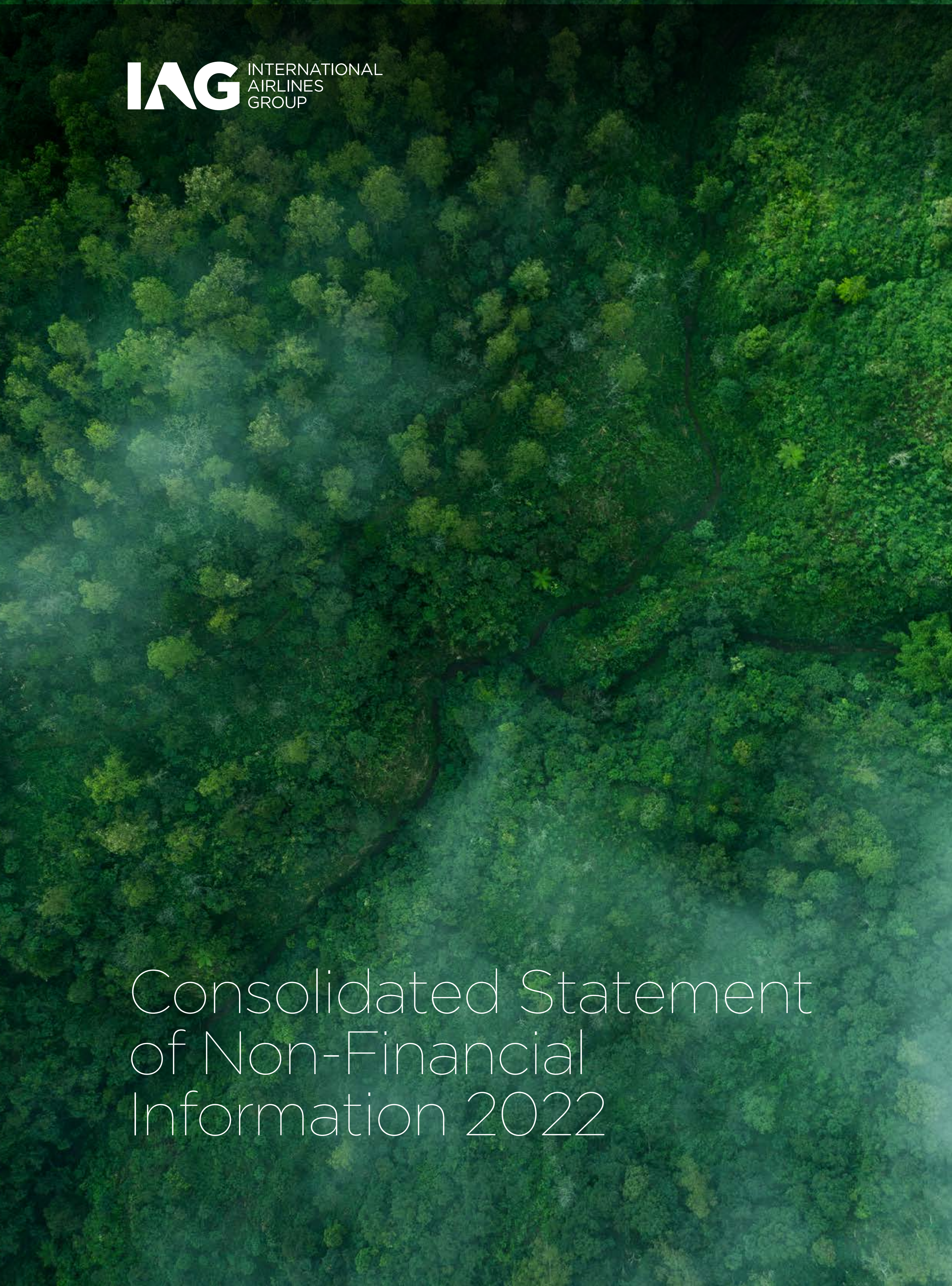
INTERNATIONAL AIRLINES GROUP



Consolidated Statement of Non-Financial Information 2022

KPMG Asesores S.L.
P° 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 2022

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 2022, which forms part of the accompanying consolidated Directors' Report of the Group for 2022.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "Table of contents" of 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 selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) based on each subject area in the "Table of contents" of the aforementioned consolidated Directors' Report.

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 Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies prevailing international quality standards and accordingly maintains a quality system including policies and 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, which refers exclusively to 2022. We conducted our review 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 Parent that participated in the preparation of the NFIS, 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 Parent'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 2022 based on the materiality analysis performed by the Parent and described in the "Our material issues and initiatives" and "Sustainability strategy" sections, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2022.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2022.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2022 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 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Table of contents" of the aforementioned consolidated Directors' Report.

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 stipulates the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable in relation to climate change mitigation and climate change adaptation. This obligation applies for the first time for the 2022 fiscal year, in addition to the information related to eligible activities required in 2021. Consequently, the attached NFIS does not contain comparative information on alignment. Additionally, certain information has been included in respect of which the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in section "Description of EU Taxonomy and 2022 related activities" in the accompanying NFIS. 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 Asesores, S.L.

Marta Contreras Hernandez

1 March 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. Key changes in the scope of this NFIS versus last year are restructured climate change disclosures and reporting aligned spend for the EU Taxonomy.

This statement contains the following sections:

We deliver for our stakeholders and society

Who we are

We are an international airline group, with leading airlines in Spain, the UK and Ireland, and a series of best-in-class non-airline businesses within our central platform that drive efficiency and create additional sources of revenue for IAG. Our purpose in the world is to connect people, businesses and countries, and we hold **innovation**, **commitment**, **care for people**, **responsibility**, **pragmatism**, **execution**, **ambition** and **resilience** as key values that enable us to fulfil our purpose.

We have a portfolio of world-class brands and operations

Airline operating companies

Non-airline businesses and central platform

IAG Loyalty

avios

IAG Cargo

IAG GBS

IAG Tech

For more information see the operating companies' sections

Our stakeholders

IAG has the aim to be a force for good where we operate and, in doing so, create value for all our stakeholders. This starts with fostering a culture that makes our employees feel valued, focusing on diversity and inclusion and providing our employees with options to develop within the Group. Our employees play a critical role in delivering the service our customers expect, which is in turn the main driver of the Group's ability to create value for all our stakeholders. Our shareholders, lenders and other financial stakeholders, and the broader capital markets are also essential in supporting us in the delivery of our purpose, business plans and strategy. In addition to our employees, customers, lenders and shareholders, collaboration with the broader industry, including our suppliers and regulators, is key to ensuring that we maintain the high standards our customers expect and that policy makers understand the impact of their decisions on our businesses and customers.

For more information see the Stakeholder engagement section

Customers

Employees

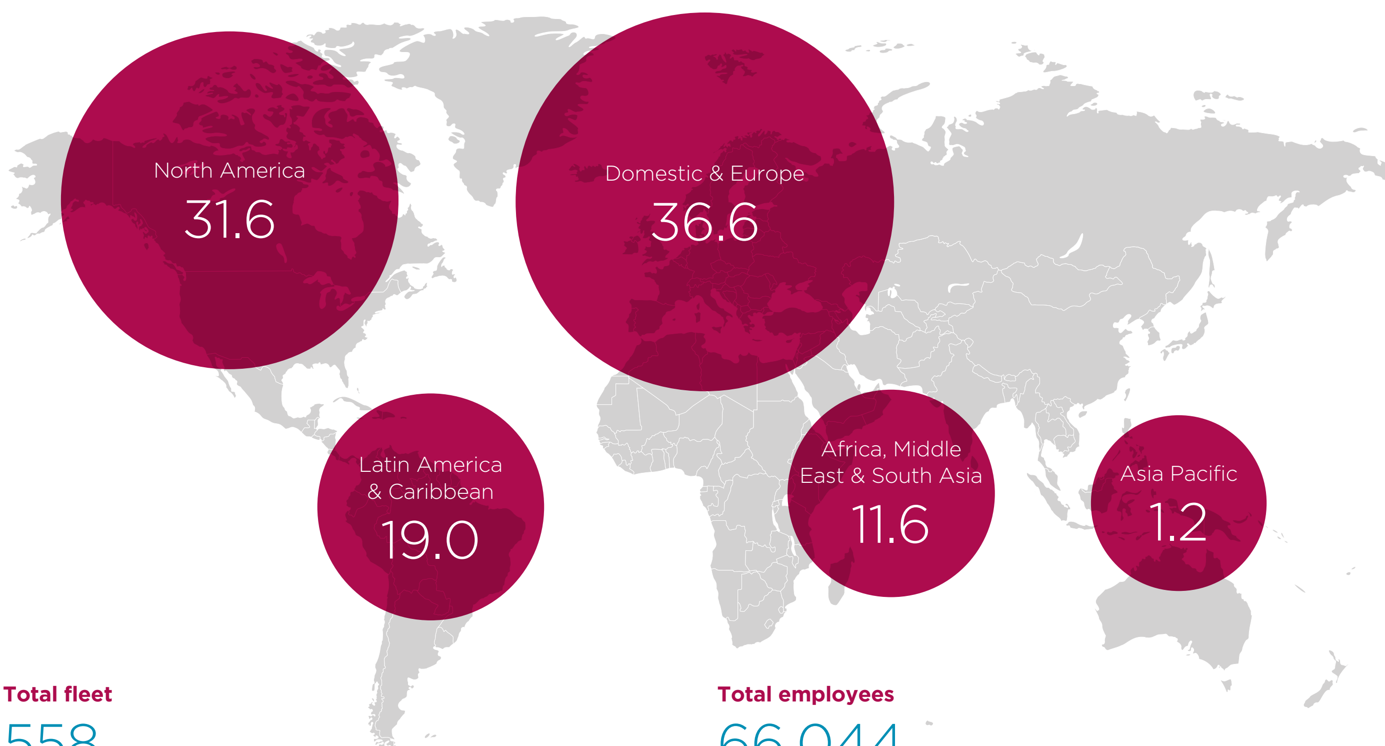
Suppliers

Shareholders, lenders and other financial stakeholders

Governments and regulators

Where we operate

ASKs (% of IAG 2022 network)



Total fleet

558

Total employees

66,044

We are committed to sustainable aviation

Our commitment to sustainability underpins our strategy – it is an important part of how we do business. We remain committed to using 10 per cent SAF by 2030 and to reach the goal of net zero CO_2 emissions for our Group and its supply chain by 2050. As a Group, we have clear processes in place to drive decision-making on the most important elements driving our sustainability strategy: use of SAF and fleet modernisation and efficiency. We will also continue to prioritise other key sustainability issues including waste management, stakeholder engagement and employee engagement and welfare.

For more information see the Sustainability section

Our purpose is fulfilled with a unique model

We were formed with a model based around consolidation, synergy capture, leadership in our core markets and financial performance.

Our operating model

IAG creates value through a unique model that enables our airlines to perform in the long-term interests of our customers, people, shareholders and society – knowing that success in each reinforces the others.

Principles

- Operating companies' execution and accountability
- Light structure at the centre for central functions and intra-Group coordination
- Central execution only where it provides additional value

Corporate parent

- Sets long-term strategy for the Group
- Defines portfolio, M&A and partnerships
- Sets targets, coordinates transformation plans across IAG and oversees performance
- Allocates capital and secures funding
- Drives ESG agenda for the Group
- Manages investor relations
- Facilitates best practice sharing
- Defines, drives and monitors response to external shocks

Airline operating companies

- Define and execute commercial strategy, network strategy and planning
- Ensure operational efficiency
- Define product strategy for target customer segments
- Deep understanding of customer and competitive environment
- Standalone profit centres and independent credit identities
- Individual brands, cultural identities and management teams

Central platform

Provides common services and allow the Group's operations to benefit from scale and world-class expertise

For more information see the operating companies' pages

The Group has a unique business model within the airline industry, based on a light structure at the centre, agile, empowered and focused airline operating companies accountable for their results, and a central platform providing a competitive advantage to our airlines through scale and world-class expertise.

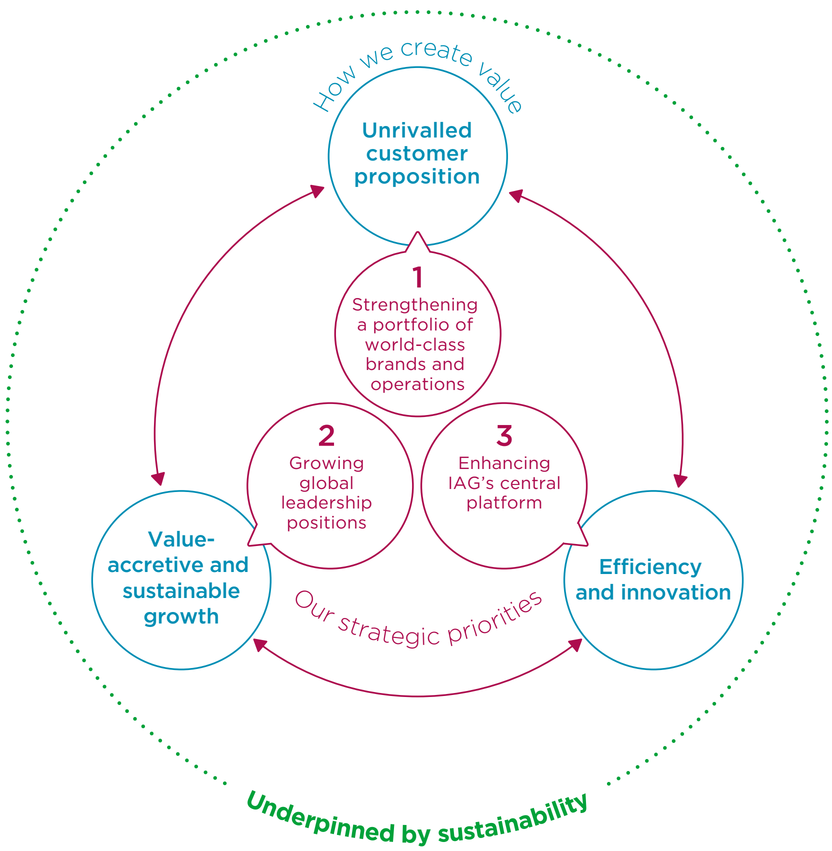
IAG, as the parent company, actively engages and works collaboratively with its portfolio of operating companies, sharing best practices and talent, overseeing intra-Group coordination and managing central functions that drive synergies and value to the Group. Its independence from the operating companies enables IAG to implement a long-term strategy for the Group that is aligned with our purpose and values, as well as set performance targets for the operating companies, track their progress and efficiently allocate capital within the Group. Our model also allows the Group to more effectively take part in industry consolidation, with IAG ensuring inorganic options are aligned with our strategy and providing a central platform to the benefit of new operating companies joining the Group.

The operating companies, with their different brand identities and customised business models, are in turn empowered to execute their strategies and are fully accountable for their financial results. The Group's structure allows our brands to focus their efforts on their addressable markets, customer proposition, cultural identities, 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 airline portfolio sits on the Group's central platform, which drives efficiency and simplicity across the operating companies whilst creating additional sources of revenues for IAG. The IAG central platform allows the Group to be at the forefront of innovation and sustainability in the airline industry, supporting and scaling top emerging technologies in travel and aviation.

Our strategic priorities to create sustainable value

Our strategic priorities



How we create value

Unrivalled customer proposition

- Ensure our operating companies collectively deliver an unrivalled proposition able to fulfil customers' needs across the full spectrum of travel occasions
- Lead industry consolidation and develop organic options to differentiate the Group from its competitors and ensure customer demands are met
- Deepen customer-centricity to win a disproportionate share in each customer segment

Value-accretive and sustainable growth

- Pursue value-accretive organic and inorganic growth to reinforce existing or pursue new leadership positions in our priority markets
- Attract and develop the best people in the industry
- Set the industry standard for environmental and societal stewardship, whilst always prioritising the safety and security of our customers and employees

Efficiency and innovation

- Reduce costs and improve efficiency by leveraging Group scale and synergy opportunities
- Engage in Group-wide innovation and digital mindset to enhance productivity and best serve our customers
- Promote a culture of high operational efficiency throughout our portfolio of operating companies, and leverage the platform to drive synergies and reduce costs

Tracking our performance

We use a combination of financial and non-financial metrics to measure the performance and progress of our strategy:

Financial KPIs: see the Key performance indicators section

Employees: see the Sustainability section

Customer NPS: see the Key performance indicators section

Environment: see the Sustainability section

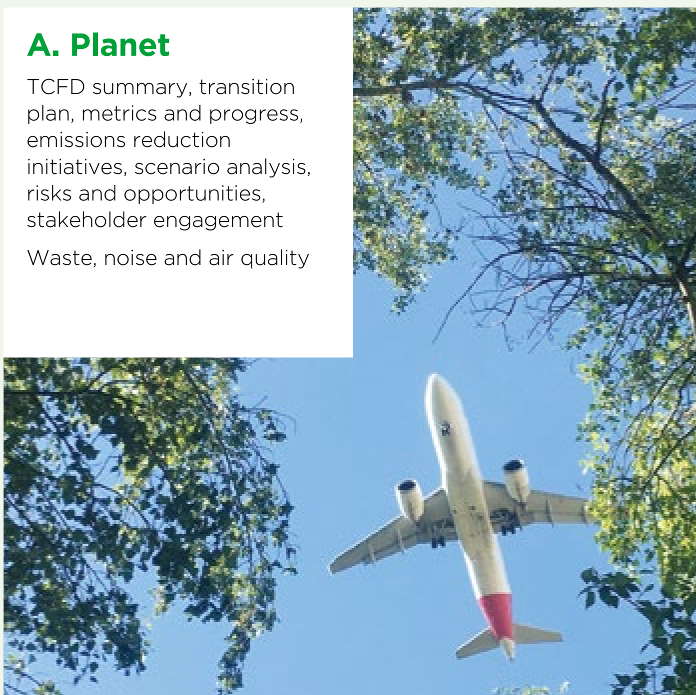
Sustainability supporting our purpose

Contents of this section

A. Planet

TCFD summary, transition plan, metrics and progress, emissions reduction initiatives, scenario analysis, risks and opportunities, stakeholder engagement

Waste, noise and air quality

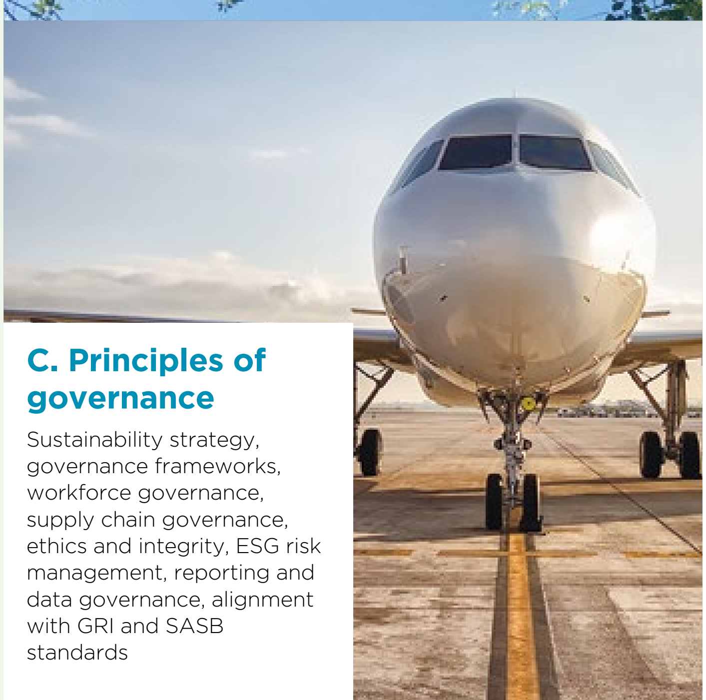


B. People and Prosperity

Key metrics, health, safety and well-being, human rights and modern slavery, community engagement and charitable support

C. Principles of governance

Sustainability strategy, governance frameworks, workforce governance, supply chain governance, ethics and integrity, ESG risk management, reporting and data governance, 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 third-party independently verified 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 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 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.

Our vision

Is to be the world's leading airline group on sustainability.

Our strategy

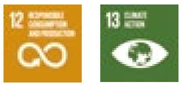
Is to pursue nine sustainability leadership KPIs as listed in section C.1.

Our governance

Board-level oversight	IAG Management Committee oversight	Operating company oversight	Cross-Group alignment
Safety, Environment and Corporate Responsibility Audit and Compliance	Chief People, Corporate Affairs and Sustainability Officer (CPCASO)	Management committees oversee tailored sustainability programmes	Group sustainability team updates Group sustainability strategy

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 policy	• Engaging with employees • Building a diverse, inclusive and equal 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 green solutions • Leadership in trade associations	• Organizational Health Index (OHI) surveys • 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
Target Baseline

2025
- 11% better carbon efficiency, to 80 gCO_2/pkm
- Comprehensive waste targets
- 10% lower noise per take off vs 2020
- 40% women in senior leadership roles

2030
- 10% Sustainable Aviation Fuel (SAF)
- 20% drop in net Scope 1 emissions, to 22 MT
- 20% drop in net Scope 3 emissions, to 6.6 MT

2050
- Net zero Scope 1, 2, and 3 emissions across our full operations and supply chain.
- Removals for any residual emissions

1 The above pillars align with 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 NFIS.

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]
- Electric Mototoks to pull aircraft to runways[2,3]
- Trialling electric trucks[5]
- Renewable electricity to power aircraft on the ground[1]

On-board impacts

- Voluntary offsetting for customers using verified[6] offsets[1]
- Voluntary SAF for customers[2,4]
- Use of IAG-procured SAF[2]
- Vegan food[2,3]
- Recycling on-board[2,3,4]

1 All airlines. 2 British Airways. 3 Iberia. 4 Vueling. 5 IAG Cargo. 6 Gold-standard or Verra-accredited projects to ensure real carbon savings.

Planet highlights

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2022
CLIMATE

A prestigious award for our climate action

250,000 tonnes

of SAF secured for 2030, which is 25 per cent of our target volume

First

alcohol-to-jet SAF plant in the world, the LanzaJet Freedom Pines project, in a signed partnership with IAG

100%

of IAG airline senior executives have climate-related remuneration

12%

annual improvement in carbon efficiency, on track for our 2025 target

People and prosperity highlights

66,044

people employed across the Group in 79 countries

17%

increase in our workforce versus 2021

89%

of staff covered by collective bargaining agreements

34%

women in senior leadership roles

Governance highlights

6

meetings of the Board SECR committee

100%

of suppliers screened for sustainability risks

0

instances of modern slavery identified in our business or supply chain

74%

of suppliers, by spend, completed ESG scorecards

A.1. Planet – climate change

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. Descriptions of TCFD recommendations are on the TCFD website.

IAG has applied the TCFD Guidance for All Sectors to the disclosures in this report. Cross-references to relevant sections are below. 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; multiple layers of robust governance; 2021 materiality assessment still relevant and so not updated	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 received an 'A' rating from CDP	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, repeating materiality assessment in 2024	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 used cooking oil, municipal waste or waste wood – absorb CO_2 in their growth cycle before this carbon is recycled into fuel and then consumed in the flight.

There are eight certified pathways to making SAF based on use of specific technologies. 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.

Key SAF projects – production dates

2023
- **LanzaJet** Georgia, USA
- **Neste** Finland; Singapore
- **Phillips 66** Humber, UK

2024
- **aemetis** California, USA

2025
- **LanzaTech** South Wales, UK

2026
- **Gevo** Minnesota, USA
- **Velocys** Mississippi, USA
- **LanzaJet/ NovaPangaea** Teesside, UK

2027
- **Velocys** Immingham, UK

2030

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 and typically by 70 per cent or more compared with the fossil jet fuels it replaces.

IAG is on track to deliver a 100-fold increase in its SAF volumes between 2022 and 2030 and expects to use SAF for 70 per cent of total fuel in 2050.

In 2021, the Group set a target of using one million tonnes of SAF a year by 2030, dependent on appropriate government policy support, and this volume will save as much carbon as taking one million cars off the road a year. The Group has now secured 250,000 tonnes of SAF for 2030, committing US$865 million in SAF offtakes and investments.[1]

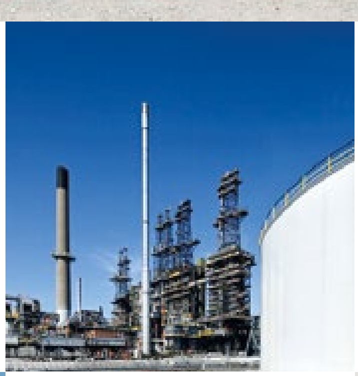
The Group has also made direct investments in new and innovative SAF production capacity, catalysing the wider development of the SAF market. These investments are typically coupled with SAF purchase agreements, which are critical to the financeability of the new SAF production capacity.

Group airlines will be taking delivery of 7,500 tonnes annually from the Lanzajet Freedom Pines facility once construction is completed towards the end of 2023.

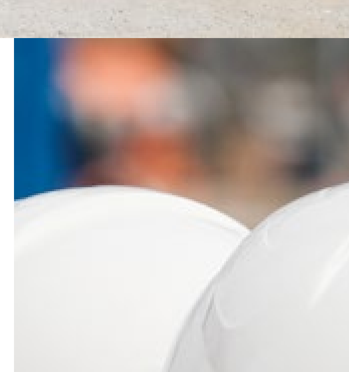
1 Based on an assumed jet fuel price in 2030 of $900 per metric tonne and contracted margins for SAF production.

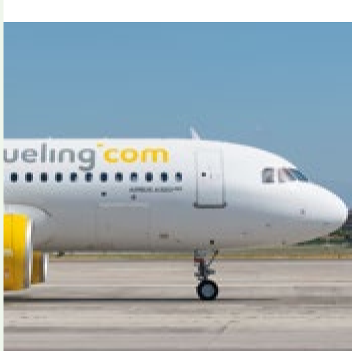
Planet spotlight: Sustainable Aviation Fuel in 2022

First alcohol-to-jet SAF plant
In October, the LanzaJet Freedom Pines plant in the US (see above) was the first SAF project in the world to receive a grant – of $50 million – from the Breakthrough Energy Catalyst Fund. IAG invested in this plant and will receive offtake when it is operational, which is expected to be the end of 2023.



First UK-produced commercial scale SAF
Across 2022, in partnership with the refining company Phillips 66, British Airways received the first UK-produced SAF on a commercial scale, which is manufactured using sustainable waste oils.





New SAF offers for customers
From June 2022, Vueling offered customers the option to fund SAF use on the day of their flight, via a partnership with Avikor. Over 50,000 passengers contributed, and Vueling matched their contributions, supplying over 50 tonnes of SAF at Barcelona and Madrid airports.

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 7,400 senior executives and managers.

Key measures to reduce emissions are fleet modernisation, SAF, market-based measures including the UK and EU ETS and CORSIA, and carbon removals.

Less than 10 per cent of the emissions reductions to 2050 are from offsets.

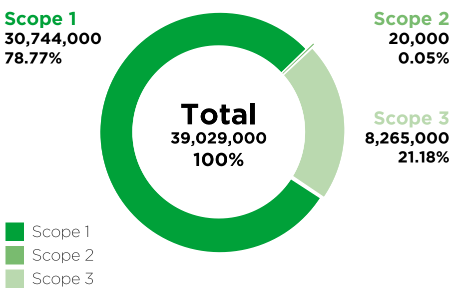
Roadmap to net zero

IAG was the first airline group in the world to commit to net zero emissions and has been publishing its latest roadmap to this goal every year since 2019.

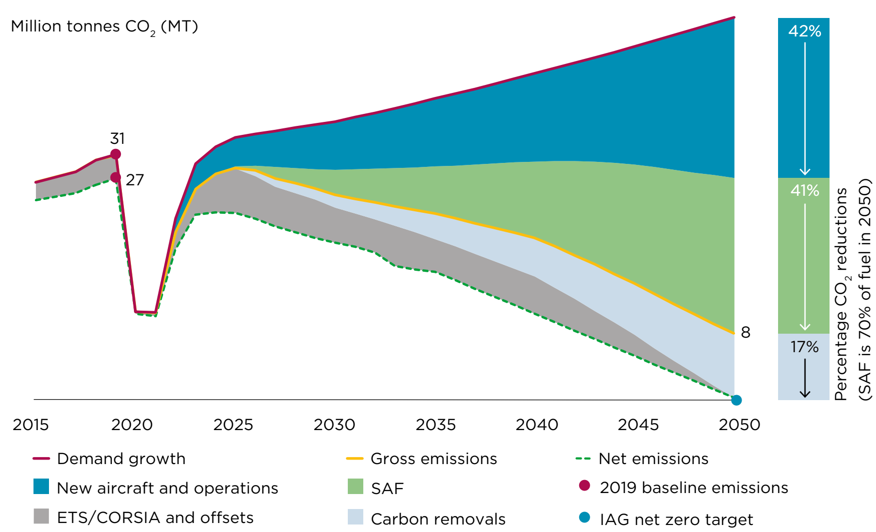
The version below is a core Group scenario which assumes continued policy support for aviation decarbonisation, an overall recovery to 2019 levels of passenger demand by 2024 and annual demand growth aligned with the long-term growth forecasts disclosed in Note 4 and 17 of the Financial Statements.

Key changes versus last year's roadmap are an earlier ramp up of carbon removals, larger net emissions reductions from CORSIA, fuel efficiency gains tapering by 2050, and an increased share of SAF in 2050 to reflect proposed mandates. This roadmap maintains the assumption on hydrogen aircraft in the fleet from 2040 and 5 per cent saving from airspace modernisation by 2050.

2019 Emissions (tonnes CO_2e)



Latest IAG Roadmap to Net Zero



IAG interim targets: 11% improvement in fuel efficiency 2019-2025, 20% drop in net Scope 1 and 3 emissions 2019-30, 10 per cent SAF in 2030, net zero by 2050.

Pillar of carbon roadmap	Delivery plans	Venture investments/key innovation partners
New aircraft and operations	• €13.5 billion investment between 2023-30 for 192 new, efficient aircraft	ZeroAvia (hydrogen aircraft manufacturer) I6 (fuel management software) NAVflight services (flight planning services) Honeywell Forge (fuel efficiency software)
SAF	• US$865 million committed to date on SAF offtake and agreements, based on assumed energy prices	LanzaJet (sustainable fuels producer)
Carbon removals	• Refining the IAG carbon removals roadmap	Heirloom (carbon capture start-up)
Market-based measures and offsets	• Support for the global CORSIA scheme to limit net emissions from aviation • All airlines offer voluntary offsets for customers	CHOOOSE (customer offsetting platform)
Supply chain	• 74% of suppliers by spend have submitted scorecards on ESG performance • New supplier contract clause on sustainability	EcoVadis (business sustainability ratings)

IAG invests in innovation to meet its targets, drive decarbonisation and accelerate wider change towards a more sustainable industry. IAG supports climate technology innovation via its Hangar 51 accelerator, venture capital investments, university collaborations, pilot schemes, supporting applications for grant funding, and research and development consortia. Since 2019, a dedicated sustainability category has been included in the Group accelerator programme Hangar 51.

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 policy makers can drive investment into a green transition.

Future emissions intensity

Delivery of current decarbonisation plans, dependent on appropriate policy support, is expected to enable the following changes versus 2019:

Gross emissions (MT CO_2):

- 2030 – 15 per cent lower
- 2050 – 73 per cent lower

Gross emissions intensity (g CO_2/pkm):

- 2030 – 27 per cent lower
- 2035 – 39 per cent lower
- 2050 – 83 per cent 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 TPI as 1.5°C-aligned and it's 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.

What are carbon removals?

Carbon removals solutions extract CO_2 already in the atmosphere and store it in biological or geological ways.

Four key types are relevant for IAG:

- 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
- CCS with SAF production – as above and including the use of byproducts which can absorb CO_2
- Direct Air Capture (DAC) – absorbing CO_2 directly from the air using a catalyst

Carbon removals projects differ from carbon avoidance projects, which prevent the future release of CO_2. IAG sees carbon avoidance projects as a key transitional solution en route to full use of removals.

When IAG or 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 and Verified Carbon Standard (VCS).

Within the Group, British Airways started offering removals projects to customers in 2022: mangrove restoration in Pakistan and a biochar project in Oregon, USA.

Role in IAG transition plan

By 2050, IAG will only use carbon removals to mitigate any residual emissions from its operations.

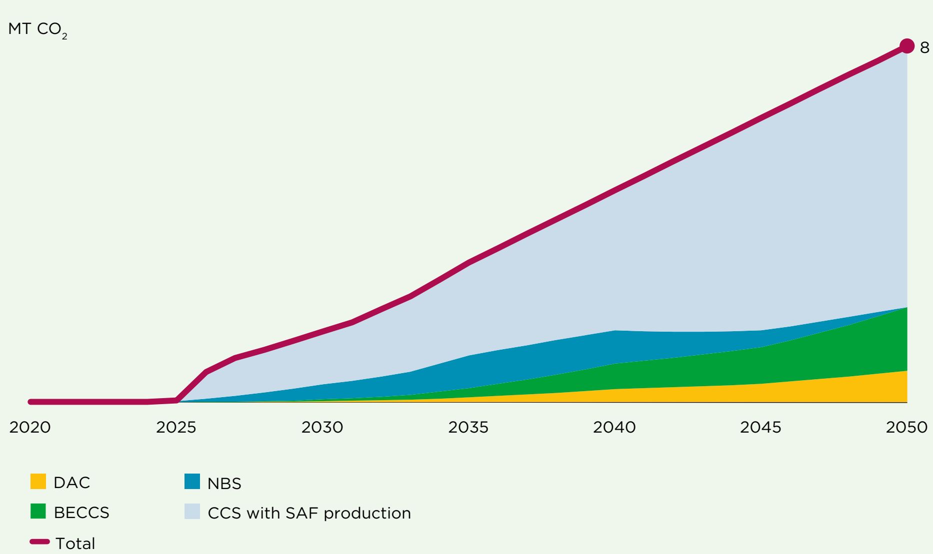
By 2050 it will only work with suppliers who do the same, as part of meeting the Group Scope 3 commitment. It is already encouraging suppliers to transition from offsets to removals as part of a new supplier contract clause which is being rolled out across its supply chain.

Based on the latest roadmap detailed below, 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.

IAG expects to use removals to meet an increasing share of its CORSIA obligations between 2024 and 2035, conditional on the above, and supports wider guidance on how to transition to removals such as the Oxford Offsetting Principles.

It 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.

Illustrative carbon removals ramp up



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 per cent of Scope 1 emissions. The Group measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress on tackling climate change.

2022 saw strong progress against the key metric of carbon efficiency. With a 12 per cent improvement to 83.5g CO_2/pkm[1], the Group is on track to deliver the 2025 target of 80g CO_2/pkm.

Calculation methodology

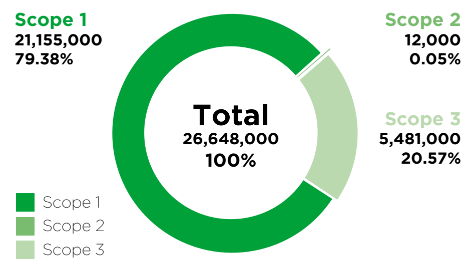
Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2022 UK Government conversion factors are applied across the Group as these are deemed to be the most robust available. Other factors like International Energy Agency emissions factors are used in specific cases as described in the NFIS.

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.

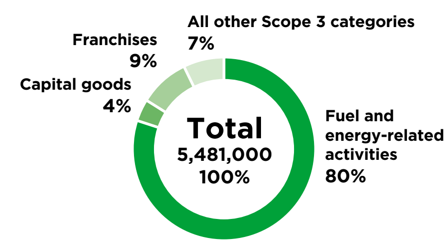
Emissions of CH_4 were 13,072 tonnes in 2022 and N_2O were 198,324 tonnes.

A detailed Scope 3 emissions breakdown is available in the IAG NFIS.

2022 Emissions[2]



Scope 3 emissions[2]



Key carbon footprint metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Scope 1 CO_2e	305-1	MT CO_2e	94%	(31%)	**21.15**	10.92	11.02	30.74*	29.99
Net Scope 1 CO_2e		MT CO_2e	82%	(29%)	**19.13**	10.50	10.85	26.95*	27.22
Scope 2 location-based	305-2	kt CO_2e	30%	(31%)	**51.1**	39.2	48.2	74.6*	70.4
Scope 2 market-based	305-2	kt CO_2e	40%	(40%)	**11.7**	8.4	9.3	19.7*	40.7
Scope 3	305-3	MT CO_2e	65%	(34%)	**5.48**	3.32	3.66*	8.27*	8.79

Key emission reduction metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Flight-only emissions intensity	305-4	gCO_2/pkm	(12%)	(7%)	**83.5**	94.6	106.2	89.8	91.5
GHG reduction initiatives	305-5	ktCO_2e	38%	6%	**82.4**	59.7	17.2	77.4	65.9
Net reduction (ETS[3])		ktCO_2e	720%	(44%)	**1,796**	219	0	3,182	2,634
Net reduction (offset projects)		ktCO_2e	17%	n/a	**229**	196*	168	nr	nr
Fleet age		years	6%	5%	**11.9**	11.2	10.6	11.4	11.3

Other metric	GRI standard	Unit	vly	v2019	2022	2021	2020	2019	2018
Scope 2 emissions intensity	305-4	gCO_2/pkm	(41%)	(8%)	**0.20**	0.34	0.47	0.22*	0.22
Revenue per tonne CO_2e		€/tonne CO_2e	41%	32%	**1,088**	771	705	827	811
Jet fuel	301-1	MT fuel	94%	(31%)	**6.64**	3.42	3.45	9.65	9.41
SAF		kT fuel	338%	n/a	**10.3**	2.4	nr	nr	nr
Electricity	302-1	'000 MWh	13%	(20%)	**213.7**	189.0	200.1	267.7	234.9
Energy	302-1	Mn MWh	93%	(31%)	**81.5**	42.1	41.9	119.7	119.4
Renewable electricity[4]		%	(5pts)	9pts	**81%**	86%	86%	72%	54%
Renewable energy		%	(0.1pts)	0.2pts	**0.4%**	0.5%	0.4%	0.2%	nr

Descriptions and commentary on other metrics is available in the Additional Disclosures section of the IAG NFIS.

Note: 'nr' means 'not reported'. * means restated using the latest data and assumptions.

1 pkm means 'passenger-km'. The passenger-km used for this calculation is 213,376 million, which excludes no-show passengers. The cargo-tonne-km used is 3,712 million, which excludes cargo carried on other airlines or trucks. The jet fuel used excludes fuel for franchises and engine testing.
2 Rounded to the nearest '000 tonnes CO_2e.
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 UK Streamlined Energy and Carbon Reporting regulation, IAG can disclose that 56 per cent of Group energy use was UK energy use, based on Scope 1 emissions and Group electricity use in UK-based offices.

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 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.

Here are savings from key initiatives in 2022, rounded to the nearest 10,000 tonnes:

1,580,000
illustrative tonnes of CO_2 saved this year from a more efficient fleet, compared to the 2019 fleet pre-COVID-19

30,000
tonnes of CO_2 saved from SAF purchased this year, five times higher than the saving in 2021

80,000
tonnes of CO_2 saved from operational efficiency initiatives such as reduced use of landing flaps, single-engine taxi-in and reduced weight on-board

230,000
tonnes of CO_2 avoided due to use of certified carbon offset projects, in locations such as Cambodia, Peru, the Congo Basin, Sudan and Malawi

Examples of initiatives across the Group:

Operating company	2022 examples
British Airways	9,980 tonnes of SAF delivered from Phillips 66, saving almost 30,000 tonnes of CO_2
	Rolled out a new fuel efficiency dashboard enabling pilots to better match fuel use to fuel needs
	Trials at airports of an electric bus for passengers and use of hydro-treated vegetable oil (HVO) in ground vehicles
Iberia	Began operation of a 10,000m² solar installation to generate 2.7 million renewable kWh annually
	Efficiency initiatives across the whole flight phase including take-off, cruise, approach and landing
Aer Lingus	Welcomed two A320neos to the fleet, which save up to 20 per cent of fuel compared to the aircraft they replace
	More efficient flightpaths out of Dublin airport saved around 1,200 tonnes of CO_2
Vueling	Demonstrated 72% CO_2 saving on a Green Flight between Barcelona and Lyon using SAF and a straighter path
	Moved to a new, more sustainable headquarters, certified to international BREEAM[1] standards
IAG GBS	Rolled out a new supplier contract clause encouraging emissions reductions
IAG Cargo	SAF deals with key cargo customers including Kuehne + Nagel, Bolloré Logistics, DB Schenker and DHL
	Trials including a lease of 40 tractor units running on HVO biofuel, and an electric tractor
IAG Tech	Migration of IT services to Amazon cloud servers, saving energy and CO_2
IAG Loyalty	British Airways Executive Club Members can use Avios points to contribute to verified carbon offset projects

A diverse portfolio of SAF

IAG continues to work with technology developers to establish a range of SAF supply options, including the projects listed below. The Group uplifts jet fuel in multiple locations including the US and Europe and therefore is exploring projects in multiple regions. It is working to support SAF projects which also remove carbon or capture and store it.

IAG has secured 25 per cent of its 2030 target volume of 1 million tonnes.

Key SAF partnerships

Partner	Project name if relevant	Production location	Planned production start
Phillips 66		Humber, UK	In production
Neste		Finland; Singapore	2023
LanzaJet	Freedom Pines	Georgia, USA	End 2023
aemetis	**one**world	California, USA	2024
LanzaTech	Project Dragon	South Wales, UK	2025
Gevo		Minnesota, USA	2026
Velocys[2]	Bayou Fuels	Mississippi, USA	2026
LanzaJet/NovaPangaea[2]	Speedbird	Teesside, UK	2026
Velocys[2]	Altalto	Immingham, UK	2027

1. Building Research Establishment Environmental Assessment Method. 2. Includes carbon capture and storage.

A.1.5. Scenario analysis

Overview

In 2022, 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 2024 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 2030
- TCFD-aligned scenario analysis was repeated using a dual timeframe of 2030 and 2040
- 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 shorthaul and longhaul 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 2022-30, UK ETS prices of £75-£150/tonne, EU ETS prices of €67-€130/tonne and CORSIA prices of $11-$21/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

In 2022, IAG repeated a TCFD-aligned scenario analysis exercise, building on the 2018 and 2021 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).

1.5°C scenarios[1] were chosen for transitional risks, in recognition of IAG and global targets. 2°C and 3°C warming scenarios were chosen for physical risks, based on the latest UN projections.

2030 was chosen as the key timeframe, based on IAG targets and key policy timelines e.g. for SAF mandates. 2040 was also considered due to the possibility of the world overshooting 1.5°C in the 2030s leading to faster societal changes.

The 2021 and 2022 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.

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 move to become more resilient than its competitors.

To address significant uncertainty around future policy, technology and market trends, IAG is repeating scenario analysis annually. It will implement action plans in 2023 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 Principal Risk 'Sustainable Aviation'. Opportunities are managed within relevant teams.

Transitional risks primarily affect airline activity between European destinations, which contributed 37 per cent of flying activity in 2022. Physical risks could affect IAG operations across its global network, reflecting the global nature of climate change.

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	Scenario dependency[1]
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 IAG ESG progress	S	Up	Transition
	Customer spend due to perceptions of aviation industry ESG progress	S	Up	Transition
	Perceived quality of offset and removal projects	M	Stable	Transition
	Supply chain readiness	L	Down	Transition
Policy	Demand impact of EU and UK climate policy	M	Stable	Transition
	Resilience to changes in ETS/CORSIA pricing	M	Stable	Transition
	Policy asymmetry across regions	M	Up	Transition
	Extra regulation on activity not emissions	L	Stable	Transition
	Lack of supporting SAF infrastructure or policy	M	Down	Transition
	Regulation on non-CO_2 effects	L	Up	Transition
Technology	Access to and readiness for lower-emission technologies	L	Down	Transition
	Access to SAF	M	Down	Transition

Key: short-term (S) is 1-2 years, medium-term (M) is 3-5 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, 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[2] 2.6	RCP 4.5

Transition risk parameters	Current policies/projections	Current targets	1.5°C-aligned scenario[1]
Global emissions vs 2019	0%	-7%	-41% (-27%)[3]
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 Whether the cost impacts depend more on the temperature scenario (2°C or 3°C), or type of transition (orderly or disorderly).
2 Representative Concentration Pathway (RCP), a globally recognised scenario for physical changes under different temperature ranges.
3 A 41 per cent drop by 2030 represents an orderly transition. A 27 per cent 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
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 from e.g. 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 Caribbean
Customer spend due to perceptions of IAG ESG progress	Customers change frequency of flying, duration of trips, or spend less relative to other carriers	Delivering emissions reductions, developing emissions dashboards for customers, expanding customer communications
Customer spend due to perceptions of aviation industry ESG progress	Customers change frequency of flying, duration of trips, or spend less relative to other travel modes	Support for global instruments like CORSIA, working via trade associations to advance green solutions
Perceived quality of offset and removal projects	Exposure to sudden variability in prices, cost of CORSIA credits, scale of growth in revenue 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
Demand impact of EU and UK climate policy	Pass-through of industry-wide costs affects ticket prices and so 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 not emissions	Industry-wide taxes or levies increase operating costs and have potential demand impacts, demand management measures equate to lost revenue	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 be 80% of impacts. Advocacy via trade associations to support monitoring and targeted solutions such as route optimisation and SAF uptake
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

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.

As one example, IAG successfully delivered its first ESG day for investors in 2022, as described in the CEO letter in the ARA.

Internal governance ensures that wider stakeholder engagement on climate change is consistent with material issues and environmental goals.

As per the IAG Code of Conduct, IAG does not use Company funds or resources to support any political party or candidate.

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 across ten associations are listed below. 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 stances and constructively move to alignment.

IAG is proud to have consistent stances 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, **one**world, JZC, and ATAG. IAG has also driven and encouraged higher SAF ambitions across the JZC, **one**world 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.

In 2022, it supported the strengthening of the global UN-regulated CORSIA scheme. Changes agreed at the ICAO General Assembly will ensure that net emissions from international aviation will be 15 per cent below 2019 levels in 2030, en route to the ICAO target of net zero emissions by 2050.

IAG advocates for 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.

IAG prioritises 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.

It advocates for policies that are effective and fair across multiple airlines.

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 net zero roadmap in 2020, proposed interim industry climate targets in 2021, active participant in workstreams to advance green solutions
Jet Zero Council (JZC)	Chairs SAF Delivery Group, 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 to understand how best to mitigate these effects
Spain/Europe focus	
Grupo Español para el Crecimiento Verde	Iberia is one of over 50 corporate members supporting green growth
Airlines 4 Europe (A4E)	Founding member, drove development of net zero roadmap in 2021, supported RefuelEU consultation responses and other work to advance green solutions
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)	Chairs Environment Strategy Board (ESB), coordinated net zero roadmap and 10 per cent SAF ambition across 2020-21, hosted two ESB meetings in London in 2022, continues to provide support for advancing green 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 green solutions
World Economic Forum (WEF) – Cleaner Skies for Tomorrow Coalition	Regular contributor to reports on how to scale up SAF as a low-carbon solution, advocated for 10 per cent SAF ambition by 2030
IATA (represents 300 airlines worldwide)	Chaired IATA Sustainability and Environment Advisory Council (SEAC), representatives on IATA working groups to advance policies for green solutions, supported advocacy for net zero commitment at ICAO and strengthening of CORSIA baseline

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.

The '5 by 2025' plan covers five waste streams and five business units, with 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.

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 2022, IAG operations generated:

- 52,106 tonnes overall (27,613 in 2021)
- 51,133 tonnes non-hazardous waste
- 973 tonnes hazardous waste.

13,806 tonnes were recovered or recycled.

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 – London, Madrid and Barcelona – although the Group flies to over 200 airports worldwide.

Reducing food waste remains an area of focus. For example, Iberia offers a Buy-Before-You-Fly service on shorthaul flights and 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 shorthaul economy cabin meals while maintaining customer choice. British Airways has a target to halve food waste volumes between 2019 and 2025.

The Group is also expanding its efforts to increase recycling. For example, in 2022 Aer Lingus trialled the first-ever flights into Ireland to recycle on-board, Iberia segregated glass on-board for the first time, and Vueling rolled out trolleys which enabled waste segregation.

Track record on waste

- **2016** – **Iberia joins the EU LIFE+ Cabin waste project**
- **2019** – **160 tonnes of SUP saved across the Group**
- **2020** – **British Airways targets 700 tonnes SUP saved a year but had to cancel due to COVID-19**
- **2021** – **First Group-wide waste targets**; **EU SUP ban comes into force**
- **2022** – **New initiatives to recycle more on-board waste**
- **2025** – **Delivery of '5 by 2025' waste targets**

Below is the Group's most comprehensive waste disclosure to date. Waste trends remain unusual due to the COVID-19 recovery and are expected to stabilise in 2023, allowing for more in-depth analysis of progress towards the 2025 goals.

Metric	Unit	2019 base	2025 target	2020	2021	**2022**	vly
On-board waste per passenger	Kg/pax	0.33	0.27 (-20%)	0.75	0.47	**0.41**	(12%)
Office waste per full-time employee	Kg/FTE	95.7	47.8 (-50%)	124.5	103.1	**77.4**	(25%)
Maintenance waste per unit of activity	Kg/person-hr	0.63	0.47 (-25%)	0.67	0.56	**0.36**	(35%)
Cargo waste per unit of cargo carried	Kg/tonne cargo	1.55	1.16 (-25%)	1.59	1.43	**1.59**	11%
On-board waste at hubs recycled/recovered	%	24%	40%	31%	26%	**24%**	(2pts)
Office waste recycled/recovered	%	35%	60%	16%	13%	**26%**	13pts
Maintenance waste recycled/recovered	%	50%	70%	35%	45%	**60%**	15pts
Cargo waste recycled/recovered	%	63%	80%	55%	61%	**59%**	(2pts)

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 increased as flying recovered and waste intensity metrics are returning to pre-pandemic levels. Trends are expected to stabilise in 2023.
Waste recycling and recovery	Includes re-use, downcycling, upcycling, energy from waste, composting and anaerobic digestion. Regulations, including International Catering Waste (ICW) regulations, limit the amount which can be recycled.	Overall recycling/recovery rates are 26 per cent, up from 21 per cent in 2019. The impact of airline recycling initiatives is expected to become clearer in 2023.
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 London Heathrow and Gatwick, Madrid, Barcelona and Dublin.	Waste generation ratios per passenger are gradually decreasing back to pre-pandemic levels.

Detailed descriptions of all waste metrics are available in the NFIS.

A.2.2. Noise and air quality

Relevant standards: GRI 305-7.

IAG has delivered a 12 per cent reduction in noise per take-off and landing cycle (LTO) versus 2019, driven by fleet renewal. It 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. In 2021 and 2022, Iberia participated in the EU AVIATOR project to better understand air pollution at airports, including the impact of a 30 per cent SAF blend.

As indicated in the 2021 Annual Report, IAG planned to update noise targets in 2022 but has delayed this review until 2023 when flying demand is expected to stabilise. Detailed descriptions on all noise metrics are available in the IAG NFIS.

Metric	Unit[1]	vly	v2019	**2022**	2021	2020	2019	2018
Noise per cycle	QC per LTO	(0%)	(12%)	**0.88**	0.88	0.96	1.00	1.07
NOx per cycle	kg per LTO	(4%)	(4%)	**8.8**	9.22[2]	9.84	9.23	9.71
ICAO Chapter 14	% at standard	3pts	6pts	**59%**	56%	58%	53%	50%
CAEP Chapter 8	% at standard	2pts	6pts	**41%**	39%[2]	40%	35%	29%

1 % at standard is based on the fleet position at the end of 2021, including parked aircraft and excluding leased aircraft. Metrics per LTO are based on aircraft operational during the year. 80% of the IAG Fleet is CAEP Chapter 6-compliant, up from 74% in 2018.
2 Restated using the latest available data.

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

B. People

B.1. Overview

Our people are central to our business and key in delivering for our customers. The flexibility, commitment and support our colleagues have demonstrated have been critical to enable the Group's recovery as markets re-opened and travel restrictions eased.

Each airline had a different recovery path, reflecting their network and markets served. All have faced resourcing challenges as we established the capacity to meet increasing demands for travel. This resourcing challenge included recruiting around 17,400 new colleagues across the Group, driving a 17 per cent increase in our workforce year on year. The strength of the Group's brands was key to attracting talent, but we faced industry-wide shortages in skilled resources especially in engineering and airport operation roles. At the end of 2022, around 66,000 people were employed across the Group in 77 countries. Voluntary turnover at 8 per cent reflects both more normalised levels and the dynamic talent market in our key hubs.

The pandemic and inflation have created pressure for the business and for our people, and the approach to pay and conditions in each operating company reflected the different starting points and business context they face. The agreements reached by operating companies have endeavoured to strike the right balance between benefits to our employees and the competitiveness of the business in the long-term.

At the start of 2022 we announced our ambition for 40 per cent of women in senior leadership roles by 2025. This new 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.

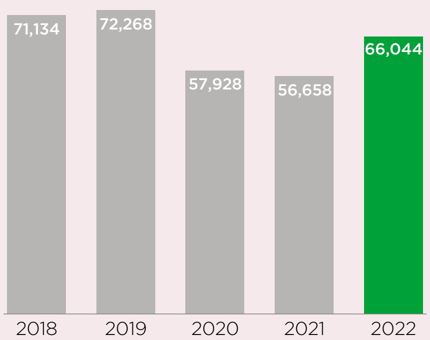
In 2022, we have seen the percentage of women in the IAG Management Committee increase 8 percentage points with the appointment of Sarah Clements as IAG's new General Counsel. We end the year at 34 per cent of women in senior leadership roles, up from 33 per cent in 2021. We remain confident we are on track to deliver on our 40 per cent ambition and have instigated new succession and talent processes and implemented changes to ensure our recruitment processes are inclusive, and we are seeing more talent mobility across the Group as a result.

B.2. Key metrics and progress

Relevant standards: GRI 102-7, 102-8, 401-1, 405-1

Key measures are provided in the next few pages together with explanations.

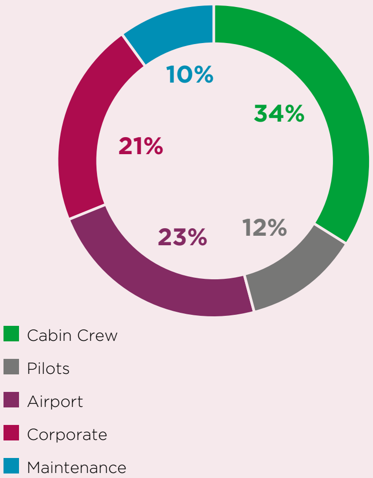
Headcount



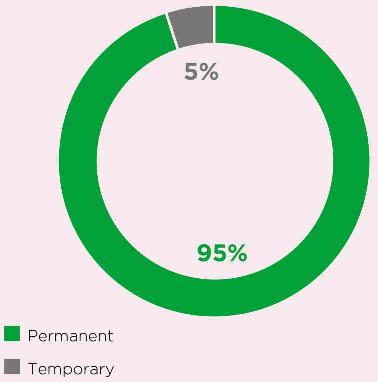
Number of senior women increased to

34%

Headcount by employment categories



Headcount by employment contract



Headcount by employment type

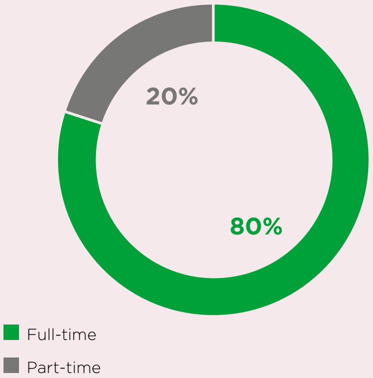


Table of key measures

Metric	GRI standard	Unit	Sub-category	vly	2022	2021	2020	2019	2018
Employment	102-7	Average manpower equivalent[1]		+18.5%	**59,505**	50,222	60,612	66,034	64,734
Headcount	102-7	Number of people[2]		+16.6%	**66,044**	56,658	57,928	72,268	71,134
Composition	102-8	% headcount by employment type	Full-time:	2pts	**80%**	78%	79%	74%	75%
			Part-time:	-2pts	**20%**	22%	21%	26%	25%
Composition	102-8	% headcount by employment contract	Permanent:	-1pts	**95%**	96%	97%	94%	94%
			Temporary:	1pts	**5%**	4%	3%	6%	6%
Composition	102-8	% headcount by employee categories	Cabin crew:	2pts	**34%**	32%	31%	35%	35%
			Pilots:	-1pt	**12%**	13%	13%	11%	11%
			Airport Operations:	0pts	**23%**	23%	25%	26%	26%
			Corporate Function:	2pts	**21%**	19%	20%	17%	18%
			Maintenance:	-3pt	**10%**	13%	11%	11%	10%
Employees by country		% of people	UK:	2pts	**51%**	49%	50%	54%	nr
			Spain:	-2pts	**34%**	36%	34%	31%	nr
			Ireland:	0pts	**7%**	7%	8%	7%	nr
			Other:	0pts	**8%**	8%	8%	8%	nr

Note: ‘nr’ means ‘not reported’.

1 The mean of the manpower equivalent captured quarterly to reflect seasonality.
2 Actual number of people employed across the Group at December 31, 2022.

Table of key measures continued

Relevant standards: GRI 102-7, 102-8, 401-1, 405-1

Metric	GRI standard	Unit	Sub-category	vly	2022	2021	2020	2019	2018
Gender diversity	405-1	% women at Board level		3pts	**45%**	42%	42%	33%	33%
		% women at senior executive level		1pt	**34%**	33%	30%	30%	27%
		% women at Group level		2pts	**44%**	42%	43%	44%	45%
Age diversity	405-1	% of managerial staff in each age band	<30	4pts	**6%**	2%	3%	4%	7%
			30-50	1pts	**56%**	55%	57%	55%	57%
			50+	-5pts	**38%**	43%	40%	41%	36%
		% of non-managerial staff in each age band	<30	5pts	**21%**	16%	18%	21%	22%
			30-50	-4pts	**49%**	53%	54%	50%	50%
			50+	-1pt	**30%**	31%	28%	29%	28%
Workforce turnover	405-1	Attrition rate (%)	Voluntary	3pts	**8%**	5%	16%	7%	8%
			Non-voluntary	0pts	**1%**	1%	5%	2%	3%
		Overall % by age group	<30	5pts	**40%**	35%	16%	37%	35%
			30-50	-4pts	**42%**	46%	33%	36%	34%
			50+	-1pt	**18%**	19%	51%	27%	31%
		Overall % by gender	Women	-2pts	**47%**	49%	52%	47%	51%
			Men	2pts	**53%**	51%	48%	53%	49%

Relevant standards: GRI 102-41, 403-9, 404-1. TR-AL-310a1

Metric	GRI standard	Unit	vly	2022	2021	2020	2019	2018
Social dialogue and trade unions	102-41	% covered by collective bargaining agreements	-2pts	**89%**	91%	89%	87%	86%
Average hours of training	404-1	Average hours per employee per year	80%	**53.3**	29.6	26.4	48.4	41.1
Lost Time Injury (LTI) frequency rate	403-9	LTI per 200,000 hours worked	33%	**3.01**	2.27	2.41	4.34	4.20
LTI severity rate		Average days lost per LTI	-21%	**23.98**	30.47	37.80	22.64	21.12
Fatalities	403-9	Number of fatalities	0pts	**0**	0	0	0	1

Note: ‘nr’ means ‘not reported’.

Description and commentary for key workforce metrics

Metric	Unit	Description	Commentary
Employment	Average manpower equivalent	Manpower equivalent is the number of employees adjusted to include part-time workers, overtime and contractors. The average is the mean of the manpower equivalent captured quarterly to reflect seasonality.	The 18.4% increase reflects our business's growing recovery in 2022 and substantial recruitment and increases in full-time employment across the business. This is an average figure and most of the on-boarding of new recruits has taken place in the second half of 2022. This measure accounts for employees' contractual schedule of work.
Headcount	Number of people	Headcount is the actual number of people employed across the Group (employees) at December 31, 2022.	Overall headcount has increased by 17% in 2022. This reflects recruitment drives across the Group's key hubs.
Composition	% headcount by employment type, contract and employee categories	Composition is a breakdown of headcount as at December 31, 2022. Full-time employees are defined as those working full contractual hours as at December 31, 2022. A temporary employment contract has a defined end date. The employee category breakdown portrays 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 and logistics.	Increases in temporary workers to pre-pandemic levels of 5%, driven by short-term capacity requirements and a return to more normalised seasonal resourcing. We have also seen an increase in full-time employees to 80%. There have been significant net increases in full-time cabin crew +25% and airport operations employees +25%. Cabin crew composition levels have recovered this year to 34% of the Group workforce.
Employees by country	Number of people	This metric depicts the distribution of the Group's employees according to the country in which they are based.	The increase in the proportion of Group employees based in the UK reflects the recruitment drive currently underway in British Airways. This has seen nearly 9,000 UK-based employees join the Group. At the end of 2022 IAG had employees based in 77 countries.
Gender diversity	% women at Board, senior executive, and Group level	The share of women as a proportion of all staff at specific levels of seniority across the Group.	There were 221 senior executives as at December 31, 2022. Gender diversity increased to 45% at Board level. IAG's proportion of women in senior executive roles is currently 34%. An increase in the proportion of women across the Group is associated with the recruitment drives in roles with a traditionally more balanced gender mix e.g. cabin crew.
Age diversity	% of staff in each age band	The 'on the ground' managerial population includes all airport, corporate and maintenance roles equivalent to a manager across the Group. The 'in the air' managerial population includes all pilot and cabin crew roles equivalent to captains and cabin service managers.	Employee turnover for <30 year old was 31% (2,951); 10% for 30-50 year old (3,022); and 7% for >50 year old (1,427). Overall, the Group has seen a decrease in the proportion of employees aged between 30-50 years old. This is linked to significant growth in the <30 years age joining the group (+19%).
Workforce turnover	% voluntary and non-voluntary turnover	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).	The overall annual turnover in 2022 was 9% – a total of 5,930 employees, of which 916 were non-voluntary leavers. This compares to 6% in 2021, a total of 5,054 of which 685 were non-voluntary leavers. This increased turnover reflects more normalised turnover levels and the dynamic talent market in key hubs.

B.3. Equity, Diversity and Inclusion

Diversity is one of IAG's core strengths, with colleagues joining us from across the world, and working in around 80 countries. IAG continues to champion and make positive progress relating to equity, diversity, and inclusion (EDI) initiatives and practices. A robust integrated framework for EDI guides our journey towards a diverse and inclusive culture and workforce.

In 2022, we reset our ambition of 40 per cent women in senior leadership roles by 2025 and we have made strong progress in our first year with a 1 percentage point increase to 34 percent. Our Group-wide plans go beyond gender. We are reviewing how we manage declarations in our core countries of operation, reflecting the cultural and regulatory environment, with an aim to use data and insights to set progressive targets and action plans.

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. In 2022, the panel welcomed internal and external guest speakers on specialist subjects such as gender diversity in aviation and reverse mentoring. Members of the panel have joined Women in Hospitality and Leisure (WiHTL) Committees, including specialist areas such as Race & Ethnicity and Disability.

To support and underpin actions and initiatives across the group, work has taken place to review IAG's key employment policies, ensuring they are inclusive and fair for all.

Achievements in 2022

- IAG has increased the number of women in senior executive roles to 34 per cent, a 1-percentage point increase on last year.
- IAG's new Equity, Diversity and Inclusion policy was approved by the IAG Board of Directors in July 2022.
- Launch of the 'Peppy' menopause support App across IAG head office, British Airways and IAG Loyalty, recognising the impact of the menopause at work and offering 24/7 advice, support, and information to those impacted both directly and indirectly.
- Having achieved the Bronze Investors in Diversity Award from the Irish Centre for Diversity, Aer Lingus now targets the Silver Award, with significant improvements to parental leave policies implemented in 2022 and a continuation in support for Dublin's Pride Parade.
- British Airways achieved 40% women in senior leadership roles for the first time. The airline also successfully undertook a 9-month pilot for reverse mentoring with colleagues from racially and ethnically diverse backgrounds and members of the British Airways Management Committee. In 2023, this programme will be rolled out to all senior managers across British Airways.
- IAG Cargo invested in mental health first aid training for 59 colleagues across the company, supporting a culture of support and inclusion. In recognition of the global nature of the Cargo business, Rosetta Stone Language Learning launched and was made available to all colleagues.
- IAG GBS have launched the first Equity, Diversity, and Inclusion policy for the company.
- IAG Loyalty placed EDI at the centre of its new values this year, stating 'We take belonging seriously'. Bringing this to life included forming a colleague 'squad' focused on the topic, the launch of a women's development programme in partnership with Amazing If and an organisation-wide EDI survey.
- Iberia have incorporated EDI into their values, transforming the previous value of 'We are one' into 'We are one and diverse'. In 2022, the company also created and launched a network of diversity ambassadors who will be supported as champions and role models.
- In Iberia Express the management committee reached 50 per cent female representation for the first time and there was a substantial improvement in female representation in First Officer pilot roles, moving from 9 to 11 per cent
- Vueling finalised its D&I strategy and action plan. The company also celebrated achieving a 50% female management committee and a positive 44% of female colleagues working in team leader positions.

"Diversity is one of IAG's core strengths"

B.4. Health, safety and well-being

Overview

IAG is committed to safeguarding the health and safety of our employees, customers and all others related to our activities. This means operating in a healthy, safe and secure way in compliance with all applicable laws, regulations, Company policies and industry standards. Health and safety are fundamental to our business, whether in the air or on the ground.

IAG has robust governance processes in place led by the safety committees in each operating company.

The IAG SECR Committee has oversight of all matters related to the operational safety and corporate responsibility of IAG's airlines as well as to the systems and resources dedicated to safety activities across the Group.

IAG's customers travel on aircraft and through buildings and environments that are subject to regulations applicable to health and safety in each country. Procedures, systems and technology used in our operations are designed to protect employees and customers alike.

Focus areas

As IAG continues to recover and grow in 2022, health and safety has remained a priority area for the Group. While Lost Time Injury (LTI) frequency rates have increased this year to 3.0 incidences per 200,000 hours worked, this is still relatively low compared to pre-2019 levels, and reflects the increase in hours worked by front-line operational teams compared to 2021.

To support and prioritise employees' health and safety, our operating companies continue to provide employees with access to occupational health services and rehabilitation services. For example, British Airways has relaunched its Early Active Rehabilitation programme to assist employees back to work to help keep LTI severity rates low whilst providing employees the necessary support to get back to work. British Airways will also be commencing a project in 2023 to replace its current Occupational Health software to provide employees and managers with a better platform for colleague referral. IAG Cargo has trained 59 accredited Mental Health First Aiders as part of a new vision, mission and values launch across the business.

Most of our operating companies have supplemented government and healthcare-provided influenza vaccinations with their own programmes. Given the low levels of influenza since COVID-19 this initiative is seen as key to keeping our employees healthy and protected and maintaining productivity in the Group. For example, Iberia has continued its 'Elige Cuidarte' ('Choose to take care of yourself') programme with an objective to vaccinate all employees against the flu and providing workers with suggestions of health lifestyle habits.

B.5. Human rights and modern slavery

IAG had no known cases of human rights violations across the Group during 2022, the same as in 2021.

IAG is taking steps to prevent incidences 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, involuntary prison labour, human trafficking or exploitation. Modern slavery clauses feature in all new supplier contracts as well as contract renewals.

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.

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. This training is managed at airline level. In 2022, over 24,000 employees have completed training covering human rights topics, compared to 27,000 employees in 2021.

Related risk: Human rights

Risk description and potential impact	Mitigating actions
Not preventing potential incidences of human trafficking via IAG routes, damaging efforts to improve human rights and associated legal and reputational impacts. Potential human rights or modern slavery violations in the supply chain leading to fines, compliance issues, 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

In 2022, IAG planned to review its assessment of human rights risks within the business. This review has been shifted to 2023.

B.6. Community engagement and charitable support

Relevant standards: GRI 102-13, 201-1.

In 2022, IAG raised over €6.5 million for charitable causes across the Group, including campaigns related to the floods in Pakistan and the war in Ukraine.

Of this, 43 per cent came from customer contributions, 35 per cent from Company donations, 16 per cent from employee contributions, and 6 per cent from in-kind donations. The Group also carried over 19 million COVID-19 vaccines between 2020 and 2022.

Metric	GRI Standard	Unit	vly	2022	2021	2020	2019	2018
Total raised		€ million	141%	**6.5**	2.7	4.6	5.7	nr

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)

Aer Lingus and Paralympics Ireland

In October 2022, Aer Lingus was announced as the Official Airline of Paralympics Ireland and will support Team Ireland as it prepares for and competes in the Paris 2024 Paralympic Games. Following the support of the team for its Tokyo 2020 campaign, Aer Lingus will continue to support Irish para-athletes to World Games in the lead up to qualification for Paris 2024.

C. Principles of sustainability governance

C.1. Sustainability strategy

IAG's vision is to be the world's 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 orientates its sustainability strategy around 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.

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 well-being remain high priorities. IAG will consider use of a double materiality assessment when it next repeats this analysis, which is expected to be 2024.

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 NFIS.

Leading net zero by 2050 roadmaps and commitments

- **IAG commitment** (first airline group worldwide) — Oct 10, 2019
- **IAG roadmap launched at Capital Markets Day** — Nov 8, 2019
- **Sustainable Aviation roadmap and commitment** — Feb 4, 2020
- **oneworld commitment** — Sept 11, 2020
- **A4E roadmap and commitment** — Feb 11, 2021
- **oneworld roadmap** — Aug 31, 2021
- **IATA commitment** — Oct 4, 2021
- **ICAO commitment** — Oct 3, 2022

Leading 10% SAF by 2030 commitments

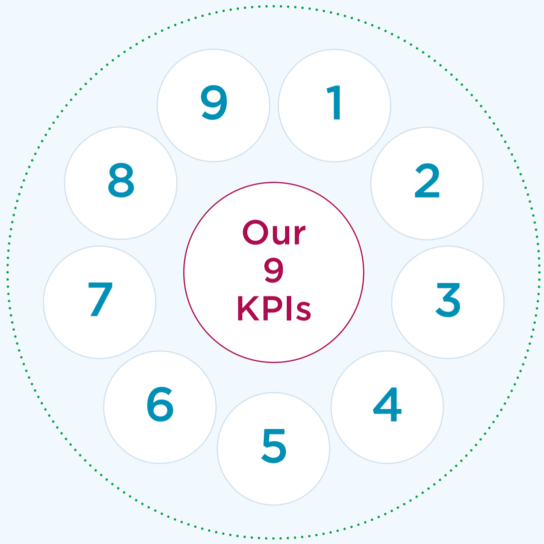
- **IAG (first European airline group to commit)** — Apr 22, 2021
- **World Economic Forum (Cleaner Skies for Tomorrow Coalition)** — Sept 22, 2021
- **oneworld alliance** — Oct 4, 2021
- **UK Government** — Oct 9, 2021

Leading innovation

- **CDP A-List company** — Dec 2017
- **Sustainability category added to Group accelerator programme.** — Sept 2019
- **Founding member of Coalition for Negative Emissions, supporting carbon removals.** — Oct 2020
- **Secures first aviation sustainability-linked loan linked to ESG targets, via British Airways** — Jan 2021
- **Invests in hydrogen aircraft (ZeroAvia)** — 2021
- **Offers carbon removals to customers (British Airways)** — Nov 2022

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

2022 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

2022 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

2022 action

Over 7,400 senior executives and managers have 10 per cent of their annual incentive linked to annual carbon intensity targets.

4 Leadership in carbon disclosures

2022 action

A-List company in CDP climate ratings in 2022 (Top 3 per cent). Highest-ranked airline in TPI climate ratings (Score: 17/18).

5 Accelerating progress in low-carbon technologies including aircraft technology, SAF, carbon offsets and carbon removals

2022 action

Sustainability remains a focus area within the IAG accelerator programme Hangar 51.

6 Accelerating innovation in low-carbon technology as above

2022 action

LanzaJet Freedom Pines SAF plant was the first project worldwide to receive a catalyst grant from the Breakthrough Energy Catalyst Grant.

7 Industry leadership in the innovation and deployment of SAF including power-to-liquids

2022 action

250,000 tonnes of SAF secured for 2030, 25 per cent of target.

8 Stepping up our social commitments including on diversity, employee engagement and sustainability as a core value

2022 action

34% women in senior executive roles, a 1 percentage point increase on 2021.

9 Industry leadership in stakeholder engagement and advocacy

2022 action

Leadership roles across multiple trade associations. See A.1.7.

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2022
CLIMATE

Leadership in carbon disclosures

IAG leads the aviation industry in external ratings of climate action.

For four of the past six years, IAG has been awarded Leadership grades by The Carbon Disclosure Project (CDP), which assesses almost 15,000 companies globally on climate action. CDP awarded IAG a prestigious A-List award in 2022, placing the Group in the top 3 per cent of respondents worldwide.

For the past two years, IAG has also been the highest ranked airline in the global Transition Pathway Initiative (TPI) ratings, which assess 600 companies across 47 countries on their readiness for the low-carbon transition.

IAG is in the top 10 per cent of airlines assessed by Sustainalytics, which gives ESG risk ratings to around 15,000 companies worldwide based on public disclosures.

IAG continues to engage with other relevant ESG rating agencies to enable more accurate calculations of IAG's scores and to identify actions to improve these scores.

Governance spotlight: Jet Zero Council

Overview

In 2021, the UK Government created a new initiative called the Jet Zero Council (JZC), to provide advice on the Government's ambitions to deliver net zero aviation and zero-emission flights.

IAG support

IAG staff chaired two subgroups – a COP26 Group and the SAF Delivery Group – and the British Airways CEO is a member.

In 2022 the work of the JZC supported the launch of an ambitious 'Jet Zero Strategy' for UK aviation.

Scope

The JZC is a partnership between industry and Government to bring 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.

Next steps

The Government also committed to reviewing the strategy every five years, and adapting its approach based on the progress made.

The JZC model has been so successful that it is being replicated in other countries.

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 Sections C.6., on the second page of the 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

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 SAF Steering Group	At least quarterly	A cross-Group meeting focusing on SAF projects and progress
IAG Sustainability network	Monthly	Sharing sustainability updates and ideas across all business units and over 30 sustainability representatives. In 2022, three Group workshops were also hosted: in Spain, Ireland and Poland
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 Strategy Officer, Chief Financial Officer, Chief Information Officer and General Counsel

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 into 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 into IAG CPCASO. Chairs the Sustainability network
IAG Group Head of People	Regularly as relevant	Reports into 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.

In 2022, Group Sustainability representatives also attended the away days of other teams to support the embedding of sustainability.

C.3. Workforce governance

Relevant standards: GRI 403-4, 408-1, 409-1.

IAG aims to create an environment in which employees feel motivated, safe and able to thrive as this is central to the continued success of the Group.

Working policies and rights at work

Core principles in the IAG Code of Conduct include fair and equal treatment, non-discrimination, fairness and respect for human rights. This Code applies to all directors, managers and employees of the Group and e-learning training to support it is mandatory and applicable to all employees and directors. In addition to the Code of Conduct, individual operating companies have responsibility for policies and procedures relating to their employees, including appropriate reward frameworks to ensure they can continue to attract and retain the best talent for every role.

IAG has employees based in European countries which comply with the conventions of the International Labour Organization (ILO), covering subjects that are considered as fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation. Outside the EU, IAG recognises trade unions in many jurisdictions, has collective agreements and meets/exceeds all relevant labour standards.

Collective bargaining arrangements are in place for 89 per cent of our workforce. In addition, IAG has a European Works Council (EWC) which brings together representatives from the different European Economic Area (EEA) countries in which the Group operates. EWC representatives are informed about and, where appropriate, consulted on transnational matters which may impact employees in two or more EEA countries. IAG completed the election and appointment process for the new Select Committee and Chair in early 2022, and the transition was completed in May this year.

Training and development

Within the Group, individual operating companies have responsibility for the policies and procedures relating to their employees to ensure they can continue to attract and retain the best talent for every role.

Measures to support employee satisfaction and talent management are primarily managed within operating companies and each operating company has its own established methods of measuring employee satisfaction. In addition, IAG has introduced an organisational health survey, initially focused on management populations across all operating companies to benchmark management practices against a globally recognised metric. This survey was run initially in November 2020 and repeated every six months since. Insights from the survey are used to shape and prioritise cultural development plans.

Individual operating companies are responsible for learning, development and talent within their business, to enable them to ensure they have the right skills and capabilities required to support their strategy. In May, IAG completed a detailed review of succession planning and talent for all critical and senior roles which has been used to shape the Group's talent and leadership development priorities and plans. Due to the diverse nature of Group businesses, both in terms of jurisdictions and operations, all training policies and programmes are implemented at operating company level. Each is responsible for determining the specific courses offered within their organisation, the frequency with which training courses must be completed, and the employees required to attend. However, across the Group, all operating companies are required to run the following mandatory corporate training courses for their employees:

- Code of Conduct
- Compliance with Competition Laws
- Anti-bribery and Corruption Compliance
- Data Privacy, Security and Protection

Diversity

At IAG, we believe diversity is key to innovation and to the future growth and success of our business. IAG is proud of the diversity of its workforce, with colleagues having joined from across the world, working in 77 countries, speaking dozens of languages and representing every element of the communities we live and operate in. It is this richness of backgrounds, of experiences, of cultures and ideas that makes our business tick.

We want our workforce to reflect the full diversity of the communities we live and work in. We want everyone to see role models they can identify with and to have the same chance of progression and development, and we want everyone who works for IAG to feel that their unique difference is recognised and valued. This means a focus on equity, diversity and inclusion. This allows us to be a place where everyone's talents are recognised, where skills and capabilities grow, and where future leaders are nurtured and developed.

IAG has recently published a revised Group-wide Diversity, Equity and Inclusion Policy to address and eliminate discrimination and promote equality of opportunity regardless of age, gender, disability, ethnicity, religion or sexual orientation.

At Group level, IAG also has a Directors' Selection and Diversity Policy that sets out the principles that govern the selection process and the approach to diversity on the Board of Directors and the IAG Management Committee. These policies have been approved by the Board of Directors.

See Section B.3. for more diversity initiatives.

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
- Embedding sustainability as standard in the procurement process

From insight to action in 2022

The SCoC has been issued to the existing supply chain and integrated into the new supplier 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 suppliers using a holistic environmental, social and governance (ESG) scorecard.

This gives IAG and its suppliers a baseline for improvements across ESG issues, and suppliers can share them with customers and other stakeholders, which benefits wider industry sustainability.

As a minimum, IAG requires its suppliers to provide a safe and healthy environment for their workforce. Supplier selection considers potential industry and geographical risk and, where necessary, on-site audits are carried out. These audits are performed by independent inspectors with CSR expertise using the SEDEX Members Ethical Trade Audit (SMETA) methodology. In 2022, 32 of these audits were completed.

All suppliers also undergo annual screening for any legal, social, environmental 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.

In 2022, IAG GBS 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. Follow-up and support have been provided to IAG's operating companies with regard to mitigation actions taken in response to the findings (e.g. payment stop/blockage) in coordination with the relevant Compliance Teams.

Building a sustainable future in 2023

IAG GBS plans to assess the sustainability performance of suppliers representing at least 80 per cent of IAG's total spend, and include sustainability aspects in the category planning process and additional measures into the selection and contract award process.

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 (planned) – Embedding sustainability into category planning

Tracking metrics and progress

	GRI Standard	vly	2022	2021	2020	2019	2018
Total number of suppliers		6%	14,045	13,272	22,947	27,033	nr
Suppliers screened		6%	14,045	13,272	22,947	18,369	nr
Suppliers with additional compliance assessments	308-2, 414-2	(63%)	557	1,510	1,818	2,912	nr
Critical suppliers under regular risk monitoring		(6%)	32	34	35	n/a	nr
Independent CRS audits		7%	32	30	25	28	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 Group Code of Conduct (CoC), 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. Mandatory CoC 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 policy is available on the IAG website.

In 2022, a new Group-wide Whistleblowing Policy was issued and all the Group channels consolidated to one whistleblowing channel provided by an independent third-party provider, EthicsPoint, 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 the CoC and SCoC. 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.

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 whistleblowing channel 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 2022, whistleblowing reports concerned issues relating to employment matters (64 per cent), dishonest behaviour/reputation (29 per cent), health and safety (6 per cent) and regulatory matters (1 per cent). All reports were followed up and investigated where appropriate, and no material 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 CoC and supporting policies which are available to all directors and employees. An anti-bribery policy statement is also set out in the SCoC.

In 2022, a Group-wide anti-bribery and corruption policy was issued. This 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 their business. The compliance teams from across the Group meet regularly through Working Groups and Steering Groups, under the IAG General Counsel. They conduct an annual review of bribery risks at operating company and Group level.

The main risks identified for 2022 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 2022, as in 2021.

Anti-bribery and corruption training is mandatory for all relevant personnel in IAG operating companies, Group functions and the Board. 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.

Revised Group-wide anti-bribery e-learning 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 2022, as in 2021, 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 in the business.

	vly	2022	2021	2020	2019	2018
Employees completing anti-bribery e-learning	248%	**4,880**	1,404	1,984	7,933	nr
Speak Up (whistleblower) reports	54%	**252**	164	193	nr	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 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 risks factors section.

All principal risks are linked to the Group strategic priorities which includes environmental 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 MC 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.

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 2018, TCFD-aligned scenario analysis identified a need for more ambitious action on climate change, which contributed to the 2019 decision to design and adopt the industry-leading Flightpath Net Zero strategy to deliver net zero emissions by 2050.
- 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, from US$400 million to the equivalent of US$865 million based on assumed energy prices, to manage climate policy risks and take advantage of energy-related opportunities.

IAG is committed to mitigating the impacts of hazards which, if they occur, have uncertain but potentially negative outcomes on the environment or people.

As such, 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, by integrating 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 and is planning for all material environmental impacts across 100 per cent of flight operations and corporate activities to be covered by the IATA Environmental Management System (IEnvA) by the end of 2023.

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).

Vueling achieved full IEnvA certification in 2022 and British Airways and Aer Lingus have achieved partial (Stage 1) accreditation.

In terms of the amount of provisions and warranties for environmental risks, IAG does not 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 • Working towards 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. 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 does not align with GRI Core or GRI Comprehensive options but instead 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

Key: **Green** is GRI CORE

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).

Managing risk to protect the business and support delivery of sustainable change

Agility in Enterprise Risk Management (ERM)

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 to achieve sustainable change.

In the year, the Group has 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. By continuing to develop the Group's assessment of the interdependencies of risks; scenario planning to quantify risk impact under different combinations and assumptions; and considering the risks within the Group's risk environment that have increased either as a result of the external factors or as a result of decisions made by the Group, its Board and management are better informed and can react more quickly. 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.

New guidance from regulators and investors is reviewed on an ongoing basis and best practice sought from other risk management sources.

Emerging risks and longer-term threats

Consideration is given to emerging risks and longer-term threats that the Group or the industry could face. Where emerging risks are identified, they are 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 next two or three years 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 and discussed.

ERM policy and framework

The Group Enterprise Risk Framework is set out in the ERM policy, which has been approved by the Board. The comprehensive risk management process and methodology ensures 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. Risks are also considered in combining events where a number of risks could occur together. This process is led by the Management Committee supported by the ERM function.

The Group considers risks to the plan over the short-term up to two years, also medium-term from three to five years and in the longer-term beyond five years.

Risk outcomes are quantified as the potential cash impact to the plan over two years. Non-financial considerations include the Group's sustainability commitments, potential for increased regulatory scrutiny, as well as damage to customer and employee trust impacting the Group's brand and share price.

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.

Risk heat maps for each operating company and central functions are also reviewed 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.

The ERM function also works with other compliance and Group functions, such as Government Affairs, Investor Relations, Legal and Sustainability, leveraging their frameworks and assessments where appropriate.

At the Group level, key risks from the operating companies, together with Group-wide risks, are maintained in a Group risk heat map.

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. The framework has continued to operate throughout the year, with the Board assessing its appetite across all of the framework statements at the half year and 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 2022 as planned to mitigate risk as set out in its framework statements or necessary additional mitigations to risks have been addressed as they occurred.

The appetite framework has been subject to review and a new framework will be implemented in 2023. This will allow the setting of tolerances more dynamically across the business plan period. The framework will also allow consideration of trade offs to allow appropriate prioritisation of initiatives to seek opportunities and manage risk within the defined appetite tolerances. The new framework is aligned to the Group strategy approved by the Board in 2022 which sets the level of ambition and investment across the business plan period.

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.

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 creates 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

Operating companies review risk during the year including risk heat map reviews semi-annually, in advance of the Group risk heat map reviews.

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 have them, 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 Business Services and IAG Tech.

IAG Management Committee

The IAG Management Committee reviews risk 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.

The IAG Management Committee reviews the performance of the Group at half year and full year against the risk appetite framework and reports any near tolerance or out of tolerance assessments to the Audit and Compliance Committee.

The Management Committee recommends 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, scenarios for assessment of viability and the outputs from the viability modelling. The Audit and Compliance Committee has early sight of management consideration of 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.

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 enterprise 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 Enterprise Risk Management framework remains agile and responsive to meet the needs of the business and its stakeholders.

Year in review

The highly regulated and commercially competitive environment, together with the businesses' operational complexity, expose the Group to a number of risks.

The Group's exposure to the external risk environment and the weaknesses in the resilience of the aviation sector's supply chain and inflation impacts, combined with an ambitious transformation and change agenda has required assessment of how risks are evolving and responding to mitigating actions.

With the return of operations as markets have re-opened, the Group has reviewed macroeconomic and geopolitical events to identify emerging risks and implications for existing principal risks.

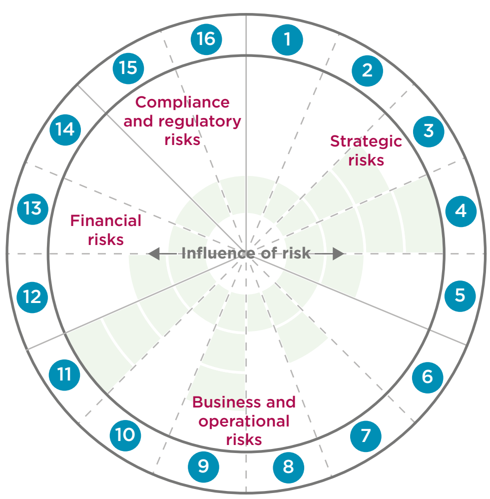
The Group has also considered operational resilience, competition and market risk changes, the status of the financial markets and access to finance, people and culture across the Group and customer satisfaction and trust. Macroeconomic uncertainty and impacts on inflation, interest and exchange rates have been reflected in the principal risk assessments. Management remains focused on mitigating these risks at all levels in the business and investing to increase resilience whilst recognising that such risk events may not be so easily planned for and that mitigations are more responsive in nature.

Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in the Group's latest business plan and related risk scenarios.

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 'Operational resilience' from 'Event causing significant network disruption' to recognise that the risk to the operational resilience of the business may be challenged by multiple combining events with significant network and customer impact and these may be more significant to the Group where they persist over a longer timeframe compared to one-off events.

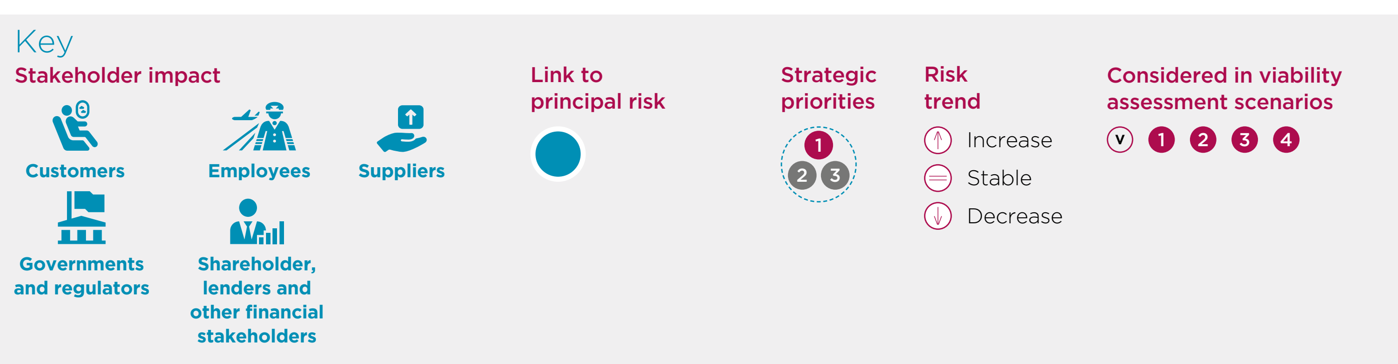
Principal risks influence

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



Principal risk	Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
Strategic					
1 **Brand and customer trust** Chief Strategy Officer	1 2 3		=	↓	2
2 **Competitive landscape** Chief Strategy Officer	1 2 3		=	↑	1 2
3 **Critical third parties in the supply chain** Chief Transformation Officer	1 2 3		↑	↑	2
4 **Economic, political and regulatory environment** Chief Strategy Officer/Chief People, Corporate Affairs & Sustainability Officer	1 2 3		=	=	1
5 **Sustainable aviation** Chief People, Corporate Affairs and Sustainability Officer	1 2 3		↑	↑	2 4
Business and operational					
6 **Cyber attack and data security** Group CIO	1 2 3		=	=	3
7 **IT systems and IT infrastructure** Group CIO/Chief Transformation Officer	1 2 3		=	↑	3
8 **Operational resilience** Chief Strategy Officer/Operating company CEOs	1 2 3		↑	=	1 2 3
9 **People, culture and employee relations** Chief People, Corporate Affairs and Sustainability Officer/Operating company CEOs	1 2 3		=	↑	2
10 **Safety or security incident** Operating company CEOs	1 2 3		=	=	
11 **Transformation and change** Chief Transformation Officer	1 2 3		=	NEW	2
Financial risk including tax					
12 **Debt funding** Chief Financial Officer	1 2 3		=	=	1
13 **Financial and treasury-related risk** Chief Financial Officer	1 2 3		=	=	1
14 **Tax** Chief Financial Officer	1 2 3		=	=	
Compliance and regulatory					
15 **Group governance structure** General Counsel	1 2 3		=	=	
16 **Non-compliance with key regulation and laws** General Counsel	1 2 3		=	=	

Principal risk register

Risks are grouped into four categories: strategic, business and operational, financial including tax and treasury, compliance and regulatory risks.

Guidance is provided below on the key risks that may threaten the Group's business model, future performance, solvency and liquidity.

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 Management Committee believe to be the most likely to have a potential material impact on the Group.

Strategic

1 Brand and customer trust

Chief Strategy Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

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. Reliability, including on-time performance, is a key element of the brands and of each customer's experience. Where customers have been impacted as a result of operational resilience issues in the year, all airlines have worked directly with their customers to resolve the issues and ensure, where possible, that customers have been able to complete their travel plans. IAG remains focused on strengthening its customer-centricity to ensure that its operating companies continue to adapt and focus their business models to meet changing customer expectations and 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.

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.

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 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 Net Promoter Score (NPS) to measure customer satisfaction.
- IAG Customer Steering Group meets monthly and shares initiatives.
- Hygiene and travel protocols have been implemented across the Group's airlines to address regulatory requirements resulting from the COVID-19 pandemic.
- Enhanced disruption management tools within airlines to allow customers to manage their travel preferences.
- Enhanced flexibility in airline booking policies.
- 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.
- The Group's CIO and Chief Transformation Officer are members of the IAG Management Committee.
- Additional focus on customer feedback.

Strategic

2 Competitive landscape Chief Strategy Officer	Strategic priorities	Stakeholder impact	Risk trend 2022	2021	Viability scenario
	1 2 3				V

Status The recovery of demand in the year has seen a significant return of capacity into the market. The distortionary effects of the governmental support and aviation-specific state aid measures on the competitive landscape, including those provided in response to the COVID-19 pandemic, 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 acquired 20 per cent of Air Europa by converting its convertible loan in August 2022 and has agreed the acquisition of the remaining 80 per cent as at February 23, 2023, subject to relevant regulatory approvals.

See Financial review section

The Group continues to lobby over the negative impacts of government policies on aviation or policy asymmetry, such as increases in Air Passenger Duty (APD).

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.

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.

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 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. Additional processes and reviews have allowed daily and weekly route analysis as required to respond to the rapidly changing environment resulting from government actions.
- 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 laws and regulations.

Strategic

3 Critical third parties in the supply chain

Chief Transformation Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		↑	↑	v

Status The aviation sector has been affected by global supply chain disruption which has impacted aircraft deliveries, component availability, resource availability and/or threat of employee industrial action in critical third parties and airport services such as Border Force. It has also been impacted by the high inflationary environment driving additional costs. Operational staffing shortages at hubs and airports have required capacity adjustments, including managing the impact on British Airways' customers and operations of the decision by Heathrow Airport to cap passenger numbers during the summer of 2022. The Group proactively assessed its schedules to ensure our customers had sufficient notice of any changes to their flight plans wherever possible and within our airlines' control. Learnings from the summer disruptions were identified and actions to improve resilience have been implemented. The Group continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource or production delays which could delay the availability of new fleet, engines or critical goods or services, in some places. This has led to increased costs to secure such services. Additional focus was placed on key suppliers given the inflationary environment impacting wages and costs of goods, to understand any business or operational continuity impacts.

The Group continues to lobby and raise awareness of the negative impacts of air traffic control (ATC) airspace restrictions and performance issues on the aviation sector and economies across Europe, particularly with the capacity recovery and continued closure of Russian airspace. 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.

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 could result in increased landing charges.
- 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.

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.
- 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 pro-actively 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.

Strategic

4 Economic, political and regulatory environment

Chief Strategy Officer
Chief People, Corporate Affairs and Sustainability Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status The economic impact of energy shortages and increases in commodity and wage costs have driven significant inflation and uncertainty over the economic outlook. The Group is closely reviewing the impacts of wage and supplier inflation on margins and customer demand. The Group will continue to adjust its future capacity plans accordingly, retaining flexibility to adapt as required and where possible.

The Group airlines have utilised the slot alleviation waivers granted by regulatory bodies in 2022. Impacts and consequences of the pandemic have continued in 2022, such as the gradual opening of China and with restrictions remaining in countries with varying degrees of passenger and airline operational complexity to comply with.

Wider macroeconomic trends are being monitored such as a potential economic recession, 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 it views the aviation industry, with elections expected in the UK, Ireland, Spain and the US over the next two years.

Developments in relevant international relationships, in particular as they affect air services agreements to which the EU or UK are party, are monitored throughout the year and IAG operating companies' positions advocated with national governments. Any further macroeconomic trends or potential requirements arising from Brexit are monitored by the IAG Government Affairs function.

See the Regulatory environment section

Risk description

Economic deterioration in either a domestic market 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.

Uncertainty or failure to plan and respond to economic change or downturn impacts the operations 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.

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 of regulation
  - Supply of products

Mitigations

- The Board and the 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 are used to 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 Board and IAG Management Committee as part of business performance monitoring.
- IAG Government Affairs function monitors governments' initiatives, represents the Group's interest and gives the Group and its operating companies early sight of likely changes to laws and regulations, e.g. any review of slot allocation policy in the UK or EU.
- 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.

Strategic

5 Sustainable aviation	Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
Chief People, Corporate Affairs and Sustainability Officer	1 2 3		↑	↑	V

Status IAG is committed to a target of net zero carbon emissions across its operations and supply chain by 2050 along with 2025 and 2030 targets. The Global Business Services (GBS) 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 per cent Sustainable Aviation Fuel (SAF) usage on average across its fleet by 2030.

In July 2021, the EU announced its 'Fit for 55' package of proposals. The Group continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption from 2024, with mitigation plans embedded into financial and strategic planning.

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. Availability of SAF may be restricted at airports served by the Group in the medium to longer-term, where markets may not have such strict eco targets or government set policy.

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 price. The Group has also embedded forecasting of its climate impacts into its strategic, business and financial planning processes and is resilient to material climate-related impacts.

See the Sustainability risk and opportunities section

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 demand for air travel. Customers may choose to reduce the amount they fly.

The airline industry sector is subject to increased regulatory requirements, driving costs and operational complexity, particularly with policy asymmetry in key markets.

Sustainable fuels mandates are implemented and demand exceeds supply or infrastructure and production is not available in the markets the Group's airlines serve.

Strategic relevance

- IAG is committed to being the leading airline group in sustainability. 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 offset their flight emissions.

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 to enable 2025 target.
- All of the Group's airlines have platforms to offset or mitigate passenger flight emissions over time.
- British Airways and Iberia have loans linked to 2025 carbon intensity targets.
- Embedded climate impacts into the financial statements, balance sheet and other relevant disclosures.
- British Airways customer proposition for carbon renewal credits on BA.com which uniquely offers offsets, removals or SAF.
- IAG investment in SAF with operating companies securing deals in 2022.
- Fleet replacement plan is introducing aircraft into the fleet that are more carbon efficient.
- EcoVadis partnership with IAG GBS to better track sustainability performance in the IAG supply chain and 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 of potential partners and technology.
- Engagement across UK, EU and global trade associations to shape effective climate policy and drive support for low-carbon solutions.

Business and operational

6 Cyber attack and data security

Group CIO

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1, 2, 3		⊜	⊜	V

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 has increased as a result of the war in Ukraine and the potential for state-sponsored cyber attacks. The Group continues to focus its efforts on appropriate monitoring to mitigate the risk.

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).

Investment in cyber security 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 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.

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.

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 Group Cyber Governance board assesses the portfolio of cyber projects quarterly and each operating company reviews its own cyber projects at least quarterly.
- The IAG Chief Information Security Officer 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.
- There is 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 are reviewed to ensure the integrity of the cyber and data security.
- All third-party suppliers have confirmed their adherence to IAG security requirements within any revised security protocols.
- Security architecture team embedded into Datacentre migrations programmes.
- Desktop exercises to test business response plans have been held across the Group airlines during the year.

Business and operational

7 IT systems and IT infrastructure

Group CIO
Chief Transformation Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status The Group recognises the importance of technology to business transformation and growth. The Chief Information Officer (CIO) works with the Chief Transformation Officer (CTO) to ensure appropriate prioritisation and investment in the Group's transformation. Both are members of the IAG Management Committee.

The Group has reviewed its IT operating model and has moved more resources into product teams more closely aligned to business needs. All of the Group's businesses have a Chief Digital and Information Officer (CDIO) who represents their business within IAG Tech. This has strengthened IAG Tech's focus on supporting the transformation of the Group's legacy estates to deliver digital customer experiences. The IAG Tech Management Committee governance structure is mirrored across into the Group's businesses to ensure that IT investment and operating company requirements are appropriately prioritised and delivered.

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, obsolescence or failure of these systems. The Group is currently engaged in a number of major programmes to modernise and upgrade its IT systems, digital capability, customer propositions and core IT infrastructure and network where required. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans. Operational outages are tracked and root causes identified to help minimise any impact to our customers and operations.

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.

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 and technology more effectively and disrupt the Group's business model.

Mitigations

- IAG Tech works with the Group operating companies to deliver digital and IT change initiatives to enhance security and stability.
- Operating companies' IT boards are in place to review delivery timelines.
- IAG Tech leadership and professional development framework.
- 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 CIO and MC 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 Strategy Officer
Operating company CEOs

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		↑	=	V

Status The COVID-19 pandemic resulted in an unprecedented level of disruption to the aviation sector and changed the Group's perspective on how resilient it needed to be 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.

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, threat of strike action in the aviation sector and staff sickness have impacted the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. Many of these events can occur within a close timeframe and challenge operational resilience. In addition, the Group has significant IT infrastructure changes to complete which could impact operations. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

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 services and any failure of the level of service may impact operational resilience and our customers.

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.

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.
- Resilience to minimise the impact of ATC airspace restrictions and strike action on the Group's customers and operations are 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

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3		=	↑	V

Status The resilience and engagement of our people and leaders are critical to achieving our transformation plans. Our people are a critical enabler of the Group's future success. Our leadership recognises the efforts of our staff and their resilience and commitment supporting the ramp up of operations. Resource shortages and the timelines to secure resource, particularly in the UK and Ireland, impacted operational readiness and resilience. The Group is focused on measures to attract and secure flight and ground staff into its airlines to enable them to fulfil their schedules and maintain competitiveness.

The Group is focused on staff well-being 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 recovery and transformation 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 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 and drive the business forward.

If the Group's airlines cannot recruit to respond to the demand environment, given wider recruitment challenges across sectors of the economy, manpower shortages may impact operational capabilities.

Strategic relevance

- The Group has a large unionised workforce with around 89% of colleagues represented by a number of different trade unions under collective bargaining agreements. 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 the pace required.
- The Group's airlines require specialist skillsets to continue to operate.

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.
- 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' well-being.
- 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	Strategic priorities	Stakeholder impact	Risk trend 2022	2021
	1 2 3		⊜	⊜

Status The Group's airlines were focused on a safe return to operations in the year. As capacity increased, British Airways focused on recruiting, onboarding training new cabin crew and ground colleagues, with appropriate training to build their skills and knowledge.

The IAG Safety, Environment and Corporate Responsibility (SECR) Committee of the Board and the Board of each operating company continued 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.

Strategic relevance

- The safety and security of our customers and employees are fundamental values for the Group.

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.
- 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.

Business and operational

11 Transformation and change

Chief Transformation Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3			NEW	V

Status The Group has established a Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives across the Group focussed on improving customer service, revenue and cash efficiency. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals of the IAG Board.

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 to deploy digital technologies, sustainability initiatives and/or platforms ahead of the Group.

The Group focus on cash preservation, debt and debt repayment could limit the investment available to deliver initiatives.

Strategic relevance

- The transformation agenda is critical to the Group's ability to deliver strong returns, 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.

Mitigations

- The Chief Transformation Officer has clear oversight of all programmes acrosss 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.
- 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 brand are reviewed to mitigate against brand damage.

Financial risk including tax

12 Debt funding

Chief Financial Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	2021	Viability scenario
1 2 3				V

Status Access to the unsecured debt markets may be restricted for sub investment-grade organisations, which may reduce the external funding options available to the Group for new aircraft financing or where it chooses to re-finance upcoming maturities. The Group successfully raised financing for all its aircraft deliveries during 2022, using normal long-term aircraft financing arrangements. Rising interest rates also increase the debt servicing cost for floating rate debt and new debt arrangements. As at December 31, 2022 approximately one quarter of the Group's debt was floating rate.

See Financial review section

Risk description

Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans.

New financial arrangements, in addition to the repayment of existing arrangements, and government support schemes (as applicable) 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 for new finance arrangements or re-financing may impact the Group's cost base.

Strategic relevance

- The Group has substantial debt that will need to be repaid or refinanced. The Group's ability to finance ongoing operations, committed aircraft orders and future fleet growth plans 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.

Mitigations

- The IAG Board and Management Committee review the Group's financial position and financing strategy regularly.
- The Group has maintained clear focus on protecting liquidity with c.€14bn of liquidity at 31 December 2022.
- During 2022, the Group extended the availability of its $1.755 billion revolving credit facility by one year to March 2025.
- Maintain strong relationship with banks, lenders and lessors.
- Scenario planning for different financial environments.

Financial risk including tax

13 Financial and treasury-related risk

Chief Financial Officer

Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021	Viability scenario
1 2 3				V

Status Fuel cost increases have 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 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.

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.
- The volatility in floating 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.

Mitigations

- Fuel price risk is partially hedged through the purchase of oil derivatives in accordance with the Group risk appetite.
- All airlines hedge in line with the Group hedging policy under the Group Treasury oversight.
- The IAG Audit and Compliance Committee and IAG Management Committee regularly review the Group's fuel and currency positions.
- 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 rising interest rates is mitigated through structuring selected new debt and lease deals at fixed rates throughout their term as well as through derivatives instruments.
- 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 position outside of policy limits has to be approved by the IAG Audit and Compliance Committee.

Financial risk including tax

	Strategic priorities	Stakeholder impact	Risk trend 2022	Risk trend 2021
14 Tax Chief Financial Officer	1, 2, 3			

Status Tax is managed in accordance with the Tax Strategy, found in the Corporate Policies section of the IAG website. 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 recover the national debts arising from COVID-19 pandemic support measures.

The Group's stakeholders' expectations of the tax behaviours of large corporates may lead to reputational risk from the Group's management of tax.

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 Group's positive contributions to the economies and wider societies of the countries in which IAG operates.

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 the tax strategy.

Compliance and regulatory

15 Group governance structure

General Counsel

Strategic priorities: 1, 2, 3

Stakeholder impact

Risk trend: **2022** 2021

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.

See Corporate governance section

Risk description

IAG could face a challenge to its ownership and control structure.

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.

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.

16 Non-compliance with key regulation and laws

General Counsel

Strategic priorities: 1, 2, 3

Stakeholder impact

Risk trend: **2022** 2021

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 and 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.

Strategic relevance

- Carrying out business in a compliant manner and with integrity is fundamental to the values of the Group, as well as the expectation of the Group's customers and stakeholders.

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 professionals specialising in competition law and anti-bribery legislation support and advise the Group's businesses.
- IAG Code of Conduct is supported by annual awareness programmes and mandatory training for all of our staff.
- Data Protection Officers are in place in all operating companies.

Viability assessment

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, 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 Management Committee and the Board in conjunction with the priorities of and risks faced by the business.
- The Board has also conducted its annual strategy session in addition to progress reviews during the year. Following this process, short-, medium- and longer-term priorities, challenges and opportunities have been identified and actions agreed.

Scenarios modelled

The Group undertakes extensive analysis, forecasting and scenario modelling throughout the year. Stresses reflect specifics to markets and regions relevant to the Group's airlines as well as the analysis completed at the Group level.

When considering the viability of the Group, the directors evaluated the risk landscape and recommended the following plausible but severe downside scenarios.

1. Downside case
2 4 8 12 13

2. Business transformation and operational resilience
1 2 3 5 8 9 11

3. Cyber security and IT infrastructure
6 7 8

4. Sustainability
5

Full details of modelled scenarios provided on the next page

Link to Principal risks

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 that will benefit the environment, move to and exploitation of the cloud and disruptive innovation. This may require the business to consider strategic responses, plans to adapt and require new skillsets to implement ahead of any potential impact to the Group plan.

- Other considerations include:
  - economic trends and shifts in the relative strengths of global economies including market dynamics and inflation, the competitive landscape and changes in customer behaviours or sentiment to travel
  - supply chains and connectivity, movement of physical goods, inflationary 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
  - areas of risk or opportunity for the Group, such as workforce availability, war for talent, 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 and the potential macroeconomic consequences of rising unemployment and inflation
  - the potential longer-term economic impact of Brexit
  - the Group's resilience to future events impacting aviation or global markets, financial markets, interest rates and exchange rates, particularly the US dollar
  - stakeholder expectations over commitment to acting with integrity to protect our planet, particularly climate change and carbon impacts

Management has assessed and the Board considered the longer-term sustainability and climate risks, applying scenario analysis techniques as set out by the TCFD process. Further details can be found in the Sustainability report.

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 refreshed 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 scenarios have been defined by management and designed to consider principal risks that could materialise over the viability period and weaken the Group's liquidity position, and therefore its financial sustainability. Each scenario 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 that may not have been previously considered are presented as appropriate to 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 capacity and margin reverse stress tests, which demonstrated the level of sustained capacity reductions, with losses capped as experienced through the pandemic and losses followed by 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.

Scenarios modelled

No.	Title	Link to principal risks
1	**Downside case**	
	Downside case stressing the plan models a combination of risks facing the Group, including risks to economies following the pandemic and as a result of the war in Ukraine. Scenario configures a blend of commercial and operational adverse impacts which would result in capacity reductions over and above the Group's business plan assumptions. In addition, a more severe downside case with increased sensitivities, including increased fuel prices, has also been considered. Economic considerations include demand impact from global economic pressures resulting in reduced revenues, and increased operating costs due to inflationary pressures. Operational considerations factor in operational disruption as a result of airport capacity, resourcing issues or strike action; and further schedule disruption as a result of severe weather, winter resourcing or other operational issues. Reduction in capacity modelled from these considerations further impacts the Group's revenues. The Downside case assumes that €350 million of the €3.3 billion of available general credit facilities are required to be drawn, assuming no further mitigating actions. As part of the modelling, consideration was given to some of the key factors that could influence the evolution of cash in the Downside case. Cost mitigations were considered across all operating cost lines, including the sensitivity to cost variability being lower than that assumed. Fuel was modelled directly, based on fuel curves and hedging plans. Working capital and capital expenditure adjustments were applied within the scenarios. The scenarios assume that the Group is able to continue to secure financing for future aircraft deliveries, having successfully financed all aircraft deliveries during 2020, 2021 and 2022 and, in addition, has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience. The Group has considered the acquisition of Air Europa Holdings for the purposes of the viability assessment. The period to June 2024 of this Downside case has also been applied as the Downside case set out in the going concern analysis (see note 2 of the Group financial statements).	**2, 4, 8, 12, 13**
2	**Business transformation and operational resilience**	
	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. Lost revenue within some IAG airlines from pre-emptive flight cancellations with resultant reputational impact in response to resourcing challenges. Increased staff attrition and industrial relations strike action across IAG airlines due to nature and pace of business transformation plans increases costs and impacts revenues. Further revenue impact considered from reduced capacity as a result of airport capacity and air traffic control airspace restrictions.	**1, 2, 3, 5, 8, 9, 11**
3	**Cyber security and IT infrastructure**	
	A stress to model the impact of a ransomware attack on an IAG airline. The scenario assumes a disruption period of one week 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 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 costs. Associated costs of recovering 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 costs.	**6, 7, 8**
4	**Sustainability**	
	An increasing revenue stress on shorthaul operations across the Group to reflect changes in customer behaviours towards shorthaul travel where other travel options exist, with the additional imposition of costs from sustainable fuel usage (with no/limited ability to pass this on to the customer). Transatlantic revenues below plan expectations also modelled to reflect a potential long-term change in corporate business travel behaviours. Revenue impact from schedule disruption due to extreme weather events also considered within the scenario alongside increased costs from new taxes and additional fuel costs in years 2 and 3 due to biofuels mandate. 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.	**5**

Viability statement

The directors have assessed the viability of the Group over three years to December 2025. They have considered the post pandemic global macro-economic environment and 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 the external uncertainties facing the aviation sector more widely are significantly beyond any experience to date and continue to drive change in the external risk environment. The Board recognises the pace of change required within the Group to further adapt and respond to this environment in addition to the rapidly changing competitive landscape and wider global macroeconomic conditions.

The Group has modelled 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 2025. However, this is subject to a number of significant factors that are outside of the control of the Group. In reaching this assessment the directors have made the following 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;
- future COVID-19 pandemic or other public health related restrictions do not result in further prolonged and substantial capacity reductions and groundings beyond 2022; and not to Q2 2020 levels, as governments do not have the appetite for the economic impact and stress that it would place on their respective economies;
- 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.

In the event of another risk scenario resulting in an adverse liquidity impact in excess of the Downside case and other stresses it has considered, the Group would need to implement additional mitigation measures and would likely need to secure additional funding over and above that which is forecast at February 23, 2023.

Positive engagement to support recovery

Engagement context

IAG continued to face considerable uncertainty in the political and regulatory environment during 2022, not least because travel restrictions designed to limit the spread of COVID-19 remained in place around the world to varying degrees. Throughout the year, therefore, IAG engaged with policy makers to understand and manage changes to travel rules, as well as to explain the benefits of a return to normal travel. We encouraged focus on key issues, in particular sustainability, where policy intervention can provide mutual benefit to customers and all stakeholders in wider society as well as to IAG itself.

The impacts of the pandemic in 2022 have been felt not just in the practical implications of travel restrictions but in impacts on other specific areas of aviation policy and in the approach of regulators. The pace of political change in the UK, with its wider impacts on business, has also required monitoring and re-engagement with new ministerial teams.

IAG aims to make the case for the economic and social benefits of aviation through connecting people and businesses, facilitating trade and enabling positive international relationships. To do so, the Group directs its engagement largely towards governments and regulators in the countries of its operating airlines and with the institutions of the European Union, working closely with our trade association Airlines 4 Europe. We have also contributed to supra-national policy fora such as ICAO (through IATA) and directly with governments in key world markets to support market access or manage doing business issues for our operating companies.

COVID-19

Travel restrictions

The removal of travel restrictions has been a staged process through the year, with changes at irregular intervals. For example, while the European Commission advised on March 1 that all EU countries should essentially allow all travel by those with an approved vaccination, a variety of requirements existed across the EU through 2022. While travel to Spain in the summer season was enabled, full entry restrictions were not lifted until September.

Ireland saw the removal of requirements for passenger locator forms and proof of vaccination for inbound travel to Ireland on March 6. This was followed by the withdrawal of the Irish Government's Aviation Protocol covering remaining COVID-19-related restrictions on May 16.

In the UK, all travel requirements were lifted on March 18 with the UK Government explicitly recognising the importance of travel to the country by removing them in time for the busy Easter holidays.

The requirement for travellers to be vaccinated against the disease remains a standard one in many key markets, including the US. The necessary customer communications have been embedded in IAG's operating companies but variations in the details of rules around the world continue to mean monitoring of changes is needed.

In some countries, largely in Asia, restrictions on travel still present significant barriers to resuming normal operations. In these cases, where there are complex requirements on airlines, IAG and its operating companies continue to engage, both directly and through their relevant national regulators, with the relevant authorities to simplify and lift legacy rules.

Other impacts in 2022

Although the safety-critical and strategic nature of international aviation has always meant there is a role for government and regulators in the sector, IAG observes that one legacy of the pandemic is the tendency for governments to seek to be more closely involved in the operation of the aviation industry than before. In the UK this has resulted in increased scrutiny and demands for information. IAG has worked with British Airways and its other operating companies to reduce the associated administrative burden through positive and regular engagement.

During 2022, demand returned largely as IAG had anticipated but, in contrast, the very significantly increased time that it took to provide resources to meet that demand could not have been foreseen and presented a serious challenge to all parts of the aviation system. Airlines, airports, ground handlers and air navigation service providers in different parts of the world saw considerable operational difficulties, resulting in delays and flight cancellations in the spring and early summer as restrictions were lifted. Airlines reduced capacity to lower the risk of short-notice impacts on customers and airports and in the case of London Heathrow and Amsterdam Schiphol, even imposed caps on passenger numbers.

IAG engaged with governments to highlight the real causes for shortages. In the UK, where the impact was felt most severely, these causes included a smaller pool of labour from which to recruit but also that the time to complete security references tripled. Variations in employment patterns, with applicants having more jobs due to the instability in the employment market, meant that very many more checks with previous employers were required and applicants often had to wait over three months for roles to be confirmed.

IAG and British Airways were also able to provide governments with a clear picture of the knock-on effects in the industry where, for example, lack of air traffic controllers in parts of Europe can cause delays at UK airports.

War in Ukraine

The impact on the aviation industry of Russian's invasion of Ukraine in February is not to be compared with the human tragedy of the war but there are significant impacts on airline operations by preventing European and UK airlines from accessing Russian airspace. IAG has engaged with its government stakeholders to keep them apprised of the impacts on both operations and on other policy areas.

Sustainability

IAG has continued to champion the cause of sustainable aviation and to share its plans for reducing carbon emissions as the industry recovers. To explain and promote its sustainability position, the Group and its individual companies have engaged with representatives of the institutions of the EU and governments of Spain, Ireland and the UK.

IAG welcomes the EU Green Deal and its objectives, with which the Group is aligned, as a powerful package for change. Accelerating the pace of decarbonisation will, however, require support from all stakeholders in the industry and the involvement of all national governments and European institutions. In this regard, a targeted design of the elements of the package, together with that of other relevant EU aviation regulations, is key to ensuring the sector's ability to invest in reducing its carbon footprint.

IAG has made clear in its advocacy that the Group does not support the removal of the current jet fuel tax exemption. This is not a solution for decarbonisation but will reduce the sector's ability to invest in more effective measures with a significant impact for citizens and the economy. Instead, we are firmly of the view that policy should focus on increasing the use of SAF and market-based measures such as the EU ETS and ICAO's Carbon Offsetting and Reduction Scheme (CORSIA).

IAG contends that increasing the use of SAF, which reduces lifecycle CO_2 emissions by 70 per cent, provides the primary near-term opportunity to drive down industry emissions. In April 2021, IAG became the first European airline group to commit to fulfilling 10 per cent of its fuel needs with SAF by 2030 and the Group supports a 10 per cent mandate for SAF for 2030 for all flights within the EU. We call for a global SAF commitment covering all international flights through ICAO. We also encourage the EU and its Member States to include a package of investment incentives to enable scaled-up production of SAF alongside the blending mandate requirement that the Green Deal introduces.

In engaging with UK policy makers, we promote the same public policy levers. We are encouraged that the UK government confirmed its commitment of £165 million to its Advanced Fuels Fund, established to support planning and production of five SAF plants in the country. In December the first £82 million of the fund was awarded to five projects, including three with which IAG is partnering. IAG also welcomed the UK's declaration in July of a mandate for 10 per cent SAF by 2030 (in line with IAG's own target) and we encourage the government to pass the necessary legislation as soon as possible.

Throughout 2022, IAG has promoted a further policy step necessary to progress towards net zero. In conjunction with industry partners, we advocate adopting a price stability mechanism in the UK for SAF. The successful development of the offshore wind sector in the UK was due to the introduction of Contracts for Difference and IAG recommends this tool should be adopted for SAF to reduce the risk for investors and so boost investment in new technology.

On the international stage IAG has long been an advocate for and contributor to the design of CORSIA. We welcomed the October commitment by ICAO to a Long-Term Aspirational Goal for international aviation of net zero carbon emissions by 2050. The Group believes the EU Green Deal must work alongside global measures, not duplicate them, and that the EU ETS should apply to intra-EU flights and CORSIA to extra-EU flights. Applying both systems to flights between EU Member States risks undermining support for CORSIA outside Europe. Similarly, we encourage the use of emissions trading system revenues (in the EU and UK) for investment in carbon reduction measures, as originally envisaged at the creation of the ETS.

Slot allocation

Regulations introduced to restrict air services during the pandemic meant that some aviation policies that are essential in normal circumstances were not effective or appropriate for crisis conditions. Rules that govern the allocation of slots at airports with scarce capacity provide a good example since low demand made them unnecessary.

Although the capacity of the sector was restored to a considerable degree in 2022, there was still need for global regulatory relief from the elements of slot rules that require airlines to operate 80 per cent of any one slot in order to retain it in the following year. The continued relief granted this year recognised that there were divergent recovery rates worldwide and continuing COVID-19 restrictions in some regions. IAG worked with IATA to advocate the adoption of industry-agreed relief measures, as developed jointly with airports and slot coordinators. These guiding principles recognised the value to consumers of allowing temporary waivers from, or more flexible application of, 'use it or lose it' rules so as to maintain long-established airline networks for future seasons.

The UK, the EU and other jurisdictions sensibly adopted a range of alleviation measures, but the patchwork of market-based approaches adopted worldwide introduced further inconsistencies and complexity to the sector during the recovery phase. Such waivers have been gradually lifted so that from summer 23 the industry is effectively returning to pre-COVID-19 rules. IAG continued to support the use of the proven and effective global policies and procedures set out in the IATA Worldwide Airport Slot Guidelines both while the need for waivers remains but also in the long-term. Through 2022 we continued to advocate this internationally agreed system as a way to provide certainty for investors and consumers as well as to maintain global networks and to introduce competition and is engaging with the European Commission in its on-going review of the Slot Regulation that launched in September.

Infrastructure charges

The effective and fair regulation of airport and air navigation service charges, set at a reasonable level, continued to be an important regulatory issue in 2022 with consultations in each of IAG's home markets.

IAG and British Airways made detailed representations to the UK CAA in response to its consultation on the price cap for Heathrow Airport's charges. Having allowed Heathrow Airport Limited (HAL) to increase charges by over 50 per cent in setting an interim price cap for 2022, subsequently extended to 2023 at the same rate, the CAA's Final Proposals required the airport to reduce its overall yield per passenger by RPI -5.75 per cent over the remaining three years of the regulatory period. This will return charges to roughly the same level in 2026 as they are in 2022. IAG considers that the 2022 and 2023 interim price cap is too high but welcomes the overall position the CAA has adopted with the trend of reducing charges. We continue to provide information to the regulator as we await confirmation of the final position, expected in at the end of the first quarter of 2023. IAG also continues to advocate the need for greater transparency of HAL's capital plans and regulatory asset base in future regulatory reviews.

In Spain, Iberia and Vueling, together with IATA, participated in the consultation process on airport charges to minimise cost increases, and secured a decision by the regulator to keep charges flat until 2026 with a specific decrease in charges for 2022 of -3.17 per cent. In Ireland, Aer Lingus engaged with the Commission for Aviation Regulation which is conducting its third interim review of the 2019 regulatory decision. In December, IAG responded to the UK CAA's consultation on an increase to NATS En Route Limited's (NERL) charges, which initially proposed an increase of up to 27 per cent.

Market access

IAG continues to support individual operating companies in securing market access, expanding partnerships with other airlines and enabling operations on new routes. This included attendance at, or contribution to, talks on international air service agreement talks and other bilateral discussions, as well as support for new Group initiatives, such as the creation of British Airways Euroflyer subsidiary at London Gatwick Airport.

Additional disclosures

Table of contents

A. Planet – Climate change

See Sections A.1. and A.2. for 2022 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 2022 trends
Scope 1 emissions (gross)	Direct emissions associated with IAG 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.	2022 emissions increased to 21 million tonnes (MT) due to increased flying demand but remain 31% below 2019 levels. SAF use saved 30,332 tonnes of CO_2e.
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.	2022 market-based emissions increased to 12 kt due to increased business activity, but remain below the 2019 level of 20 kt due to lower electricity use and greener national grids compared to 2019. 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.	The Group is on track to deliver the 2030 target of 6.6 MT (a 20% reduction versus 2019), based on internal forecasts. Scope 3 emissions increased to 5.5MT due to increased business activity. See Section A.1.3b. for more details.

Progress metric	Description	Commentary on 2022 trends
Flight-only emissions 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 83.5 g CO_2/pkm is driven by a recovery in passenger load factors, operational efficiency initiatives and the use of SAF. The Group is on track for the 2025 target of 80g CO_2/pkm. The passenger-km value used in the 2022 calculation is 213,376 million and the cargo-tonne-km value is 3,712 million.
Scope 1 emissions (net)	Net emissions are calculated based on gross emissions and then by subtracting any carbon savings from EU, Swiss and UK Emissions Trading Scheme (ETS) compliance obligations, volumes of offsets purchased to meet Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) compliance obligations, and the 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.	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. 2022 net emissions were reduced by 1.8 MT due to participation in ETS schemes, as well as British Airways offsetting of domestic flights and Group offsetting of staff and duty travel. Net emissions reductions will be achieved via 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 2024.
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. The 2022 drop to 81% reflects the availability of renewable electricity at relevant airport facilities and leased overseas offices.

Description of and commentary on additional climate change metrics

Metric	Unit	Description	Commentary on 2022 trends
Emissions 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.	The improvement to 0.20 gCO_2/pkm is a return to pre-pandemic levels of efficiency, as passenger load factors return to normal levels.
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 38% increase to 82 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 use remains 20% lower than 2019 due to lower-than-normal occupancy in ground facilities and offices following the COVID-19 pandemic.
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 appropriate UK Government conversion factors. UK factors are used across the Group as these are considered the most robust available.	Energy use rose 93% due to increased flying activity. 0.4% of kWh is derived from renewable sources, predominantly renewable electricity. Jet fuel is over 99% of MWh and 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 2022 value improved to €1,088/tonne CO_2e, better than pre-pandemic levels.
Jet fuel use	tonnes	Jet fuel used within the aircraft fleet and for engine testing during the reporting year.	The 94% increase in jet fuel use, to 6.6 MT, is due to the recovery in flying demand. Jet fuel remains 31% below 2019 level.
Fleet age	years	The average age of aircraft in the IAG fleet as of December 31, 2022. 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 11.2 to 11.9 years. Those aircraft already in the fleet aged by a year, while 27 new aircraft deliveries lowered the average age.

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 already 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 13,000 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. 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 2022 are 5,480,816 tonnes CO_2e, versus 3,324,992 tonnes CO_2e in 2021.

Scope 3 category in tonnes CO_2e[1]	Method[2]	versus last year	versus 2019	2022	2021	2020	2019
Category 3: Fuel and energy-related production	Fuel-based/ average data	93%	(31%)	**4,385,293**	2,266,561	2,284,992	6,371,621
Category 2: Capital goods	Hybrid data	(45%)	(59%)	**232,000**	424,000	912,000	568,000
Category 14: Franchises	Franchise-specific	29%	(41%)	**475,576**	369,718	235,167	810,334
Category 9: Downstream transportation and distribution	Fuel-based	(6%)	(34%)	**165,037**	174,708	157,554	248,574
Category 11: Use of sold products	Other	133%	(38%)	**152,268**	65,391	59,081	244,459
Category 7: Employee commuting	Average data	32%	(58%)	**7,294**	5,514	5,720	17,515
Category 5: Waste generated in operations	Waste-type-specific	25%	(26%)	**2,790**	2,234	2,872	3,747
Category 1: Purchased goods and services	Average data	17%	(61%)	**268**	229	525	689
Other categories: 4, 6, 8	Varies	186%	2155%	**7,330**	1,807	2,567	325
Category 13: Downstream leased assets	Asset-specific	276%	n/a	**52,860**	14,042	0	0
TOTAL Scope 3 emissions		**65%**	**(34%)**	**5,480,816**	**3,324,992**	**3,659,717**	**8,265,262**

1 Listed in order of highest to lowest climate impact in 2019. 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".

2018 data is not provided as the methodology has changed substantially since that year.

Scope 3 category	Description	Commentary on 2022 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 m^3 water use by UK government conversion factors.	IAG GBS is undertaking an in-depth review of the categories of purchased goods and services and expects to revise the methodology for calculating Category 1 emissions 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.	The decrease in 2022 is due to lower numbers of aircraft deliveries and retirements. 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.	This value is directly correlated to fuel use. The increase 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.	Based on 2020 data but not material. The methodology will be reviewed in 2023.
Category 5: Waste generated in operations.	Emissions associated with processing waste via recycling, recovery, incineration or landfill. Calculated by multiplying total extrapolated global waste volumes by appropriate CO_2e/tonne conversion factors from the UK Government.	The increase in 2022 is driven by higher volumes of 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 2022, where such data was available.	Increased in 2022, driven by an expanded scope of reporting.
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.	An increase 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 relevant in 2022 as no leasing 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.	The increase in 2022 is due to increased cargo activity.
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.	The increase in 2022 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.	In 2022, a non-zero value is reported due to leasing of aircraft to another airline.
Category 14: Franchises	Emissions from the jet fuel burn of aircraft franchises.	The increase in 2022 is due to higher activity in franchises, 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 2022 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 2022 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 12% since 2019, due to the use of newer quieter aircraft. Values can fluctuate year on year due to factors such as the mix of shorthaul and longhaul 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 continues to improve due to the use 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.	Compliance continues to improve due to the use of newer aircraft in the fleet and 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.	The apparent worsening in 2022 is due to a more accurate calculation method. Compliance is expected to improve in 2023.
CAEP Chapter 8	% of fleet at standard	The CAEP 8 standard applies to engines manufactured from January 1, 2014.	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. Reducing Emissions from Deforestation (REDD+) projects are included in the portfolio of voluntary offsets available to customers.
- 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 637,738 m^3 of water in 2022 in offices, ground facilities and potable water onboard aircraft. The 2022 increase is due to the post-pandemic recovery in Group operations and an expanded scope of reporting.

Metric	Unit	vly	2022	2021	2020	2019	2018
Water consumption	'000 m^3	17%	**638**	544	525	655	nr

nr means "not reported".

B. People and Prosperity

Sections B.1. to B.6. are on prior pages of this NFIS.

B.2a. Key workforce metrics

Relevant standards: GRI 102-41, 403-9, 404-1

Social dialogue and trade unions

Relevant standards: GRI 102-41

Employees covered by collective bargaining agreements (CBAs)

	Employees covered by CBA			% of employees covered by CBA		
Metric	vly	**2022**	2021	vly	**2022**	2021
United Kingdom	19%	**30,253**	25,523	(2pts)	**91%**	93%
Spain	7%	**21,185**	19,749	(1pt)	**95%**	96%
Ireland	14%	**3,954**	3,473	(1pts)	**85%**	86%
Other	14%	**2,265**	1,993	(3pts)	**47%**	50%
Group total	14%	**57,657**	50,738	(2pts)	**89%**	91%

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. Calculated using headcounts at the end of the reporting period.

Commentary

Refer to Risk Management and principal risk factors section.

Coverage rates have remained stable in core markets (UK, Spain and Ireland).

Average hours of training

Relevant standards: GRI 404-1

Gender distribution

	Training hours completed			% of employees trained			Avg. Training hours		
Metric	vly	**2022**	2021	vly	**2022**	2021	vly	**2022**	2021
Men	61%	**1,420,183**	880,049	(1pt)	**91%**	92%	53%	**43.3**	28.4
Women	137%	**1,591,903**	673,263	(1pt)	**86%**	87%	113%	**67.1**	31.4
Total	94%	**3,012,086**	1,553,313	(1pt)	**89%**	90%	80%	**53.3**	29.6*

Employee category distribution

	Training hours completed			% of employees trained			Avg. Training hours		
Metric	vly	**2022**	2021	vly	**2022**	2021	vly	**2022**	2021
Cabin Crew	127%	**1,695,211**	747,228	(3pts)	**86%**	89%	103%	**92.2**	45.3
Pilots	3%	**225,151**	217,654	(1pts)	**96%**	97%	5%	**31.4**	29.9
Airport Operations	103%	**470,019**	231,442	3pts	**93%**	90%	77%	**38.2**	21.6
Corporate Function	187%	**404,992**	141,267	0pts	**84%**	84%	159%	**34.5**	13.3
Maintenance	0%	**216,712**	215,722	(4pts)	**92%**	96%	7%	**31.5**	29.4
Total	94%	**3,012,086**	1,553,313	(1pt)	**89%**	90%	80%	**53.3**	29.6*

*re-stated 2021 value

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 Group Full Person Equivalent (FPE), pro-rated to Full Time Equivalent (FTE).

Commentary

Overall, there has been a 94 per cent increase in total training hours undertaken across the Group – most of which is associated with substantial increases in Cabin Crew (+127 per cent).

The 2022 increase in average hours of training per employee is associated with the 8 per cent increase in FPE for the Group and associated induction training – especially in our operational roles (e.g. Airport Operations and Cabin Crew), where some of our largest recruitment campaigns have been focused. Pilot training numbers remained relatively flat, compared to other operational areas, as there were no large-scale recruitment campaigns this year and the majority of Pilot re-introduction training occurred in the first half of 2022 (e.g. British Airway's A380 re-introduction and ex-Boeing 747 re-training programmes all occurred in 2021).

Health and safety at work

Relevant standards: GRI 403-9; GRI 403-10

Lost Time Injuries

	Number of injuries			Lost Time Injury (LTI) severity rate			Lost Time Injury (LTI) frequency rate		
Metric	vly	2022	2021	vly	2022	2021	vly	2022	2021
Cabin Crew	135%	**523**	223	(46%)	**17.7**	32.8	106%	**4.3**	2.2
Pilots	117%	**50**	23	(55%)	**14.1**	31.2	108%	**1.0**	0.5
Airport Operations	31%	**571**	438	3%	**28.0**	27.3	13%	**5.8**	5.2
Corporate Function	106%	**33**	16	456%*	**41.4**	7.4	79%	**0.3**	0.2
Maintenance	(44%)	**102**	182	(12%)	**32.8**	37.2	(35%)	**1.9**	3.0
Total	45%	**1,279**	882	(21%)	**24.0**	30.5	33%	**3.0**	2.3

Absenteeism

	Number of instances			Hours absent			Absenteeism rate		
Metric	vly	2022	2021	vly	2022	2021	vly	2022	2021
Cabin Crew	72%	**15,456**	8,984	63%	**1,755,966**	1,077,390	0.6%	**7.1%**	6.5%
Pilots	42%	**5,131**	3,609	23%	**466,356**	377,671	(0.5%)	**4.5%**	5.0%
Airport Operations	31%	**11,942**	9,118	38%	**1,921,075**	1,389,921	1.4%	**8.9%**	7.5%
Corporate Function	58%	**6,181**	3,917	37%	**630,804**	459,050	0.4%	**3.0%**	2.6%
Maintenance	(3%)	**5,047**	5,257	(9%)	**590,816**	646,937	0.3%	**5.2%**	4.9%
Total	41%	**43,757**	30,885	36%	**5,365,018**	3,950,969	0.6%	**6.0%**	5.4%

Occupational illness

	Number of instances		
Metric	vly	2022	2021
Men	(9%)	**20**	22
Women	(76%)	**4**	17
Total	(38%)	**24**	39

Workplace fatalities

	Number of instances		
Metric	vly	2022	2021
Cabin Crew	-	**0**	0
Pilots	-	**0**	0
Airport Operations	-	**0**	0
Corporate Function	-	**0**	0
Maintenance	-	**0**	0
Total	-	**0**	0

* Increase in Corporate LTI severity rate is associated to two accidents related to falls and slips which resulted in long-term absence.

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, which are 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 2022, the Group recorded 1,279 LTIs which is an increase versus 2021 (+397). This change reflects the increase in hours worked, especially in our operational roles (e.g., Cabin Crew and Pilots).

Overall, the Group's LTI severity rate has decreased to 24 average days per incident but the LTI frequency rate has increased to 3.0 average incidents per 200,000 hours worked. A substantial part of this evolution is associated with our Pilot and Cabin Crew employees, who have seen their LTI frequency rate increase to 1.0 and 4.3 respectively. These figures are similar to what was reported in 2019, when our crews were operating a comparable flying schedule, and is associated with the increases in hours worked by these teams.

The Group's absenteeism rates have remained consistent at 6 per cent and overall 5.3 million absence hours were recorded in 2022. Most employee groups have seen modest increases in their absenteeism rates of less than 1 percent. Airport operations seen a slightly higher increase of 1.4 per cent of their absenteeism rate.

Occupational illness in 2022 decreased to 24 incidents, with the majority of these being associated with fractures and abrasions.

There were no recorded fatalities associated with occupational injuries or illnesses in 2022.

B.2.b. Employment and working organisation

Relevant standards: GRI 102-8

Total number of employment contracts and distribution by type (annual average number of permanent, temporary and part-time contracts)

Gender distribution

	Permanent contracts			Temporary contracts		
Metric	vly	**2022**	2021	vly	**2022**	2021
Men	4%	**33,003**	31,619	92%	**1,590**	827
Women	7%	**24,941**	23,360	103%	**1,658**	819
Total	5%	**57,943**	54,979	97%	**3,248**	1,646

	Full-time contracts			Part-time contracts		
Metric	vly	**2022**	2021	vly	**2022**	2021
Men	6%	**29,602**	28,021	13%	**4,991**	4,425
Women	15%	**19,059**	16,626	0%	**7,540**	7,553
Total	9%	**48,661**	44,647	5%	**12,531**	11,977

Age distribution

	Permanent contracts			Temporary contracts		
Metric	vly	**2022**	2021	vly	**2022**	2021
Under 30	10%	**7,748**	7,030	97%	**1,697**	860
30–50	2%	**29,938**	29,489	93%	**1,438**	744
Over 50	10%	**20,256**	18,460	158%	**108**	42
Total	5%	**57,943**	54,979	97%	**3,248**	1,646

	Full-time contracts			Part-time contracts		
Metric	vly	**2022**	2021	vly	**2022**	2021
Under 30	19%	**8,303**	6,961	23%	**1,142**	929
30–50	5%	**24,895**	23,676	(1%)	**6,480**	6,557
Over 50	10%	**15,461**	14,010	9%	**4,903**	4,491
Total	9%	**48,661**	44,647	5%	**12,531**	11,977

Employee category distribution

	Permanent contracts			Temporary contracts		
Metric	vly	2022	2021	vly	2022	2021
Cabin Crew	7%	**18,768**	17,567	113%	**1,478**	692
Pilots	1%	**7,710**	7,652	-	**0**	0
Airport Operations	11%	**12,923**	11,660	103%	**1,155**	568
Corporate Function	7%	**11,648**	10,889	216%	**524**	166
Maintenance	(4%)	**6,894**	7,210	(58%)	**92**	219
Total	5%	**57,943**	54,979	97%	**3,248**	1,646

	Full-time contracts			Part-time contracts		
Metric	vly	2022	2021	vly	2022	2021
Cabin Crew	14%	**14,780**	12,988	4%	**5,465**	5,271
Pilot	(10%)	**5,682**	6,312	51%	**2,028**	1,340
Airport Operations	27%	**10,506**	8,286	(9%)	**3,572**	3,942
Corporate Function	11%	**10,928**	9,829	1%	**1,244**	1,227
Maintenance	(6%)	**6,765**	7,232	12%	**222**	197
Total	9%	**48,661**	44,647	5%	**12,531**	11,977

Description

Average numbers for each employment contract and type are based on the FPE (Full Person Equivalent). FPE looks at how much of the (whole) person's working time is engaged in a particular activity. For instance, an employee working half of the reporting period would be a 0.5 FPE, no matter the type of contract or working-day hours.

Commentary

Refer to 'Composition' commentary in 'Description and commentary for key workforce metrics' in section B.2. Key metrics and progress.

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

	% of voluntary leavers			Voluntary attrition rate			% of non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	2022	2021	vly	2022	2021	vly	2022	2021	vly	2022	2021
Men	4pts	**53%**	49%	4.6pts	**8.9%**	4.3%	6pts	**60%**	54%	0.2pts	**1.4%**	1.2%
Women	(4pts)	**47%**	51%	3.3pts	**7.7%**	6.0%	(6pts)	**40%**	46%	0.3pts	**1.6%**	1.3%
Total	-	**100%**	100%	3.2pts	**8.4%**	5.2%	-	**100%**	100%	0.3pts	**1.5%**	1.2%

Total number of leavers and turnover rate by age

	% of voluntary leavers			Voluntary attrition rate			% of non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	2022	2021	vly	2022	2021	vly	2022	2021	vly	2022	2021
Under 30	5pts	**40%**	35%	8.6pts	**21.1%**	12.5%	24pts	**32%**	8%	2.4pts	**3.1%**	0.7%
30 – 50	(4pts)	**42%**	46%	2.3pts	**6.7%**	4.4%	(13pts)	**34%**	47%	(0.1pts)	**1.0%**	1.1%
Over 50	(1pts)	**18%**	19%	1.5pts	**4.5%**	3.0%	(11pts)	**34%**	45%	(0.2pts)	**1.5%**	1.7%
Total	-	**100%**	100%	3.1pts	**8.4%**	5.1%	-	**100%**	100%	0.3pts	**1.5%**	1.2%

Total number of leavers and turnover rate by employee category

	% of voluntary leavers			Voluntary attrition rate			% of non-voluntary leavers			Non-voluntary attrition rate		
Metric	vly	2022	2021	vly	2022	2021	vly	2022	2021	vly	2022	2021
Cabin Crew	0pts	**27%**	27%	2.3pts	**6.7%**	4.4%	(7pts)	**30%**	37%	(0.1pts)	**1.3%**	1.4%
Pilots	1pt	**3%**	2%	0.8pts	**1.7%**	0.9%	3pts	**8%**	5%	0.6pts	**1.0%**	0.4%
Airport Operations	9pts	**25%**	16%	5.4pts	**9.1%**	3.7%	24pts	**42%**	18%	1.7pts	**2.7%**	1.0%
Corporate Function	(8pts)	**36%**	44%	2.8pts	**14.3%**	11.5%	(18pts)	**16%**	34%	(0.9pts)	**1.2%**	2.1%
Maintenance	(2pts)	**9%**	11%	3.1pts	**6.7%**	3.6%	(2pts)	**4%**	6%	0pts	**0.6%**	0.6%
Total		**100%**	100%	3.1pts	**8.2%**	5.1%		**100%**	100%	0.3pts	**1.5%**	1.2%

Description

Refer to 'Workforce turnover' description in 'Description and commentary for key workforce metrics' in section B.2. Key metrics and progress.

Commentary

Refer to 'Workforce turnover' commentary in 'Description and commentary for key workforce metrics' in section B.2. Key metrics and progress.

B.2.d. Other social and employee-related matters and metrics

Work-life balance and support for co-parenting responsibilities

Relevant standards: GRI 103-2, 401-2

All of the Group's operating companies have taken approaches which coordinate and support the promotion of work-life balance whilst allowing employees to disconnect from work. These policies, at their core, focus on promoting a balanced and flexible working model, reflecting business needs and individual preferences and circumstances.

Our employees have also been offered substantial amounts of information and guidance on creating and managing a healthy work-life balance through digital portals and platforms (e.g., well-being platforms and employee assistance programmes).

With regard to co-parenting responsibilities, the Group's operating companies all have policies on job-sharing, maternity, adoption, paternity and shared parental leave. In addition, there are also active online platforms for working parents and carers to share ideas and to provide mutual support to one another.

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	**2022**	2021	2020
Employees with disabilities[1]	+20%	**724**	603	593
Overall share of headcount	0%	**1.1%**	1.1%	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 2022 percentage has remained stable in 2022 despite the increase in employees with disabilities, this is because there has been a significant increase in headcount for the Group in parts of the business where disability status is self-declared (e.g., UK). The total number of employees with disabilities, however, has increased to 724, compared to 603 in 2021.

Social dialogue in the field of health & safety

Relevant standards: GRI 403-4

IAG operating companies comply with all relevant legislation and work hard to improve and maintain workforce engagement and representation. Operating companies use a combination of human resources and employee engagement programmes and technology, to share information about the business with employees, their representatives and trade unions. Most employees are represented through collective bargaining agreements and Group companies have well-established mechanisms for negotiation and dialogue with relevant trade unions and employee groups. These include regular reviews of matters relating to the health and safety in the workplace.

- British Airways has regular health and safety engagements with trade unions at a local, departmental and directorate level across all areas of the business.
- Iberia has well established health and safety committees in each of their relevant work centres which meet every two months.
- Aer Lingus have a Safety Engagement Programme which empowers managers and supervisors to discuss both safe and unsafe actions and behaviours they observe from their team on a daily basis to improve safety culture and reduce the risk of injuries occurring.
- Vueling holds quarterly meetings with a health and safety committee, composed of Vueling management and trade union appointed safety representatives.

Universal accessibility for people with disabilities

Relevant standards: GRI 103-2

The Group complies with all relevant legislation and, along with our operating companies, ensures universal access for employees and customers with disabilities. Our operating companies comply with all relevant legislation with regards to accessibility for disabled employees and customers in our buildings and throughout our operations.

All our operating airlines have made efforts to ensure that the customer journey is seamless for all customers, but in particular those with disabilities, whilst travelling with us. Operating airlines work with a variety of external organisations, such as the Business Disability Forum in the UK, to help inform and support efforts and strategy.

Our operating companies have also ensured universal accessibility of their booking processes through their website design. Iberia, for example, has partnered with the ONCE Foundation for Cooperation and Social Inclusion of the Disabled to ensure that all the information provided on their website about the booking process, travel requirements and other parts of the customer journey are accessible. This has also included the implementation of accessibility guidelines for Web 2.0 set by W3C-WAI.

The employee and customer accessibility strategies work in conjunction by ensuring front-line employees, such as cabin crew, are trained in disability awareness. This training has a particular focus on hidden disabilities.

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 2022 by seniority level (€) and by age band (€)

		Overall			Male			Female			Salary gap		
	Category	vly	**2022**	2021	vly	**2022**	2021	vly	**2022**	2021	vly	**2022**	2021
Seniority	Senior executives	30.5%	**295,510**	226,454	30.3%	**302,829**	232,392	57.8%	**283,207**	179,510	(16.3%)	**6.5%**	22.8%
	Other management	71.9%	**242,393**	141,018	56.7%	**262,080**	167,297	34.1%	**123,364**	91,981	7.9%	**52.9%**	45.0%
	All other employees	50.8%	**52,155**	34,596	41.9%	**53,636**	37,793	60.9%	**50,512**	31,396	(11.1%)	**5.8%**	16.9%
	Total Workforce	50.0%	**55,521**	37,026	39.8%	**59,226**	42,357	63.0%	**51,758**	31,759	(12.4%)	**12.6%**	25.0%
Age Group	<30	52.4%	**41,069**	26,949	35.6%	**41,107**	30,317	68.9%	**41,018**	24,291	(19.7%)	**0.2%**	19.9%
	30-50	56.5%	**56,637**	36,192	46.3%	**60,507**	41,378	70.7%	**53,582**	31,396	(12.7%)	**11.4%**	24.1%
	>50	50.3%	**67,882**	45,152	47.2%	**72,421**	49,214	58.0%	**62,804**	39,746	(6.0%)	**13.3%**	19.2%
	Total Workforce	50.0%	**55,521**	37,026	39.8%	**59,226**	42,357	63.0%	**51,758**	31,759	(12.4%)	**12.6%**	25.0%

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

Using a consistent basis since 2019, 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 continues on an unchanged basis, in that:

- All values are shown on an annualised basis;
- All values are 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 2021 non euro remuneration have been restated using 2022 exchange rates;
- For employees who do not have a representative relationship between the value of their company-paid remuneration and the number of hours worked for that remuneration, contractual pay is reported in order to reduce the number of group of employees excluded. Supporting the aim of providing a comparable view of pay for employees with differing contractual terms and working patterns, and ensuring the report covers all employees with pay data. Presenting a clear read-across to overall fixed and variable pay relative to time worked is very important in an industry with a high proportion of seasonal, part-time and fixed-term employees with highly variable working schedules;
- The reported salary gap for each population continues to represent the difference between men's 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 recovery 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 returns to a more normalised network and flights schedule, the impact to the salary gap from interim pandemic response measures will continue to diminish. The result is that at Group level, there has been a year-on-year reduction in the median salary gap from 25 per cent in 2021 to 12.6 per cent in 2022, and from 43.6 per cent to 31.7 per cent for the mean salary gap.

There are three key drivers of this change:

- COVID-19 and associated restructuring activities had an adverse impact on workforce composition and gender pay in 2021.
- As markets re-opened and travel restriction eased, airlines built the capacity to meet increasing demands for travel. This included recruiting around 17,400 new colleagues across the Group, with the majority of new hires in Cabin Crew and Airport Operations. This changing resource profile has resulted in a change in the median pay point for men and women.
- Pilot pay remains the most significant driver of IAG's 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 for example, Iberia Express improved female representation in First Officer pilot roles, up from 9 per cent to 11 per cent.

At the start of 2022 we announced our ambition for 40 per cent of women in senior leadership roles by 2025. This new 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 2022 we have seen the percentage of women in the IAG Management Committee increase by 8 percentage points with the appointment of Sarah Clements as IAG's new General Counsel. We ended the year at 34 per cent of women in senior leadership roles, up from 33 per cent in 2021.

Operating companies have implemented a range of initiatives to support gender equality, including reviewing its 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 careers in aviation.

At IAG we remain committed to equity, diversity and inclusion, and have made strong progress in 2022.

Further explanations of the steps that IAG is taking to promote diversity and inclusion across the Group are set out in the 'Diversity, inclusion and equality' 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	2022	2021	2020	2019	2018
Board						
Men	64.0%	**836,667**	510,167	407,326	638,010	721,159
Women	20.4%	**138,000**	114,600	109,798	133,799	154,804
Management Committee						
Overall	18.3%	**1,523,328**	1,287,780	653,403	1,012,671	1,105,034

Description

- The reported components of remuneration include:
- Executive directors: basic salary, taxable benefits (Company car and private health insurance), employer pension contributions, annual incentives paid in the reporting period, long-term incentives vesting in the reporting period and 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 more highly 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 2022 and 2021 the remuneration of ten non-executive directors and the IAG CEO is included, with the same split of six male and five females.

The key factors influencing the increased remuneration for directors, are:

- The increase in IAG CEO remuneration from 2021 to 2022, driven by:
  - First year since appointment in which the CEO received his full contractual salary (following a 10 per cent reduction in 2021 and 20 per cent reduction in 2020);
  - As the Group emerges stronger from the pandemic, 2022 was the the first year since 2019 that the IAG CEO received an Annual Incentive Award;
  - The vesting to the IAG CEO in 2022 of deferred share awards granted in 2019; and
  - The release from holding to the IAG CEO of the 2017 PSP award.
- Non-executive directories fees reverted to contractual rates in 2022 (in 2020 a 20 per cent COVID-19- related reduction operated against all directors' salaries/fees, and a similar 10 per cent reduction operated in 2021; and
- As markets re-opened and travel restriction eased, there is an increase in the take-up of personal flight benefits.

Further explanations of Board remuneration are set out in the Directors 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 remained unchanged from 2021 to 2022. The increase in average Management Committee member remuneration in 2022 was driven by factors such as:

- Changes in Management Committee membership between 2021 and 2022;

  For 2022, this reports the total remuneration of ten Management Committee members, eight male and two females. For comparison, last year's data set was comprised of nine Management Committee members, eight male and one female. No gender break-out is shown for confidentiality reasons, given the female data set relates to only two employees.
- The respective release and vesting of historical 2017 and 2019 deferred share awards. The performance outturn for both of these awards was assessed before the start of pandemic period and as such should be seen as trailing remuneration and not remuneration earned during the pandemic period;
- A return to contractual salary being paid to Management Committee members in 2022, versus COVID-19-related salary reductions in 2020 and 2021 (reductions of up to 50 per cent of salary were put in place in 2020, with lesser reductions in 2021); and
- Payment of approved 2022 annual incentive awards.

The awards resulting from the change in long term incentive approach from a 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

IAG sees work experience as a valuable way of supporting local employment, by engaging young people with IAG's business and preparing them for potential careers in aviation. All our operating companies offer programmes and initiaitves which support this aim.

British Airways has a variety of graduate and apprenticeship programmes and has welcomed 125 new apprentices and 47 graduates in 2022 - with plans to increase these numbers to 50 graduates and 160 apprentices in 2023. These programmes are consistently ranked highly in the Cibyl Top 300 Graduate Employer rankings and the National Graduate Recruitment Awards for Engineering and Transport. British Airways has reviewed the entry requirements for its Apprenticeship programme to aid social mobility. This has resulted in 41.7% Female representation in STEM programmes (against government target of 23%) and, for all programmes, 23% BAME representation (against government target of 13.9%).

Iberia has continued to run its successful internship scholarship programme with Fundación Universidad Empresa, offering postgraduates students unique oportunities within the airline. In addition Iberia continues to offer vocational programmes within their MRO area and they have multiple agreements with several vocational training schools in the Madrid area for their Aeronautical Maintenance Technician programme.

Aer Lingus continues to directly engage with colleges across Ireland, running career days and recruitment fairs to inform students of career opportunities in aviation. They have also continued with their partnership with Enactus, to help students at key colleges and universities across Ireland on projects to help develop their entrepreneurial skills to address complex issues within the wider community. Aer Lingus have also continued to focus on initiatives which encourage more females to apply for apprenticeship programmes with Aer Lingus engineering.

At Vueling, they sponsor the Cranfield University Job Fair and the ESADE Brand Management Challenge which focuses on supporting and attracting the best young talent into the aviation sector. Vueling has also participated in the Disjobs job fair for people with disabilities as part of their overall EDI strategy.

IAG Loyalty have launched their Early Talent agenda which pays attention to a multitude of EDI topics, including a new partnership with Innovate Her - who's vision is to make the tech sector more equitable, by increasing diversity and creatingmore inclusive workplaces. They have also launched their first Intern programme and launched new partnerships with Greycoats school and Liverpool University. IAG Loyalty also have a strong apprenticeship programmes and currently have 6 apprentices in their Product and Data team completing their Level 7 apprenticeship.

B.9.2. Consumer relationship management

Relevant standards: GRI 102-43, 103-2

Claims systems and complaints

	Unit	vly	2022	2021	2020	2019	2018
Customer complaints	# per 1,000 passengers	(8%)	**4.5**	4.9	6.5	3.2	N/A

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 airline websites, by mail, or by phoning customer contact centres. The types of customer complaint 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 2022, across the IAG airlines, an average of 4.5 complaints were received per 1,000 flown passengers. This ratio was slightly lower than in 2021 but still higher than in 2019. The volume of complaints throughout 2022 was heavily impacted by the huge level of disruption in its many forms across the group.

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 airline 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	2022	2021	2020	2019	2018
Total public subsidies	€ million	(59%)	**293**	707	474	94	nr
UK and EU ETS allowances at zero cost	€ million	(1%)	**273**	277	122	nr	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 December 31 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.

The Group has also received government assistance, which is not considered as public subsidies in accordance with International Financial Reporting Standards and is therefore not included in the amount above, for the following:

- Iberia and Vueling both benefited from the Temporary Redundancy Plan (ERTE) that the government of Spain implemented in March 2020. Under this scheme, employment is temporarily suspended and designated employees are paid directly by the government and there is no remittance made to the Group.
- The Group benefited from a number of financial facilities supported by national governments of the jurisdictions in which the operating companies principally operate. These include the UK's Export Finance (UKEF), Spain's Instituto de Crédito Oficial (ICO) and the Ireland Strategic Investment Fund (ISIF).

B.9.4. Accounting profit/(loss) before tax

Relevant standards: GRI 207-4

	Unit	vly	2022	2021	2020	2019	2018
UK	€ million	(2%)	**46**	(2,417)	(4,512)	1,618	2,770
Spain	€ million	(58%)	**408**	(705)	(2,538)	489	512
Republic of Ireland	€ million	11%	**(41)**	(368)	(556)	240	272
Other countries	€ million	(14%)	**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 reflect 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	2022	2021	2020	2019	2018
UK	€ million	9%	**3**	31	77	161	191
Spain	€ million	(135%)	**126**	(93)	(95)	(71)	92
Republic of Ireland	€ million	0%	**0**	(2)	(28)	27	61
Other countries	€ million	519%	**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 €134 million is greater than the expected tax charge for the Group of €102 million. The difference arises primarily due to the delay between when losses are included in the accounting result, and the future period when those losses are taken into account in calculating tax payments.

"Other" comprises Belgium, Costa Rica, Dominican Republic, Germany, Guatemala, Honduras, India, Maldives, Mexico, Peru, Poland, Puerto Rico, Senegal, South Africa and the United States.

C. Governance

Sections C.1. to C.7. are on prior pages in this NFIS.

C.8. Description of EU Taxonomy and 2022 related activities

The EU Taxonomy regulation is a new framework to identify and to facilitate sustainable investment across the EU.

IAG has further developed its approach on the EU Taxonomy and has reported on its sustainable activities in line with the EU Taxonomy Regulation (2020/852) and related delegated acts, collectively referred to as the Taxonomy, which aim to identify environmentally sustainable activities linked to the Taxonomy.

This report covers the "eligible" and "aligned" economic activities undertaken by the Group in 2022. The report only considers activities relating to the Taxonomy objectives of climate change mitigation and climate change adaptation as these are the only objectives currently under the Taxonomy.

While there are draft proposals to bring aviation and other activities into the Taxonomy, these have not yet been passed into EU law and as such, there are no Taxonomy–related categories for aviation. Therefore, the majority of the expenditure incurred by the Group is taxonomy–ineligible. In 2022:

- None of the Group's revenue was eligible under the Taxonomy;
- 0.3% of overall Capex was eligible and;
- 0.2% of Opex was eligible Taxonomy-related activity[1].

However, the categories relating to buildings infrastructure; energy; information technology; transport (ground); waste/recycling; and innovation, research and development are applicable to the activities of the Group and these have been the primary focus of our Taxonomy screening activity.

Methodology/data collection and validation

Data collection and validation have been conducted through the established governance structure described in section C.2, with IAG Group Finance performing an integral role in the design, collection and validation of the Taxonomy data. Reviews of existing and proposed Taxonomy regulation is conducted through the monthly IAG Sustainability Network throughout the year.

Using the Taxonomy regulations and the online "Taxonomy Compass" the Group Sustainability team and IAG Group Finance have co-ordinated the identification of eligible activities (i.e. those that should be screened) and their conclusions have been confirmed by further analysis at the airline/operating company level. In order to calculate the relevant Key Performance Indicators (KPI) and numerators, each airline/operating company reviewed all activities undertaken against the following categories:

Key activities
Construction and real estate activities
Renovation of existing buildings
Acquisition and ownership of buildings
Installation, maintenance and repair of energy–efficiency equipment
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
Installation, maintenance and repair of renewable energy technologies
Energy
Electricity generation using solar photovoltaic technology
Information and communication
Data processing, hosting and related activities
Computer programming, consultancy and related activities
Data-driven solutions for GHG emissions reductions
Technical, scientific and professional activities
Research into innovative low–carbon technologies
Transport
Transport by motorbikes, passenger cars and light commercial vehicles
Water supply, sewerage, waste management and remediation
Material recovery from non-hazardous waste

1 0.2% of total operating expenditure as reported in the 2022 Annual Report and Accounts

Co-ordination at Group level ensures the correct allocation of expenditure between numerators and denominators and that intra-group transactions are excluded. The Group issued guidance to ensure that the activities were apportioned appropriately between capital spend (CAPEX) and operational spend (OPEX). Operating companies were instructed regarding the determination and composition of both the CAPEX and OPEX denominators. During the 2022 data–gathering process the categories included in the OPEX denominator were widened to include all repairs and maintenance (including aircraft maintenance activity) across the business, including some activities that are sub-contracted: for example some building maintenance and cleaning activities. Most of this activity does not fit under aligned activity within the existing Taxonomy.

The Group and the operating companies listed all possible Taxonomy–eligible activities arising in 2022. While there were no revenue Taxonomy–eligible activities identified, activities relating to CAPEX and OPEX were identified and quantified by the operating companies and subsequently reviewed for compliance with the Group guidance and the Taxonomy Compass to ensure that they have been appropriately recorded in line with the defined activities of the Taxonomy.

Following the identification of eligible spend, each airline/operating company undertook an assessment of compliance against the "substantial contribution" criterion for each activity as outlined in the Taxonomy Compass in order to establish alignment. Where overall OPEX or CAPEX per activity was below €2 million per airline/operating company, this was immaterial and therefore no further action was taken. For those activities where spend was over €2 million, further screening was performed, assessing each project undertaken.

At a Group level, IAG undertook a climate vulnerability risk assessment as specified in line with the relevant Annex of the Delegated Regulation (EU) 2021/2139 defining the criteria for "do no significant harm" and minimum safeguards criteria.

Taxonomy–eligible and aligned activities

The Group incurred limited Taxonomy–eligible spend in 2022. Areas of spend included:

- The maintenance and refurbishment of buildings - this expenditure was minimal;
- Activity in the category of transport relating to electric vehicles, vehicle charging and maintenance of the ground vehicle fleet;
- Electricity generation from solar photovoltaic technology; and
- The programme to migrate a number of data centres to cloud-based systems and some computer programming expenditure.

The Group's multiple investments and offtake agreements in Sustainable Aviation Fuel (SAF) manufacture and hydrogen propulsion are presently not eligible activities under existing Taxonomy regulation.

IAG's final Taxonomy Report and associated data are reviewed through the Group's sustainability governance process with final sign–off by a Taxonomy sub-group of the Sustainability Steering Board, with senior representation from the Chief People, Corporate Affairs and Sustainability Officer and the Group Financial Controller.

KPI – Revenues

The Group continues to work to develop more sustainable products and services as detailed in the At a Glance section of this NFIS. However, IAG generated no revenues from Taxonomy–eligible products and services during 2022. Group airlines presently offer customers the opportunity to fly more sustainably through sponsoring SAF flights or through the purchase of carbon offsets and removals. These are ineligible under present Taxonomy rules. During 2023 to 2025 the airlines' sustainable product offers will be enhanced and made more widely available to customers including the broader provision of SAF which may be eligible as revenue once aviation becomes part of the Taxonomy.

The denominator has been determined in line with Article 2, point (5), of Directive 2013/34/EU.

The KPI for revenue is that zero per cent of total revenue (€23.1 billion) is currently aligned under the Taxonomy.

KPI – CAPEX

In determining the denominator for Capex, the calculation of relevant spend was carried out in accordance with Annex I, section 1.1.2.1 of the Delegated Regulation (EU) 2021/2178. All spend aligning to Group reporting aligned to IFRS rules has been collated – including fleet-related expenditure.

The table below shows the specific activities that were carried out across the Group that align with the Taxonomy as defined in the Climate Delegated Act 2021/2139.

Table of Taxonomy-eligible and aligned CAPEX

				Substantial Contribution Criteria		DNSH criteria (Does no significant harm)				
Economic activities	Taxonomy codes	Absolute Capex	Proportion of Capex	Climate Change Mitigation	Climate Change Adaptation	Climate Change Mitigation	Climate Change Adaptation	Taxonomy-aligned proportion of CapEx, 2022	Category (enabling activity)	Category (transitional activity)
	Unit	€'m	%	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES										
A1, CAPEX of Environmentally Sustainable Activities (Taxonomy-aligned)	n/a		0%	n/a	n/a	n/a	n/a	0%		
A2, CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**15**	**0.3%**							
Computer programming, consultancy and related activities	8.3	10	0.2%					n/a		T
Renovation of existing buildings	7.2	5	0.1%					n/a		T
Total (A1+A2)		**15**	**0.3%**					**0%**		
B. CAPEX of Taxonomy non-eligible activities		5,120	99.7%							
Total (A+B)		**5,135**	**100.0%**							

The denominator for this calculation includes aircraft-fleet-related expenditure, although the Group is unable to report any direct or associated eligible expenditure related to the fleet. Given the largest proportion of our expenditure relates to fleet, the percentage of Taxonomy-eligible CAPEX reported is not material. The proportion of Taxonomy-aligned spend was zero per cent.

KPI – OPEX

The Group has identified the following OPEX activities associated with the Taxonomy: buildings and plant maintenance and repair, vehicles and vehicle charging, maintenance of solar photovoltaic equipment, computing and data processing and hosting. This has resulted in limited activities being Taxonomy–eligible or aligned. Small amounts of expenditure have been incurred in building maintenance. In addition, there are certain third-party outsourced expenses directly associated with the energy transition the Group is committed to undertake, that have been incorporated into OPEX. The Group's multi-year expenditure on IT data transformation activities has continued and will continue through 2023, with a particular focus on finalising the migration to cloud environments.

In determining the denominator for OPEX, the overall calculation of relevant spend was carried out in accordance with Annex I, sections 1.1.3.1 and 1.1.3.2 of the Delegated Regulation (EU) 2021/2178. The following table shows the eligible activities at Group level that are above €2 million. The expenditure related to short–term leases was negligible as most of this was associated with aircraft rather than buildings.

Table of Taxonomy- eligible and aligned OPEX

				Substantial Contribution Criteria		DNSH criteria (Does no significant harm)				
Economic activities	Taxonomy codes	Absolute Opex	Proportion of Opex	Climate Change Mitigation	Climate Change Adaptation	Climate Change Adaptation	Climate Change Mitigation	Taxonomy-aligned proportion of Opex, 2022	Category (enabling activity)	Category (transitional activity)
	Unit	€'m	%	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY ELIGIBLE ACTIVITIES										
A1, OPEX of Environmentally Sustainable Activities (Taxonomy-Aligned)	n/a		0%	n/a	n/a	n/a	n/a	0%		
A2, OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**51**	**3.5%**							
Data Processing, Hosting and Related Activities	8.1	31	2.1%					n/a		T
Computer programming, consultancy and related activities	8.3	20	1.4%					n/a		T
Total (A1+A2)		**51**	**3.5%**					**0%**		
B. OPEX of Taxonomy non-eligible activities		1,400	96.5%							
Total (A+B)[1]		**1,451**	**100.0%**							

1 Total OPEX for the purpose of meeting the definitions of the Taxonomy does not align with the Group's consolidated financial statements prepared under IFRS.

The Group's overall OPEX Taxonomy–aligned KPI for 2022 was zero per cent, reflecting the limited scope of eligible and aligned Taxonomy activities applicable to the operations of the Group.

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(F) means fully compliant, (P) means partially compliant. (1) means internal framework: see corresponding pages.

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

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