KPMG

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:

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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.

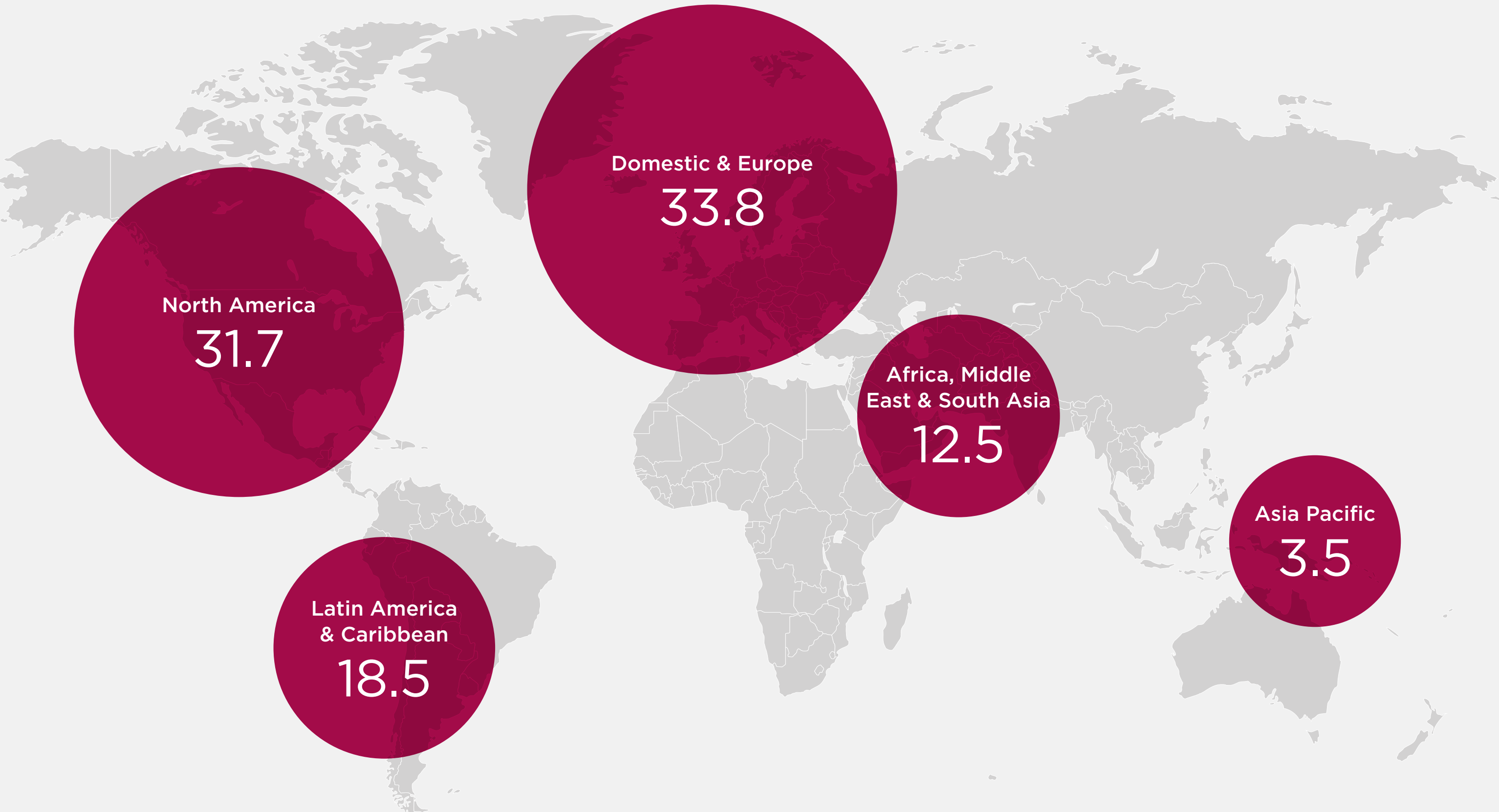
We have a portfolio of world-class brands and operations

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



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

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

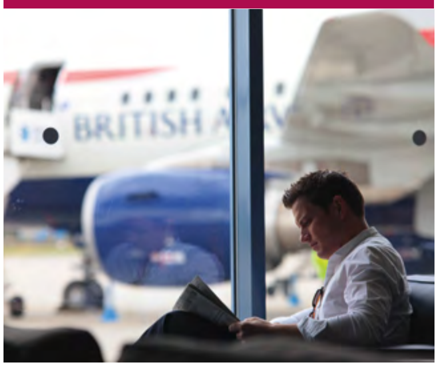
2019	2025	2030	2050
Target baseline	• 11% reduction in carbon intensity, to $80gCO_2$/pkm • '5 by 2025' waste targets • 40% of senior leadership roles held by women	• 10% SAF use • 20% drop in net Scope 1 emissions, to 22m tonnes • 20% drop in net Scope 3 emissions, to 6.6m tonnes	• Net zero Scope 1, 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

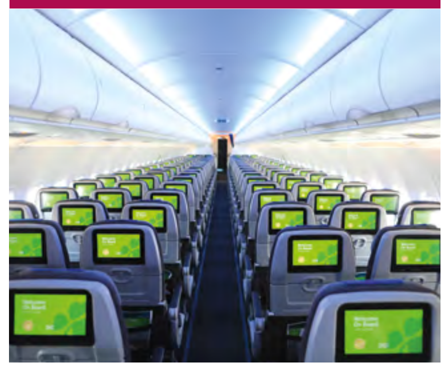


- Renewable electricity in lounges[1]
- Vegan menus in lounges[2,3]
- Pre-ordering meal service to reduce food waste[3]

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.

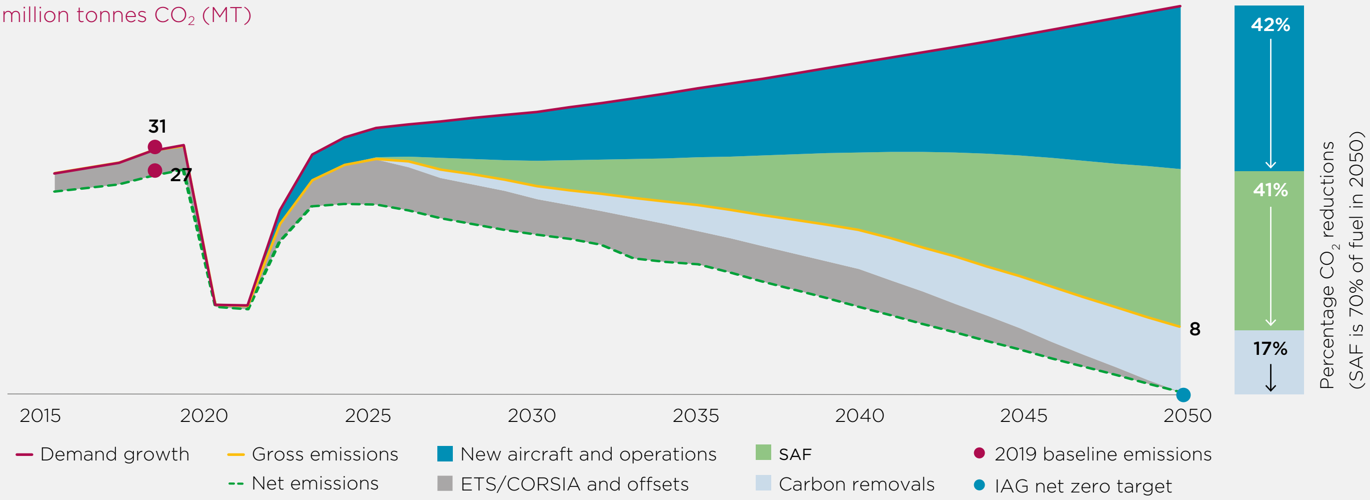
Roadmap to net zero

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)

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.

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.

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.

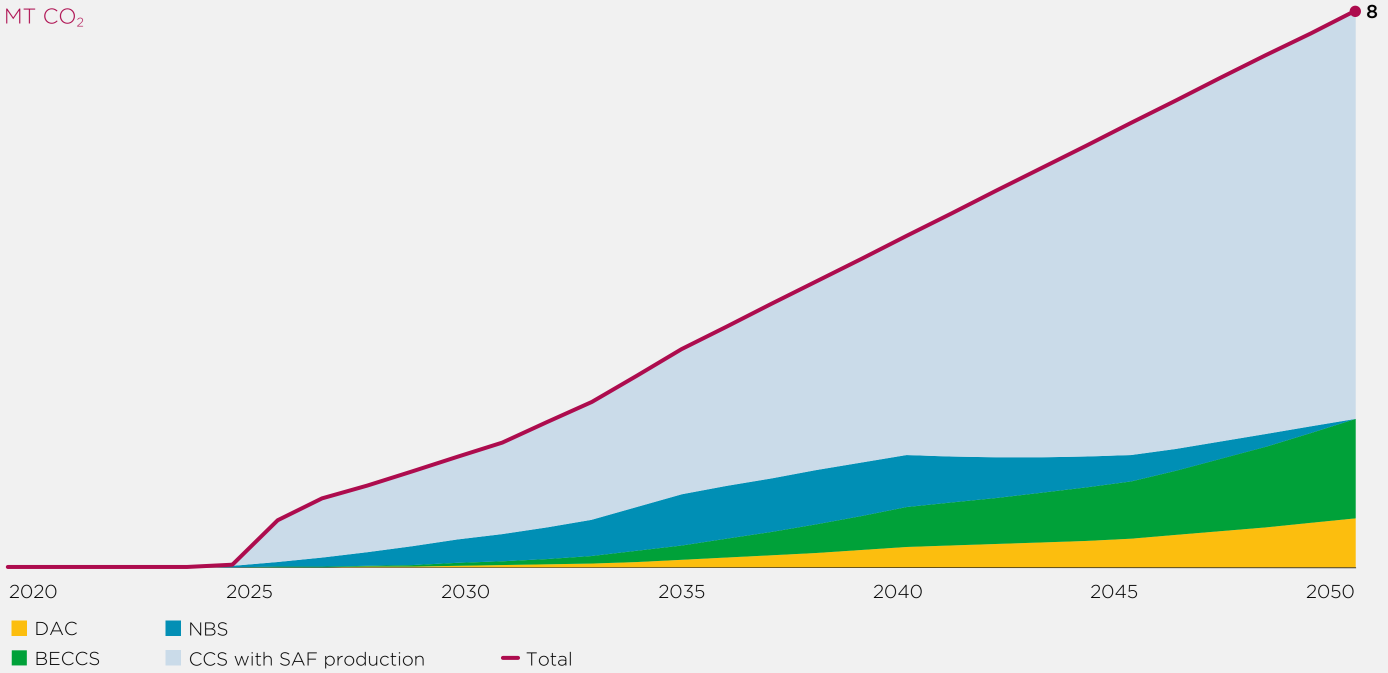
Our investment in Greenhouse Gas Removal (GGR) technologies involves a combination of forward delivery procurement and project financial support, facilitating the scale-up of GGR technologies alongside relevant government support.

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.

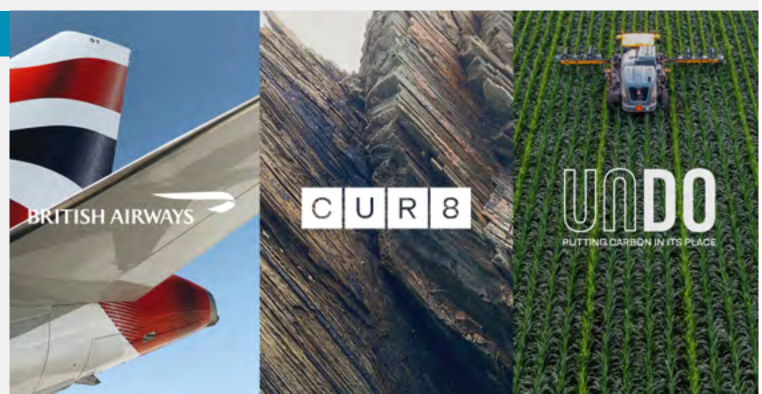
The pilot aims to support the scale-up of the carbon removals market by creating a blueprint to enable carbon removal suppliers to access capital in the form of debt financing via advanced purchase agreements. British Airways has committed to purchase more than 4,000 tonnes of carbon removal credits 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.

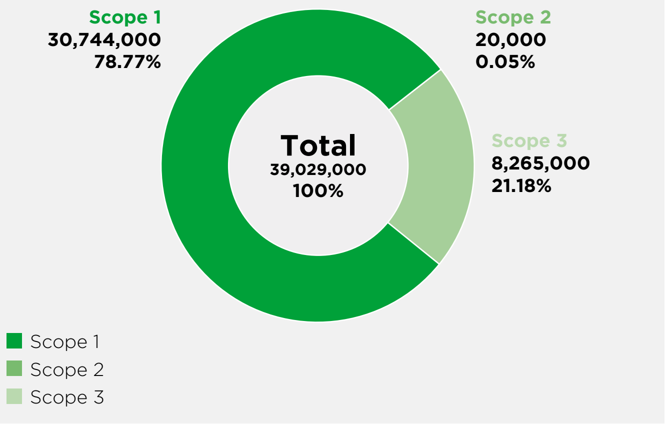
Our carbon intensity calculation includes CO_2 emission reductions achieved from SAF. SAF reductions are calculated using actual life cycle analysis (LCA) carbon intensity values for SAF fuel uplifted by airlines in the Group, and subtracting the achieved emission reductions from our total CO_2 footprint.

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.

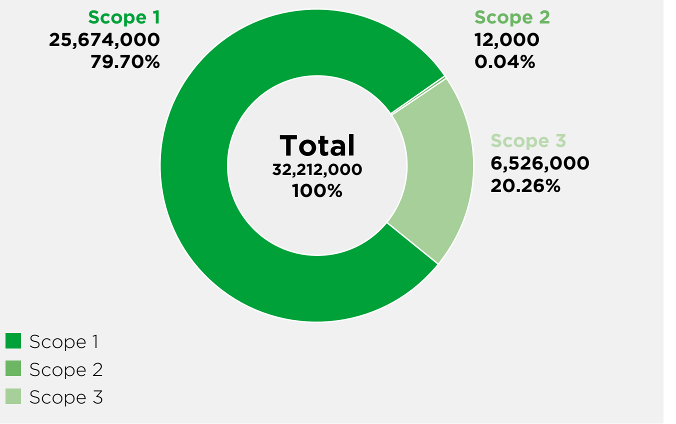
In 2023, emissions of CH_4 were 18,009 tonnes and N_2O were 216,542 tonnes.

A detailed Scope 3 emissions breakdown is available in the IAG statement of non-financial information.

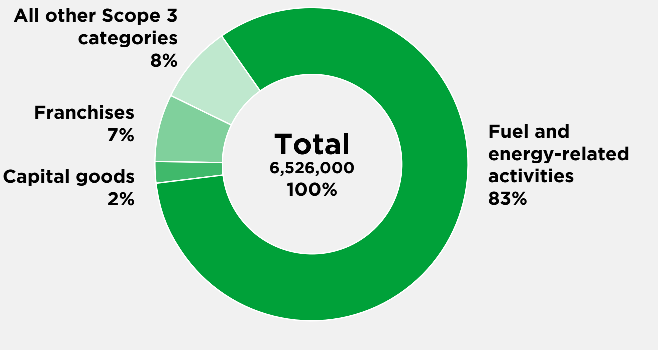
2019 emissions (tonnes CO_2e)[1]



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

€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.

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 1.5°C 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

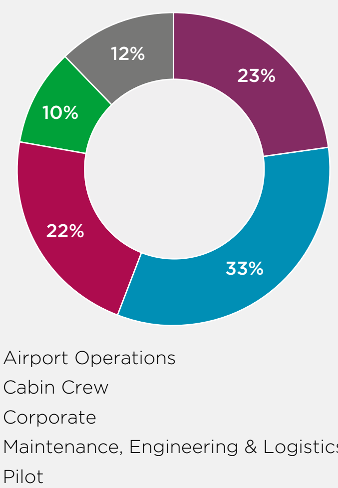
-22% vly
at 31 December 2023

Overall attrition

9.50%

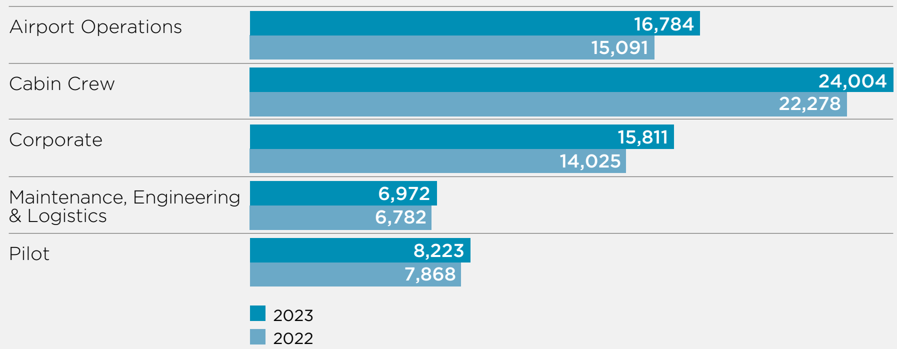
of which 7.40% were voluntary leavers
Full year 2023

Workforce composition



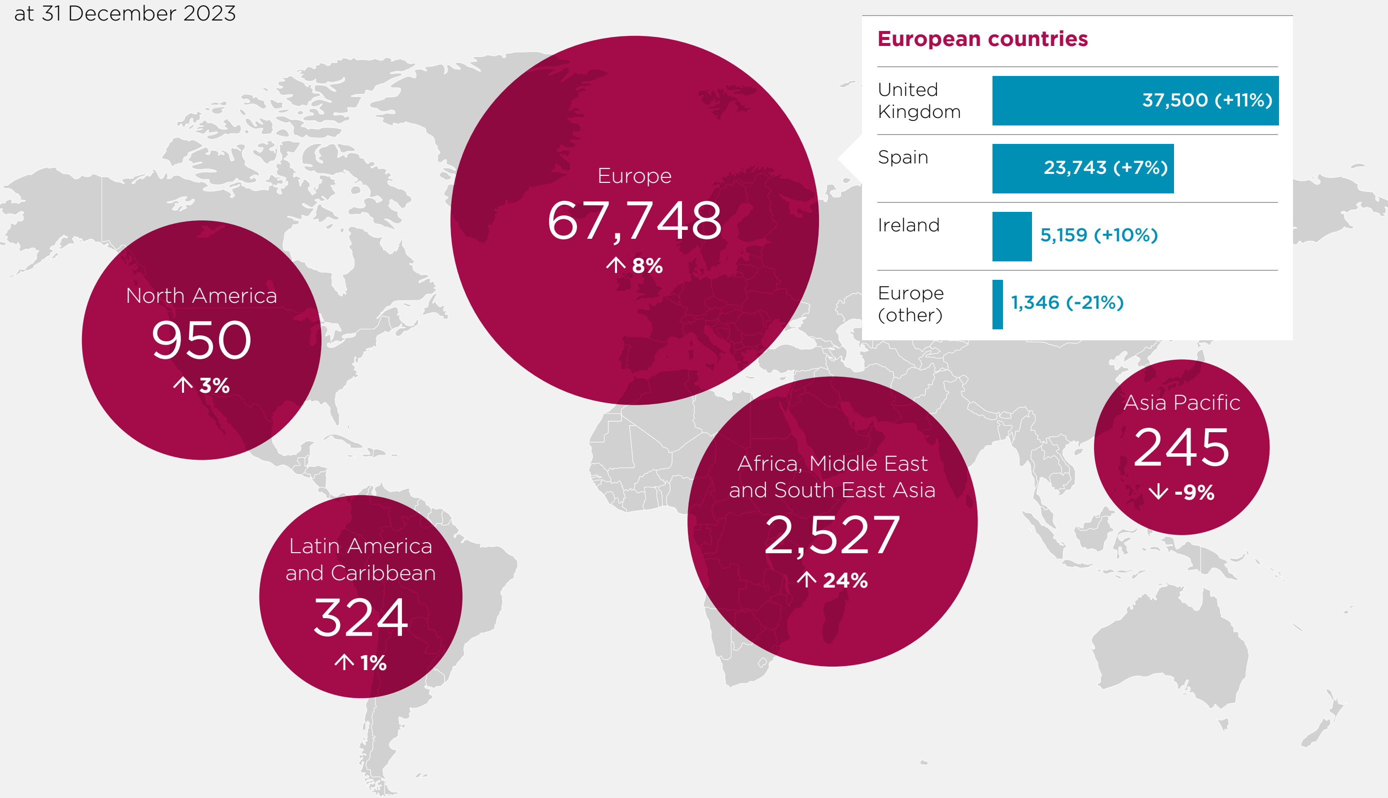
Workforce composition

Headcount by professional category at 31 December 2023 vly



Headcount by geographical location

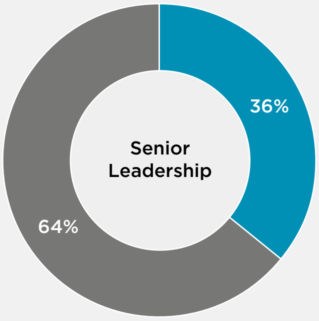
at 31 December 2023



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.



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.

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

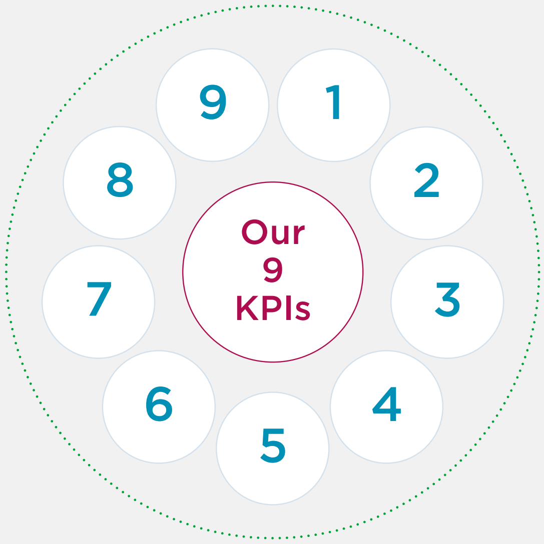
1992	**British Airways publishes carbon footprint**
2005	**British Airways' carbon offset programme for customers**
2009	**British Airways proposes CORSIA as part of Aviation Global Deal**
2021	**British Airways and Iberia Sustainability Linked Loans (SLL)**
2021	**IAG makes net-zero Scope 3 commitment**

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.

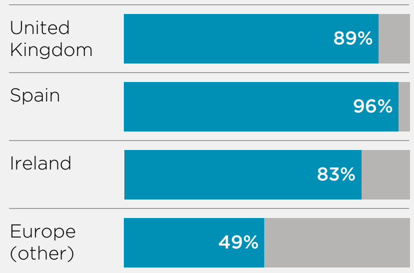
Each operating company within IAG is committed to creating a work environment in which safety and wellbeing are paramount, in which employees are treated fairly and rewarded appropriately, and feel motivated and can thrive. We believe our employees are central to the continued success of the Group.

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

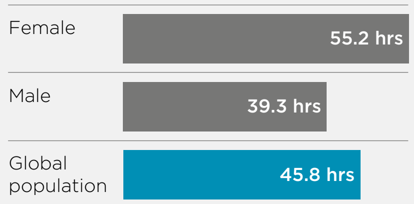
Each operating company is responsible for the learning, development and talent management within its business and ensuring its workforce has the necessary skills to support its strategy.

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	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.

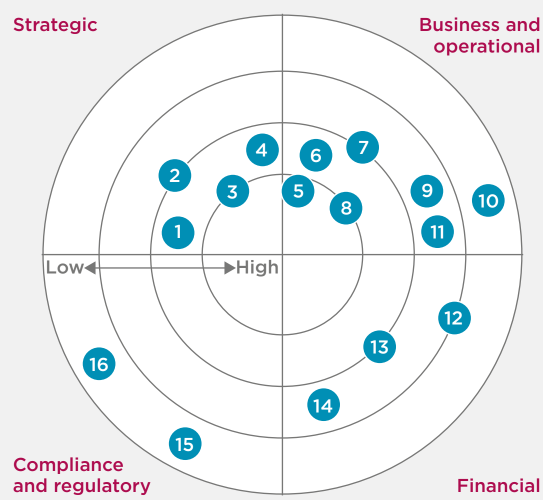
The risk around 'Critical third parties in the supply chain' is now assessed under Business and Operational risk given the nature of the potential impacts facing the Group (having previously been categorised as a Strategic risk).

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:

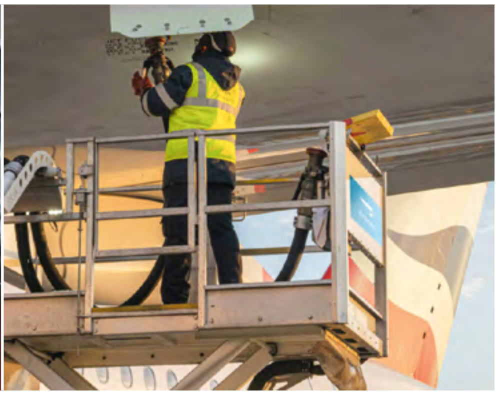
- these are considered in light of their impact on our business model and relevance, operations, customers and financial status and include changes in regulations, customer trends and behaviours, macroeconomic predictions on growth, regional market opportunities, technology trends, environmental implications 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.

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

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Section	Subsections
A.1.3a.-3.b. Planet – climate change	Scope 1 and 2 emissions and commentary, Scope 3 emissions and commentary
A.2.a.-2.4. Planet – wider issues	Noise definitions, waste definitions, biodiversity, water
B.2.a-2.d. People	Key workforce metrics, employment and working organisation, workforce turnover, other social and employee-related matters and metrics
B.8.1.-8.3. Remuneration and salary gap	Average remuneration by gender/age/job category, Board and Management Committee remuneration
B.9.1.-9.5. Prosperity	Impact of Company on local employment and development, consumer relationship management, public subsidies received, accounting profit/loss before tax, income tax paid
C.8. Governance	Description of EU Taxonomy and 2023 related activities: methodology/data gathering, eligible activities, KPI – revenues, KPI – OPEX, KPI – CAPEX
D. Table of contents	References to GRI standards and pages

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.

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* difference between men's and women's median pay, divided by men's median pay.

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