience. Our employees have been central to our strong performance and key to delivering for our customers. Operating companies continue to put in place a range of tools that are appropriate in their respective markets and geographies to support our people through these challenging times and ensure our pay models are sustainable, fair and aligned to the Group's future success.

B.8.2. Salary gap analysis

As the Group built back resources during 2023, in particular in airport operations, customer and IT roles, the composition of the workforce has changed, with the resultant median pay point for both men and women changing compared to 2022. The result is that at Group level, there has been a year-on-year reduction in the median salary gap from 12.9% in 2022 to 8.4% in 2023, and from 31.7% to 32.6% for the mean salary gap.

Pilot pay remains the most significant driver of gender pay gap, reflecting both lower numbers of female pilots and the impact of seniority. This is a key area of focus across all airlines in the group and each airline is looking at increasing the diversity of its pilot populations through talent attraction and recruitment practices and through school engagement and outreach programmes. For example, British Airways, Aer Lingus and Iberia have launched fully or semi-funded pilot cadet programmes. Aer Lingus currently has 11% of pilot roles filled by women, the third-highest gender representation of pilots of all airlines globally (Source: International Society of Women Airline Pilots 2021).

The gender pay gap in the 'Other management' category is driven by the inclusion of pilots, at the Captain seniority level, within that group.

At the start of 2022 we announced our ambition to achieve 40% of women in senior leadership roles by 2025. This ambition was underpinned by a new diversity and inclusion framework and strategy, and we have been making strong progress in making IAG a more inclusive place to work. In 2023, we end the year at 36% of women in senior leadership roles, up from 34% in 2022.

Operating companies have implemented a range of initiatives to support gender equality, including reviewing recruitment processes to ensure diverse shortlists and interview panels, setting up mentoring and networking opportunities for women and providing educational programmes for girls and young women considering career paths in aviation.

Further explanations of the steps that IAG is taking to promote diversity and inclusion across the Group are set out in the 'Equity, Diversity and Inclusion' section of the Sustainability Report.

B.8.3. Board and Management Committee remuneration

Description:

Average remuneration of Board members and directors, including variable remuneration, allowances, professional indemnity, contributions to pension and welfare systems and any other parts of the remuneration broken down by gender.

	vly	**2023**	2022	2021	2020	2019
Board						
Men	(17.7%)	**668,333**	836,667	510,167	407,326	638,010
Women	2.5%	**141,400**	138,000	114,600	109,798	133,799
Management Committee						
Overall	(4.7%)	**1,451,375**	1,523,328	1,287,780	653,403	1,012,671

Description

- The reported components of remuneration include:
  - Executive directors: Basic salary, taxable benefits (company car and private health), employer pension contributions, annual incentives paid in the reporting period and long-term incentives vesting in the reporting period, personal accident and life insurance.
  - Non-executive directors: All fees (board, chair, committee membership etc) and (taxable) personal travel benefits.
- Using the methodology established in 2020, only directors or Management Committee members, who were in service for the full year reporting period are included in the year-on-year comparison.
- As per previous years, the remuneration of the IAG CEO is omitted from Management Committee remuneration reporting on the basis it is already reported as part of board director remuneration.
- These figures are derived from the methodology as per the Remuneration Report filed with the Spanish National Securities Market Commission (CNMV).

Explanation for Board remuneration

The higher level of average remuneration paid to male directors compared to female directors is a direct consequence of male incumbents holding the higher remunerated CEO and Chairman roles. Where male and female non-executive directors perform the same responsibilities, the level of remuneration paid is equivalent as a result of the Group's standardised non-executive fee framework.

In 2023 and 2022 the remuneration of 10 non-executive directors and the IAG CEO is included, with the same split of six male and five female.

The key factors influencing the decreased remuneration for directors, are:

- The decrease in IAG CEO remuneration from 2022 to 2023, driven by:
  - As 2018 Performance Share Plan lapsed in full, in 2023, the IAG CEO did not have any award from Long-term incentives releasing from a holding period; and
  - In December 2022 ceased the payment of a transitional allowance ceased.
- Non-executive directories fees remained unchanged in 2023 vs unchanged in 2023 vs 2022;
- There is a decrease in the take-up of personal flight benefits.
- More generally, female director remuneration is less volatile as there are no female executive directors.

Further explanations of the Board Remuneration are set out in the 'Director Remuneration Report' section of the governance report.

Explanation for Management Committee remuneration

Both the components of remuneration and the opportunity associated with those components for Management Committee members remain unchanged from 2022 to 2023. The decrease in average Management Committee member remuneration in 2023 was driven by factors such as:

- Changes in Management Committee membership between 2022 and 2023; For 2023, this reports the total remuneration of nine Management Committee members, six male and three female. For comparison, last year's data set was comprised of 10 Management Committee members, eight male and two female. No gender break-out is shown for confidentiality reasons, given the female data set relates to only three employees.
- The respective release and vesting of historical 2018 and 2020 deferred share awards;
- Payment of approved 2023 annual incentive award; and
- The lack of Long-term incentive vesting in the period.

The awards resulting from the change in long-term incentive approach from Performance Share Plan (PSP) to a Restricted Share Plan (RSP), will be reported in the year of vesting, from 2024 onwards, at the point the realised value is known. This is consistent with our approach of reporting the value of long-term incentives in other CNMV disclosures.

B.9. Prosperity

B.9.1. Community and employment impacts

Relevant CNMV title: Impact of the Company's activities on employment and local development; impact of the Company's activities on local populations and territories; relations with actors in local communities and forms of engagement

At IAG, our purpose is to help make the world a better place by connecting people, businesses and countries. We are committed to supporting the development of the regions in which we operate, creating jobs, investing in infrastructure, and contributing to social and environmental causes.

Bringing economic growth to communities

Reactivating our network has meant more opportunities for people and businesses to connect. This is important for IAG's performance but also has a positive impact on the economies in which we operate. Aviation boosts economies, supports jobs and develops supply chains globally. This year, we commissioned a study with consultants PwC which analysed IAG's economic impact across the EU and UK for the first time. It took 2019 as the reference period, the last full year of flying before the pandemic. PwC found that IAG supports more than 600,000 jobs in the region directly and indirectly, contributing nearly €70 billion to the GDP of the EU and UK.

Strengthening local employment

IAG sees work experience as a valuable way of supporting local employment, by engaging young people with IAG's operating companies and platform businesses, building their skills and preparing them for potential careers. Many of our operating companies offer programmes and initiatives which support this aim, including:

- British Airways has continued its investment in emerging talent, evidenced by an increase in the number of graduates and apprentices joining the company. Early outreach efforts have continued through strategic partnerships and initiatives, such as the Prince's Trust Programme. The company has prioritised efforts to open different entry routes into careers, aiming to attract more individuals from diverse and lower socio-economic backgrounds through apprenticeship schemes, business placements and internships for Future Leaders;
- Iberia has continued to run its successful internship scholarship programme, offering postgraduate students unique opportunities within the airline. In addition, Iberia continues to offer vocational programmes within their Maintenance and Operations areas, and they have multiple agreements with vocational training schools in the Madrid area for their Aeronautical Maintenance Technician programme, such as *'Cátedra Iberia*' with la *Universidad Politécnica de Madrid*;
- Vueling sponsors the Cranfield University Job Fair, which focuses on supporting and attracting the best young talent into the aviation sector. In 2023, Vueling launched its first internship program, aimed at offering early talent career opportunities and providing professional experience to students from local universities; and
- Aer Lingus continues to engage with colleges across Ireland, running career days and recruitment fairs to inform students of career opportunities in aviation. Aer Lingus continues to focus on initiatives to increase diversity in engineering apprenticeship programmes.

Community engagement and charitable support

In 2023, IAG raised over €7.4 million for charitable causes across the Group. Of this, 36 per cent came from customer contributions, 39 per cent from Company donations, 17 per cent from employee contributions, and 8 per cent from in-kind donations. Our operating companies and platform businesses have partnered with charities and local communities, including:

- In 2023, Iberia and UNICEF Spain celebrated a 10 year strategic alliance supporting regular vaccination programmes for vulnerable children. Thanks to the support of the airline's customers and employees more than one million children have been vaccinated. Also, Iberia Plus members, through 'Avios Solidarios', have donated generously to support their choice of non-governmental organisation;
- Through the BA Better World Community Fund, British Airways customers and colleagues collectively raised over £5 million to support more than 170 charities across the UK. Since November 2022, British Airways Executive Club members have continued to support causes through Avios donations with match funding provided by IAG Loyalty. Through its 'Flying Start' partnership with Comic Relief, British Airways customers and colleagues have raised over £28 million since 2010, benefiting over one million people facing poverty in the UK and around the world. Additionally, for a decade, British Airways has provided support to the Disasters Emergency Committee (DEC), contributing to 13 humanitarian appeals including Ukraine, the Turkey & Syria Earthquake Appeal and the Pakistan Floods; and
- IAG Cargo's initiative called 'Day to Make a Difference' is now in its second year. Colleagues support a range of community projects, from revamping neglected community gardens to supporting a children's NGO in India.

Further detail on charitable partnerships can be found in the B. People section of the annual report.

B.9.2. Consumer relationship management

Relevant standards: GRI 102-43, 103-2

Claims systems and complaints

	Unit	vly	**2023**	2022	2021	2020	2019
Customer complaints	# per 1,000 passengers	(4%)	**4.3**	4.5	4.9	6.5	3.2

Description
Calculated by dividing total customer complaints for the year, by total passengers.

Commentary
IAG airline customers are able to provide feedback and details of complaints in multiple ways, including via IAG airlines' websites, by mail, or by phoning customer contact centres. The types of customer complaints received vary significantly, but typically relate to delays and cancellations, baggage, journey experience, bookings and reservations. To handle customer complaints, IAG airlines have dedicated customer relations teams who are specially trained to deliver excellent customer service and resolve issues quickly and in a satisfactory manner. Through their complaint systems, IAG airlines actively track and monitor resolution of customer complaints using metrics which include the time between a complaint being received and the first communication provided back to the customer, or the number of cases raised that have been successfully closed.

In 2023 an average of 4.3 complaints per 1,000 flow passengers were received across all IAG airlines. This ratio has been on a downward trajectory for the past two years, though it remains higher than pre-pandemic levels.

All IAG airlines also provide facilities for customers to exercise their rights to claim compensation under Regulation (EC) No. 261/2004 of the European Parliament and of the Council of February 11, 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights. Customers are additionally able to use the IAG airlines' contact channels to submit claims for financial compensation relating to baggage incidents and other out–of–pocket expenses, which are assessed and resolved by IAG's customer relations teams.

B.9.3. Public subsidies received

Relevant standards: GRI 201-4

	Unit	vly	**2023**	2022	2021	2020	2019
Total public subsidies	€ million	(19%)	**238**	293	707	474	94
UK and EU ETS allowances at zero cost	€ million	(14%)	**235**	273	277	122	nr

Public subsidies were not reported in 2018 as they were assessed as immaterial.

Description
Public subsidies are defined as EU, Swiss and UK Emissions Trading Scheme (ETS) allowances granted at zero cost, and furlough and job retention schemes in the UK and Ireland for British Airways and Aer Lingus, respectively. EU ETS allowances are valued at the carbon market prices at 31 December in the reporting year.

Commentary
Operating companies in the Group receive some EU and UK ETS emission allowances at zero cost and purchase the remainder in the EU and UK ETS markets.

B.9.4. Accounting profit/(loss) before tax

Relevant standards: GRI 207-4

	Unit	vly	2023	2022	2021	2020	2019	2018
UK	€ million	3,500%	**1,610**	46	(2,417)	(4,512)	1,618	2,770
Spain	€ million	307%	**1,254**	408	(705)	(2,538)	489	512
Republic of Ireland	€ million	415%	**170**	(41)	(368)	(556)	240	272
Other countries	€ million	1,100%	**22**	2	(16)	(204)	(72)	(67)

Description

Profits by country – the Group's consolidated accounting profit or loss for the year split by country in which it is taxable.

Commentary

The return to profitability in most of IAG's main countries of operation reflects the recovery of the Group's businesses from the global outbreak of COVID-19.

B.9.5. Income tax paid

Relevant standards: GRI 207-4

	Unit	vly	2023	2022	2021	2020	2019	2018
UK	€ million	2,233%	**67**	3	31	77	161	191
Spain	€ million	171%	**216**	126	(93)	(95)	(71)	92
Republic of Ireland	€ million	0%	**0**	0	(2)	(28)	27	61
Other countries	€ million	160%	**8**	5	1	1	2	(1)

Description

Taxes paid by country – the Group's consolidated cash tax payments for the year split by country in which they were made. The numbers in brackets above represent refunds.

Commentary

The total net payment of €291 million is less than the expected tax charge for the Group of €401 million. The difference arises primarily due to the delay between when losses are included in the accounting result, and the future period when these losses are taken into account in calculating tax payments.

"Other" comprises Belgium, Dominican Republic, Germany, Guatemala, Honduras, Hong Kong, India, Italy, Japan, Mexico, Netherlands, Poland, Singapore, Sweden, Switzerland and United States of America.

C. Governance

An overview of the EU Taxonomy Regulation

What is the EU Taxonomy Regulation?

Regulation EU 2020/852 (the "EU Taxonomy Regulation") is a framework to identify and to facilitate sustainable investment across the EU. This framework operates through a classification system for determining when an economic activity can be considered environmentally sustainable according to EU standards, promote a transition to a zero-carbon future and guide funding towards solutions to tackle the climate crisis and prevent further environmental degradation. It aims to encourage investment in a low-carbon economy by creating common definitions of sustainability and mandatory disclosures to help investors make informed decisions.

How does it work?

The EU Taxonomy Regulation includes economic activities by which to report their business activities against. These economic activities are then screened against the technical criteria of the each of the environmental objectives and minimum safeguard requirements to arrive at the taxonomy aligned activities.

Having identified the relevant (eligible) economic activities, the Group calculates and reports the aligned revenue (turnover), capital expenditure (Capex) and operating expenditure (Opex) for the financial year.

The reporting scope

The EU Taxonomy Regulation's reporting scope covers the Group's business activities, based on the financial consolidation boundary and for the same reporting period, being the year to 31 December.

The Group's eligible activities principally relate to the activities of our airline operations and associated Maintenance, Repair and Overhaul (MRO) operations. For the financial year 2023 we are not required to report aligned spend for these activities and we are awaiting further guidance from the Commission to enable reporting of aligned spend for 2024.

The reporting basis of the EU Taxonomy Regulation differs to our consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). Such differences include, but are not limited to, not recognising the investment in or results from equity accounted investments, as well as a very narrow scope definition for Opex. These and other differences result in a lower reported eligible turnover, Capex and Opex under the EU Taxonomy Regulation when compared to other financial and sustainability disclosures.

The limited scope of the EU Taxonomy Regulation does not enable the Group to outline all of our investment activity in its Flightpath Net Zero transition. The limitations of the regulation in the following areas prevent the Group from fully disclosing our investment in sustainability: (i) any joint ventures to produce sustainable aviation fuel or hydrogen fuelled aircraft do not fall within the scope of our reporting; (ii) our long-term purchase agreements for SAF and other renewable power products, which underpin investment and enable financing of large-scale renewable production are excluded. The additional reporting restrictions on aviation (where the growth of the entire global aviation fleet is used to discount an individual company's investment in best-in-class aircraft and SAF) also limit the Group's ability to fully express its financial commitment to the transition to a low-carbon environment. This approach, requiring company specific performance to be adjusted based on global trends, is unique to aviation and we feel dilutes the impact of the Taxonomy in driving more investment at an individual company level. However, the Group is supportive of efforts to enhance and increase the comparability of climate disclosures more broadly.

Changes in EU Taxonomy Regulation in 2023

The EU Taxonomy Regulation, via amending Delegated Regulation EU 2021/2139 on 21 November, 2023, has introduced 13 new economic activities for which assessments of eligibility are required to be undertaken in 2023 and subsequent assessments of alignment to be undertaken for 2024. The most important of those relate to those activities associated with the: (i) Manufacturing of aircraft, (ii) Passenger and freight air transport and (iii) Air transport ground handling. The Group has incorporated these additional economic activities into its eligibility reporting for the year to 31 December, 2023. Comparative financial information has not been restated for the introduction of these new activities.

In addition, the EU Taxonomy Regulation includes six environmental objectives, of which only climate change mitigation and climate change adaption were required to be reported against in 2022, whereas, all six objectives are applicable for 2023. These four new objectives incorporate 35 new economic activities for assessment of eligibility in 2023.

Snapshot of eligible and aligned activities

In 2023, the Group's eligible and aligned KPIs were as follows (note that in line with the regulations we have published full tables on pages 34-36).

	Eligibility		Aligned	
Year to December 31, 2023	Absolute €million	Percentage of denominator	Absolute €million	Percentage of denominator
Turnover	27,166	92%	–	0%
Capex	3,543	81%	–	0%
Opex	2,509	86%	–	0%

Understanding the EU Taxonomy Regulation

Basis of preparation

The Group prepares its disclosures in accordance with the Delegated Act EU 2021/2178 (enacted 4 June, 2021), the associated Delegated Regulation EU 2021/2139 (enacted 6 July, 2021), the amendments to Delegated Regulation EU 2021/2139 (enacted 21 November, 2023) (referred to as the Amended Delegated Regulation), several Commission Notices containing answers to frequently asked questions, the annually updated EU Taxonomy User Guide and the EU Taxonomy Compass (a website that offers a range of online tools to enable users to better understand the EU Taxonomy Regulation and the associated reporting obligations).

The EU Taxonomy Regulation framework

Framework overview

The EU Taxonomy Regulation establishes 150 predefined and prescriptive economic activities across the following six environmental objectives, with the first two only applicable in 2022 and all six now applicable for 2023:

1 Climate change mitigation;
2 Climate change adaptation;
3 Sustainable use and protection of water and marine resources;
4 Transition to a circular economy;
5 Pollution prevention and control; and,
6 Protection and restoration of biodiversity and ecosystems.

The EU Taxonomy Regulation also sets out 4 overarching conditions that an economic activity must meet in order to qualify as environmentally sustainable and accordingly able to be reported as taxonomy aligned:

1 Making a **substantial contribution** to at least one environmental objective;
2 Doing **no significant harm** to any of the other five environmental objectives;
3 Complying with **minimum safeguards**; and,
4 Complying with the detailed **technical screening criteria** set out in the EU Taxonomy Regulation delegated acts.

Taxonomy-eligible

The EU Taxonomy Regulation defines taxonomy-eligible economic activities as those activities of the Group that comply with any of the aforementioned 150 economic activities. Such activities are eligible whether they comply with the technical screening criteria or not.

The EU Taxonomy Regulation, via amending Delegated Regulation EU 2021/2139 on 21 November, 2023, has introduced 13 new economic activities for which assessments of eligibility are required to be undertaken in 2023. The most important of those, which relate to the aviation sector, are those activities associated with the (i) **Manufacturing of aircraft**, (ii) **Passenger and freight air transport** and (iii) **Air transport ground handling**. In addition new activities introduced via the four new environmental objectives we only need report eligible spend for 2023.

If an activity is not included in the EU Taxonomy Regulation, then it not considered to be eligible. This was the case in 2022 for those new aviation economic activities introduced during 2023. The impact of adding aviation and ground handling activities has vastly increased the levels of eligible spend under turnover, Capex and Opex the Group is able to report in 2023. The main categories for eligible spend in 2023 are:

Identified economic activities of the Group

For 2023, the Group has identified a total of 21 economic activities as eligible for reporting as follows:

Aviation (new for 2023)
Manufacturing of aircraft (CM)
Passenger and freight air transport (CM)
Air transport ground handling operations (CM)
Construction and real estate activities
Renovation of existing buildings (CM)
Acquisition and ownership of buildings (CM)
Installation, maintenance and repair of energy–efficiency equipment (CM)
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (CM)
Installation, maintenance and repair of renewable energy technologies (CM)
Energy
Electricity generation using solar photovoltaic technology (CM)
Information and communication
Data processing, hosting and related activities (CM)
Computer programming, consultancy and related activities (CA)
Data-driven solutions for GHG emissions reductions (CM)
Technical, scientific and professional activities
Research into innovative low–carbon technologies (CM)
Transport
Transport by motorbikes, passenger cars and light commercial vehicles (CM)
Urban and suburban transport, road passenger transport (CM)
Water supply, sewerage, waste management and remediation
Production of alternative water resources for purposes other than human consumption (CE)
Collection and transport of non-hazardous and hazardous waste (CE)
Material recovery from non-hazardous waste (CM)
Depollution and dismantling of end-of-life products (CE)
Manufacturing
Sale of spare parts (CE)
Preparation for re-use of end-of-life products and product components (CE)

Key:
CA – climate adaptation
CM – climate mitigation
CE – circular economy

In practical terms, identifying taxonomy-eligible economic activities is the first step towards assessing the alignment of economic activities against the technical screening criteria.

In addition, companies are required to ensure that and explain how taxonomy-eligible turnover, capital expenditure (Capex) or operating expenditure (Opex) are not double counted where the activities of the Group fall under more than one economic activity.

Taxonomy-aligned

A taxonomy-aligned activity is one that having identified eligibility, that it contributes substantially to at least one of the six environmental objectives, does no significant harm to the other environmental objectives and complies with the minimum safeguards. Details on substantial contribution, do no significant harm and minimum safeguards are given below.

Substantial contribution

The EU Taxonomy Regulation provides detailed substantial contribution criteria to ensure that the associated economic activity has either a substantial positive impact on one of the six aforementioned environmental objectives or substantially reduces the negative impact on the environment. The most relevant objective for the Group is Climate Mitigation – however, the addition of the other four environmental objectives also bought in the categories of Circular Economy, Pollution Prevention and Water which also had relevant activities for the group. These substantial contribution criteria vary by economic activity and each economic activity can apply to more than one environmental objective.

In 2023, the Group determined that no activities were able to meet the full criteria for taxonomy alignment. This was partly due to the fact that the basis for alignment is EU legislation and generally goes much further than legal compliance. With our global supply base, a number of suppliers were unable to provide the detailed evidence required.

For those economic activities introduced via amending Delegated Regulation EU 2021/2139 on 21 November 2023 (aircraft and ground handling) alignment reporting is only required for the year to 31 December 2024 and as such is excluded from the Group's alignment reporting in 2023.

Do no significant harm (DNSH)

Together with the criteria to assess if an activity substantially contributes to at least one of the EU Taxonomy Regulations environmental objectives, the criteria for DNSH specify the minimum requirements that the economic activity should meet to avoid harming any of the other five environmental objectives. The DNSH criteria differ by economic activity and by environmental objective.

Any breach of the DNSH criteria would automatically disqualify an activity from being environmentally sustainable and as such lead to the associated activities not meeting the criteria for alignment.

In addition, there are four generic DNSH criteria that apply to all economic activities, being: (i) climate change adaptation; (ii) water and marine resources; (iii) pollution prevention and control regarding the use and presence of chemicals; and, (iv) protection and restoration of biodiversity and ecosystems. These generic criteria apply to several of the Group's identified economic activities.

Minimum safeguards

The EU Taxonomy Regulation defines the minimum safeguards as due diligence and remedy procedures implemented by a company that is carrying out an economic activity in order to ensure alignment with the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD MNEs) and the UN Guiding Principles on Business and Human Rights (UNGP). The latter includes the principles and rights set out in eight of the ten fundamental conventions identified in the International Labour Organisation (ILO) Declaration of the on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The Group complies at all times with the requirements of the OECD MNE. In addition, the Group considers respect and the upholding of human rights as a critical cornerstone of its operations and is embedded within its Code of Conduct. The Group considers that it complies with the UNGP.

Accordingly, the Group considers that all taxonomy-eligible activities are compliant with the minimum safeguard requirements of the EU Taxonomy Regulation.

Technical screening criteria

Each of the detailed technical screening criteria, under each environmental objective, are based on stringent levels of environmental performance as opposed to transitional activities or alternative acceptable approaches. In certain instances such requirements go significantly beyond other existing legislation and what is theoretically technically and operationally possible at the reporting date.

Due to their complexity and reliance on EU standards, the technical screening criteria can be difficult to interpret, especially for activities and key suppliers based outside of the EU.

Capex Plan

The EU Taxonomy Regulation permits Capex and Opex to be treated as taxonomy-aligned when such expenditure form part of a 'Capex Plan'. A Capex Plan is defined as a plan that either aims to expand the Group's taxonomy-aligned economic activities or to upgrade pre-existing taxonomy eligible economic activities to taxonomy-aligned economic activities within a five year period. In addition, the relevant plan must be approved by management and detailed at the taxonomy economic activity level.

Given the uncertainty of definitions and lack of guidance pertaining to Capex Plans within the EU Taxonomy Regulation, the Group has elected not to report any Capex or Opex as taxonomy-aligned as a result of the Capex Plan provisions.

Reporting financially aligned activities under the EU Taxonomy Regulation

The EU Taxonomy Regulation requires the reporting of Key Performance Indicators (KPIs) associated with turnover, Capex and Opex, both for eligible and aligned activities. Each KPI is calculated as the amount associated with the eligible and aligned economic activities (the numerator) divided by the total (denominator).

The reporting basis of the EU Taxonomy Regulation differs to our consolidated financial statements, which are prepared in accordance with IFRS. Such differences include, but are not limited to, not recognising the investment in or results from equity accounted investments, as well as a very narrow scope definition of Opex. These and other differences result in a lower reported turnover, Capex and Opex under the EU Taxonomy Regulation when compared to other financial disclosures. Note that full tables as required in the Taxonomy Regulation are on pages 34-36.

Turnover KPI

The turnover KPI comprises the Total revenue line from the Income statement of the consolidated financial statements and is detailed below:

	Year to December 31	
€ million	**2023**	2022
Passenger revenue	25,810	19,458
Cargo revenue	1,156	1,615
Other revenue	2,487	1,993
Total taxonomy turnover (denominators)	**29,453**	**23,066**

The following table provides a summary of the taxonomy-eligible and taxonomy-aligned revenues by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned	
Year to December 31, 2023	Absolute €million	Percentage of denominator	Absolute €million	Percentage of denominator
Passenger and freight air transport	26,288	89.3%	n/a	n/a
Manufacturing of aircraft	683	2.3%	n/a	n/a
Air transport ground operations	195	0.7%	n/a	n/a
Other	–	0.0%	0	0%
Total taxonomy eligible and aligned turnover	**27,166**	**92.2%**	**0**	**0%**

Capex KPI

The Capex KPI comprises the Additions to both Property, plant and equipment (note 13 of the consolidated financial statements) and Intangible assets (note 17 of the consolidated financial statements). The denominators are detailed as follows:

	Year to December 31	
€ million	2023	2022
Additions to Property, plant and equipment (note 13)	3,753	3,927
Additions to Intangible assets (note 17)	630	593
Total taxonomy Capex (denominators)	**4,383**	**4,520**

The numerator for aligned Capex includes those expenditures included the denominator that is any of the following: (i) related to taxonomy-aligned economic activities; (ii) part of the Capex Plan to expand taxonomy-aligned activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned; or (iii) the purchase of output from taxonomy-aligned economic activities. However, given the uncertainty of definitions and lack of guidance pertaining to parts (ii) and (iii), the Group has elected only to report financial data relating to taxonomy-aligned economic activities.

The following table provides a summary of the taxonomy-eligible and taxonomy-aligned Capex by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned	
Year to December 31, 2023	Absolute €million	Percentage of denominator	Absolute €million	Percentage of denominator
Passenger and freight air transport	3,543	80.8%	n/a	n/a
Total taxonomy eligible and aligned Capex	**3,543**	**80.8%**	**0**	**0%**

Opex KPI

The Opex KPI is defined as those costs not capitalised that relate to: (i) research and development; (ii) building renovation measures; (iii) short-term leases; (iv) maintenance and repair; and (v) and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

Other direct expenditures relating to day-to-day servicing of assets of property, plant and equipment is further defined as including: (i) maintenance materials; (ii) the employee costs of repairing an asset; (iii) the employee costs of cleaning an asset; and, (iv) IT dedicated to maintenance, other than that capitalised. For the avoidance of doubt, other direct expenditures exclude the following: (i) overheads; (ii) raw materials; (iii) the employee costs associated with operating the asset; (iv) the cost of managing research and development projects; and, (v) electricity, fluids, or reagents needed to operate property, plant and equipment.

The Opex KPI definition is narrower than the Group's definition of operating expenditure and does not capture all of the expenditure on otherwise eligible activities. The Opex KPI is reconciled to total operating expenditure as follows:

	Year to December 31	
€ million	2023	2022
Maintenance and repair	2,509	1,409
IT operating costs	365	321
Expenses relating to short-term leases	26	41
Research and development costs	26	1
Total taxonomy Opex (denominators)	**2,926**	**1,772**
Other operating expenses outside the scope of the EU Taxonomy Regulation	23,020	20,016
Total operating expenditure per Income statement	**25,946**	**21,788**

The numerator for aligned Opex includes those expenditures included the denominator that is any of the following: (i) related to taxonomy-aligned economic activities; (ii) part of the Capex Plan to expand taxonomy-aligned activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned; or (iii) the purchase of output from taxonomy-aligned economic activities. However, given the uncertainty of definitions and lack of guidance pertaining to parts (ii) and (iii), the Group has elected only to report relating to taxonomy-aligned economic activities.

The Group considers that the definitions of the Opex KPI, when considering the turnover KPI, does not reflect the economic reality of operating an taxonomy aligned asset. For instance, all revenue associated with the operation of a taxonomy-aligned aircraft meet the definition of the turnover KPI, however, the costs associated with operating that aircraft are limited to the maintenance and cleaning of that aircraft.

The following table provides a summary of the taxonomy-eligible and taxonomy-aligned Opex by major economic activity, both as absolute figures (being the numerator) and as a percentage of the aforementioned denominator:

	Eligible		Aligned	
Year to December 31, 2023	Absolute €million	Percentage of denominator	Absolute €million	Percentage of denominator
Passenger and freight air transport	2,509	85.7%	n/a	n/a
Total taxonomy eligible and aligned Opex	**2,509**	**85.7%**	**0**	**0%**

Reporting in 2024
As detailed below, the criteria for assessing the alignment for the new aviation economic activities of **Manufacturing of aircraft**, **Passenger and freight air transport** and **Air transport ground handling** are complex and will include a number of significant judgements to be applied in 2024. The judgements applied and the numerical reconciliations detailing the aligned KPIs will be incorporated into the 2024 reporting.

Methodology/data collection and validation
The Group has established internal processes for the data collection, validation and reporting of taxonomy data through the established governance structure described in section C.2 of the annual report and accounts. The Group utilises a seven step process in preparing its taxonomy disclosures:

1. **Identification of applicable economic activities** – IAG Group Sustainability and IAG Group Finance undertake the initial scoping as to which economic activities are applicable to the operations of the Group. Representatives from the sustainability and finance functions of each operating company validate the completeness of this identification;
2. **Determination of assessment factors** – where judgement is required to be applied in the application of the EU Taxonomy Regulation, IAG Group Sustainability and IAG Group Finance develop a standardised approach to such application;
3. **Training on existing and new regulation** – annually IAG Group Sustainability and IAG Group Finance undertake workshops across the Group to ensure all relevant members of the sustainability and finance communities involved in taxonomy are trained on the existing methodology, changes in regulations and key judgements applied;
4. **Standardised reporting** – IAG Group Sustainability and IAG Group Finance have developed standardised reporting templates for the quantification, by economic activity, of taxonomy-eligible as well as the detailed specific technical screening criteria, the DNSH criteria and the minimum safeguards to derive the taxonomy-aligned quantification;
5. **Review and validation** – IAG Group Sustainability and IAG Group Finance validate this information across operating companies and consolidate the information;
6. **Quantitative threshold for reporting** – the Group has developed a quantitative threshold of €2 million below which the Group assumes such taxonomy-eligible activities are not taxonomy-aligned. This assessment is performed at an individual economic activity level and by each operating company; and
7. **Reporting** – IAG Group Sustainability and IAG Group Finance calculate the associated consolidated KPI metrics for eligibility and alignment.

Understanding the new aviation economic activities
The Amended Delegated Regulation introduces the economic activities of **Manufacturing of aircraft**, **Passenger and freight air transport** and **Air transport ground handling operations** for the first time in 2023.

As detailed above, for 2023, the Group is only required to report against the eligibility criteria and not the alignment criteria. However, the below information reflects the assessment criteria required in 2024 when considering alignment although we expect further guidance from DG Fisma at some point in 2024 on some areas of interpretation and reference data.

Passenger and freight air transport
These new economic activities cover all owned and leased aircraft that the Group operates for the transport of passengers and freight.

This section does not attempt to detail all of the technical screening criteria, but the pertinent screening criteria for meeting alignment are:

a. The aircraft has zero direct (tailpipe) CO_2 emissions[1];
b. As at the date of the Amended Delegated Regulation coming into force, those aircraft determined to be 'compliant aircraft'[2];
c. Subsequent to the date of the Amended Delegated Regulation coming into force, those aircraft determined to be 'compliant aircraft'[2]; and with the commitment that a non-compliant aircraft in the fleet is either:
   i. Permanently withdrawn from use within six months of delivery of the compliant aircraft; or
   ii. Permanently withdrawn from the fleet within six months of delivery of the compliant aircraft, in which case the Replacement Ratio[3] is applied.
d. Or if not determined to be a compliant aircraft, the aircraft can still meet the criteria for eligibility and alignment if it operates with a minimum of 7 per cent SAF in 2023, increasing by 2 per cent for each subsequent year.

Further technical screening criteria that comes into force from 1 January, 2030, have not been included in the above summary.

The DNSH criteria are limited to the aforementioned generic criteria and certain criteria relating to the prevention of waste generation, recycling of such assets and restrictions on noise pollution. For these criteria, aircraft manufacturers will need to provide sufficient evidence to allow the Group to claim that the DNSH criteria have been met.

Having identified the taxonomy aligned aircraft, the Group is required to report the turnover, Capex and Opex by those individual aircraft[4].

Judgements the Group considers will be relevant in interpreting and applying the Amended Delegated Regulation

1 Zero direct CO_2 emissions is not defined but is interpreted to be both electric and hydrogen powered aircraft. Both of these technologies are in their infancy and while the Group expects both technologies to become commercially viable in due course, these are not expected before 2035, at the earliest. Accordingly, the Group will be unable to report any aligned spend in the foreseeable future.

2 A compliant aircraft is defined as those meeting the technical screening and DNSH criteria of the economic activity of the manufacturing of aircraft. These criteria include, but are not limited to: (i) a specific ratio of CO_2 emissions as a proportion of their maximum take-off mass; (ii) pollution prevention criteria, such as specific certification regarding noise pollution; and (iii) ensuring specific hazardous materials are not included in the construction of the aircraft, including certain anti-fouling paints which are required by law, for safety reasons, to be included in the aircraft. Each aircraft manufacturer shall confirm which of their aircraft meet the criteria for being a compliant aircraft and at the date of this report, interactions are ongoing with these manufacturers to understand their ability to comply with the requirements of the EU taxonomy.

3 The Replacement Ratio is defined as the 10-year average of the total global number of aircraft permanently withdrawn from use divided by the total global number of aircraft delivered.

If the global number of aircraft delivered exceeds the global number of aircraft permanently withdrawn, then the taxonomy aligned financial metrics of the Group are reduced. As a result, the Replacement Ratio does not reflect the individual activities of the Group as part of its transition to a low-carbon environment, but instead the entirety of the global aviation sector. Actions that influence such a global measure are outside the control of the Group and do not provide enhanced comparability within the airline sector to investors.

4 As of December 31, 2023, the Group operates 582 aircraft within its fleet and does not monitor or report all revenue and expenditure on an individual aircraft basis. Accordingly, the Group will be required to apply judgement in determining the basis on which to allocate revenue and expenditure to the associated assets.

The Group is able to monitor revenue denominated metrics by aircraft family (such as across all of the Airbus A321 family) using metrics such as Average Seat Kilometres (ASKs) and Revenue Passenger Kilometres (RPKs), but cannot monitor the level of such activity to an individual aircraft. For certain other sustainability reporting obligations, the Group is able to monitor jet fuel consumption by aircraft, which enables the most reflective indication of activity by asset and accordingly, the Group expects to allocate revenues and expenditures to each individual asset based on the proportion of fuel consumption or other appropriate activity measure for those compliant aircraft at an operating company level. No allocation assumptions are required for Capex as such expenditure is monitored on an aircraft by aircraft basis.

A reconciliation shall be made to total turnover, Capex and Opex to avoid double counting. Further, to avoid double counting, all maintenance expenditure associated with aircraft operations, both capitalised and recorded within operating expenditure, is included in this economic activity and the economic activity of Manufacturing of aircraft (see below) will only include the revenues associated with the performance of maintenance activities to parties external to the Group.

The Group expects the Commission to provide further clarification and guidance in the second half of 2024 detailing how to apply these criteria. Accordingly, the aforementioned judgements are subject to change and it is possible that further judgements, not detailed above, will be required.

Manufacturing of aircraft

The economic activity for manufacturing of aircraft covers a wider range of activities including: (i) manufacture; (ii) repair; (iii) maintenance; (iv) overhaul; (v) retrofitting; and (vi) repurposing and upgrade of aircraft and aircraft parts and equipment. While the Group does not manufacture aircraft, all other aspects of the activities detailed in parts (ii) to (vi) are undertaken by the Group, both internally on the operating aircraft and externally to third parties as part of the maintenance, repair and overhaul (MRO) business operations.

The EU Taxonomy Regulation does not provide definitions as to the nature of these sub-activities and they do not align with the industry terminology. Absent such guidance, the Group has considered that all of the MRO business operations of the Group would fall under this economic activity, including aircraft airframes, engines and other components of aircraft.

From a technical screening perspective, points (a) to (c) as described above relating to Passenger and freight air transport economic activities also apply. In addition, the DNSH criteria are limited to the aforementioned generic criteria and certain criteria relating to the prevention of waste generation, maximising the reuse and use of secondary materials and restrictions on noise pollution.

Having identified the taxonomy aligned activities, the Group is required to report the turnover, Capex and Opex by those individual services provided. The Group's accounting policy for maintenance events differs between those major maintenance events and those that are considered non-major, with further details given below:

- Major maintenance events for owned aircraft are capitalised as incurred and monitored on a project-by-project basis;
- Major maintenance events for leased aircraft are provided for in advance of the event and monitored on a project-by-project basis; and
- Those maintenance events considered to be non-major by nature are expensed as incurred and the associated expenditure is not monitored on a project-by-project basis. Accordingly, for the purpose of reporting taxonomy-aligned expenditure, the total expenditure is allocated based on the total number of maintenance events on compliant aircraft as a proportion of total number of non-major maintenance events.

The provision of MRO services to third parties is monitored on a project-by-project basis. To ensure that maintenance activities on aircraft are not double counted, only revenues arising from transactions with parties external to the Group are included in this economic activity. All Capex and Opex associated with the MRO business operations are included within the economic activity of Passenger and freight air transport. In addition, where one operating company provides MRO services to another operating company, then the intercompany expenditure incurred and the intercompany revenue earned by the provider of the services is eliminated on consolidation.

Air transport ground handling operations

The economic activity for air transport ground handling operations covers a wider range of activities that occur within the operations of the Group, including, but not limited to: (i) pushback tugs; (ii) equipment for baggage and freight handling; (iii) vehicles for aircraft marshalling; (iv) equipment for passenger boarding; (v) de-icing equipment; and, (vi) equipment for catering.

The technical screening criteria are limited to only those vehicles that have zero CO_2 emissions from the tailpipe, with the DNSH criteria limited to the aforementioned generic criteria and certain criteria relating to the prevention of waste generation, recycling of such assets and protection of water resources associated with de-icing activities.

Across the economic activity, the Group has several thousand individual assets for which it is not possible to identify the revenue and expenditure by individual asset. As such the Group expects to allocate turnover, Capex and Opex figures based on the proportion of zero emission vehicles compared to the overall ground handling fleet. Given the timing of the year when the Amended Delegated Regulation came into force, the Group will continue to assess and define the allocation basis for ground handling activities for reporting in 2024.

Economic Activity - Contribution to Multiple Environmental Objectives

The following table details the most relevant environmental objectives for the Group's turnover, Capex and Opex in line with Annex 5 to Regulation (EU) 2020/852 and the associated Delegated Regulation (EU) 2021/2178.

	Proportion of Turnover / Total turnover		Proportion of CapEx / Total CapEx		Proportion of OpEx / Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	92.0%	0.0%	81.0%	0.0%	86.0%
CCA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WTR	NA[1]	0.0%	NA[1]	0.0%	NA[1]	0.0%
CE	NA[1]	0.0%	NA[1]	0.0%	NA[1]	0.0%
PPC	NA[1]	0.0%	NA[1]	0.0%	NA[1]	0.0%
BIO	NA[1]	0.0%	NA[1]	0.0%	NA[1]	0.0%

1 For 2023 the alignment criteria do not apply

Climate Change Mitigation: CCM
Climate Change Adaptation: CCA
Water & Marine Resources: WTR
Circular Economy: CE
Pollution Prevention & Control: PPC
Biodiversity & Ecosystems: BIO

KPIs of Non-Financial Undertakings

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year N	Year 2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significant Harm') (h)									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency € million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)	NA	0	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			**0%**	**0%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**		
Of which Enabling		0	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	0%	E	
Of which Transitional		0	0%	0%						-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacturing of aircraft	CCM 3.21	683	2.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Passenger and freight air transport	CCM 6.19	26,288	89.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Air transport ground handling operations	CCM 6.20	195	0.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		27,166	92.2%	92.2%	0%	0%	0%	0%	0%								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		27,166	92.2%	92.2%	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		2,287	7.8%																
TOTAL		29,453	**100%**																

EL – eligible
N/EL – non-eligible

Air transport ground handling operationsProportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year N	Year 2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency € million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	**0%**	**0%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**		
Of which Enabling		0	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	0%	E	
Of which Transitional		0	0%	0%						-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Passenger and freight air transport	CCM 6.19	3,543	80.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,543	80.8%	80.8%	0%	0%	0%	0%	0%								0.3%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		3,543	80.8%	80.8%	0%	0%	0%	0%	0%								0.3%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		840	19.2%																
TOTAL		4,383	**100%**																

EL – eligible
N/EL – non-eligible

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year N	Year 2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm') (h)									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency € million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	**0%**		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	**0%**	**0%**	-	-	-	-	-	-	-	-	-	-	-	-	**0%**		
Of which Enabling		0	0%	0%	-	-	-	-	-	-	-	-	-	-	-	-	0%	E	
Of which Transitional		0	0%	0%						-	-	-	-	-	-	-	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Passenger and freight air transport	CCM 6.19	2,509	85.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								NA		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,509	85.7%	85.7%	%	%	%	%	%								3.5%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		2,509	85.7%	85.7%	%	%	%	%	%								3.5%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		417	14.3%																
TOTAL		2,926	**100%**																

EL – eligible
N/EL – non-eligible

C. Table of contents

(F) means fully compliant, (P) means partially compliant. (1) means internal framework: see corresponding pages.

* difference between men's and women's median pay, divided by men's median pay.

Area	Reporting criteria/ GRI standard	Page
Environmental matters		
Management approach		
Description of the applicable policies and the result of these policies	GRI 3-3 (2021) (P)	38
Main risks related to these issues	GRI 3-3 (2021) (P)	43
Environmental management		
Information of the current and foreseeable impact of the Company's activities on the environment	GRI 3-3 (2021) (P)	73
Environmental assessment and certification procedure	GRI 3-3 (2021) (P)	25, 27
Resources devoted to environmental risks prevention	GRI 3-3 (2021), (1)	43
Implementation of the precautionary principle	GRI 2-23 (2021)	43
Amount of provisions and warranties for environmental risks	GRI 3-3 (2021) (P), (1)	43
Pollution		
Measures to prevent, reduce or repair emissions (including noise and light pollution)	GRI 3-3 (2021) (P), 305-7 (P), (1), light pollution not material	12, 27
Circular economy and waste prevention and management		
Measures related to prevention, recycling, reuse and other form of waste recovery and disposal	GRI 306-1 /2/3/5 (2020) (P)	25
Actions to avoid food waste	GRI 3-3 (2021) (P), 306-4 (P)	25
Sustainable use of resources		
Water consumption	GRI 303-1/3/5 (P)	78
Raw materials consumption	Not material	36
Direct and indirect energy consumption	GRI 302-1/3 (F)	16
Measures to improve energy efficiency	GRI 3-3 (2021) (P), 201-1 (F)	12, 18
Use of renewable energy	GRI 302-1 (P)	16
Climate change		
Relevant aspects regarding greenhouse gas emissions (GHG)	GRI 305-1/2/3 (F)	8
Measures to adapt to climate change	GRI 3-3 (2021), 201-2 (2021) (P)	19-22
Objective related to GHG reduction	GRI 3-3 (2021) (P), 305-5 (F)	6, 12
Biodiversity		
Measures to preserve or restore biodiversity	Not material	78
Impacts caused by activities or operations in protected areas	Not material	78

Area	Reporting criteria/ GRI standard	Page
Respect for human rights		
Management approach		
Description of the applicable policies and the result of these policies	GRI 3-3 (2021) (F)	35
Main risks related to these issues	GRI 3-3 (2021) (P)	35
Specific contents		
Implementation of human rights due diligence procedures	GRI 2-23/26 (2021) (P), 410-1 (P), 412-1/3 (P)	35
Measures to prevent and manage potential human rights abuses	GRI 3-3 (2021) (P), 406-1 (P)	35
Reported cases of human rights violations	GRI 3-3 (2021) (P)	35
Promotion and compliance with ILO´s provisions	GRI 407-1 (P)	40
Elimination of forced or compulsory labour	GRI 409-1 (P)	40
Effective abolition of child labour	GRI 408-1 (P)	40
Anti-corruption and bribery matters		
Management approach		
Description of the applicable policies and the result of these policies	GRI 3-3 (2021) (P)	42
Main risks related to these issues	GRI 3-3 (2021) (F)	42
Specific contents		
Measures to prevent corruption and bribery	GRI 3-3 (2021), 2-23/26 (2021) (P), 205-1/3	42
Measures to prevent money-laundering	GRI 3-3 (2021) (P), 2-23/26 (P), 205-1/3	42
Contributions to not-for-profit organisations	GRI 2-28 (2021) (P), 201-1, 415-1, (1)	35
Other information on the Company		
Management approach		
Description of the applicable policies and the result of these policies	GRI 3-3 (2021) (P)	45
Main risks related to these issues	GRI 3-3 (2021) (P)	49
Commitment to sustainable development		
Impact of the Company's activities on employment and local development	GRI 3-2 (2021) (P), 203-2 (P), 204-1 (P)	90
Impact of the Company's activities on local populations and territories	GRI 3-3 (2021) (P), 413-1/2 (P), 411-1 (P), (1)	90
Relations with actors in the local communities and forms of engagement with them	GRI 2-29 (2021) (P), 413-1 (P)	22, 35
Partnership or sponsorship actions	GRI 3-3 (2021) (P), 201-1 (F)	22, 35
Sustainable supply chain management		
Inclusion of social, gender equality and environmental issues in the procurement policy	GRI 3-3 (2021) (P), (1)	40
Consideration of suppliers' and subcontractors' social and environmental responsibility in relations with them	GRI 2-6 (2021) (P), 308-1 (P), 414-1 (P), (1)	40
Supervision and audit systems	GRI 2-6 (2021) (P), 308-2 (P), 414-2 (P), (1)	40
Consumer relationship management		
Measures to protect consumer health and safety	GRI 3-3 (2021) (P), 416-1 (P)	34, 91
Claims systems and complaints	GRI 3-3 (2021) (P), 418-1 (P), (1)	91
Complaints received and their outcome	GRI 3-3 (2021) (P), 418-1 (P)	91
Tax information and transparency		
Profits broken down by country	GRI 3-3 (2021) (P), 207-4 (P)	92
Corporate income tax paid	GRI 3-3 (2021) (P), 201-1 (P), 207-4 (P)	92
Public subsidies received	GRI 201-4 (P), Accounting criteria	91

LIABILITY STATEMENT OF DIRECTORS FOR THE PURPOSES ENVISAGED UNDER ARTICLE 8.1.b OF SPANISH ROYAL DECREE 1362/2007 OF 19 OCTOBER (*REAL DECRETO* 1362/2007).

At a meeting held on 28 February 2024, the directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the individual and consolidated financial statements for the year to 31 December 2023, prepared in accordance with the applicable set of accounting standards and in single electronic format, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the individual and consolidated management reports include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face.

28 February 2024

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Giles Agutter

Peggy Bruzelius

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Heather Ann McSharry

Robin Phillips

Emilio Saracho Rodríguez de Torres

Lucy Nicola Shaw

FORMULATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2023

The Board of Directors of International Consolidated Airlines Group, S.A., in compliance with the provisions of Article 253 of the Capital Companies Law and of Article 37 of the Commercial Code, proceeded to formulate on 28 February 2024 the consolidated financial statements and the consolidated management report of the company for the year to 31 December 2023, in single electronic format according with the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018.

In witness whereof, the members of the Board of Directors of International Consolidated Airlines Group, S.A. signed below on 28 February 2024:

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Giles Agutter

Peggy Bruzelius

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Heather Ann McSharry

Robin Phillips

Emilio Saracho Rodríguez de Torres

Lucy Nicola Shaw